

Los Angeles County
Metropolitan Transportation Authority
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
Los Angeles, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

Prepared by the Accounting Department
Jesse Soto, Interim Controller
Nalini Ahuja, Executive Director, Finance and Budget



Metro[™]

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2014**

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Introductory Section



Metro

Los Angeles County
Metropolitan Transportation Authority

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December 19, 2014

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, 2014 is submitted herewith. State law requires LACMTA to publish a complete audited financial statement within six months of the close of each fiscal year.

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 unmodified (clean) opinion on LACMTA's financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is located in 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 controls. 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. All material disclosures necessary to enable the reader to gain an understanding of LACMTA's financial activities have been included.

The management's discussion and analysis (MD&A), shown on pages 13 to 28, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

LACMTA was created by State of California Assembly Bill 152, Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, which became effective on February 1, 1993. LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator of one of the country's largest and most populous

counties. More than 10 million people, nearly one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

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

LACMTA's financial reports include the activities of the Public Transportation Service Corporation (PTSC), PTSC-MTA Risk Management Authority (PRMA), Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC), 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 FY15 Budget – Once the FY14 budget is adopted, LACMTA will then begin to balance the budget by updating the Ten-Year Forecast using known parameters and future assumptions made by the Executive Management. This Ten-Year forecast includes revenue and expense forecasts and trend analysis for all funds and major programs which will identify any potential situations where deficits might occur. It will also highlight instances where expense growth pattern may not be in synch with the related revenue growth.

The \$5.4 billion FY15 adopted budget is 8.2% more than LACMTA's FY14 budget. The increase is largely due to the ongoing and future constructions for heavy rail and light rail lines. Other transit and highway projects are also underway in FY15 as LACMTA continues to commit to the maintenance and improvements in safety, security, reliability, and customer friendliness of LACMTA's existing facilities and services.

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. The portion of costs expected to be incurred on each project during the fiscal year is included in annual appropriations. The budgetary control for capital projects is at the life-of-project level and thus the funding allocations do not lapse at the end of each fiscal year. LACMTA maintains an encumbrance accounting system as another tool of budgetary control.

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

Local Economy

Los Angeles County (County) is one of 58 counties in the State of California, and it has a land area of 4,084 square miles. The County consists of 88 dynamic cities that are culturally diverse, with approximately 10 million residents. If it were a state, the County would rank as the 9th largest state in the U.S., just behind Georgia and ahead of Michigan. In terms of the economy, LA County has the largest economy in the nation, has about \$572 billion in gross national product. If it were a country, it would rank as the 21st largest economy in the world, larger than Sweden, Norway, Poland, or Belgium.

As the County's economy continues to grow, employment outlook remains optimistic. As of July 2014, the seasonally adjusted unemployment rate in the County was reported as 8.1%. The unadjusted unemployment rate was 8.7%, as opposed to 10.7% in July 2013. Much of this improvement came from four major industries – healthcare and social assistance, leisure and hospitality, professional, scientific, and technical services, and construction – which accounted for more than 73% of the jobs created last year combined. Potential jobs can also be seen in the fields of bio-medical, digital information technology, environmental technology, video games, and film production since LA County is largely technology driven, and it has advanced technical research capabilities.

International trade also plays an important role in the County's economic growth. The San Pedro Bay Ports of Los Angeles and Long Beach and the Los Angeles International Airport are the two largest container ports and busiest air cargo terminals in the nation, respectively. Two-way trade experienced growth in terms of trade volume last year, and this growth is expected to continue at an accelerated rate by 2015.

With the County's growing population, its transportation industry is undoubtedly an extensive one. LACMTA has established several projects to alleviate congestion problems in the County and ease the use of the freeway system, especially during peak hours, by increasing access to bus and rail services. LACMTA'S rail system with 170 miles of track is the third largest in the U.S., which carries more than 360,000 weekday passengers. In addition, there are other mass transit options in the County, which includes other cities and municipalities bus operators, Amtrak, and Metrolink (commuter rail). Rail freight services are provided by Burlington Northern Santa Fe and Union Pacific.

The County's economy continues to grow in 2014. It is, however, still far from reaching the pre-crisis prosperity. In response, the County's Board of Supervisors, together with the LA County Economic Development Corporation, has formulated a strategic plan to address this concern. This plan will promote economic development while gaining a competitive advantage and stimulating a sustainable and stronger growth in an aggressively changing environment.

Long-term Financial Planning

Long-term financial planning is accomplished in three stages at LACMTA: (1) the Long Range Transportation Plan (LRTP), (2) the Short Range Transportation Plan (SRTP), and (3) the Ten-Year Forecast. The LRTP is a 25-30 year plan that is updated every 2-3 years. The LRTP is adopted by the Board and prioritizes the highway and transit infrastructure projects and transit services for the entire region. The SRTP is a five-year plan that is updated periodically and 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's budget as the baseline year. The LRTP, the SRTP, and the Ten-Year Forecast use the most recent Adopted Annual Budget as the baseline for the period covered in those plans.

Relevant Financial Policies

The Board approves the financial stability policy at the same time the annual proposed budget is approved each year. The policy remains in effect until it is amended or changed by the Board.

The Financial Stability Policy (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

LACMTA continues to oversee five major transit projects in FY15: 1) Gold Line Foothill Extension, 2) EXPO Line Phase II Extension to Santa Monica, 3) Crenshaw/ LAX Transit Corridor, 4) Light Rail Regional Connector, and 5) Westside Subway Purple Line Extension. Several highway projects are also underway in FY15 such as the constructions of the I-405 through the Sepulveda Pass and the I-5 south from Orange County to I-605, several environmental, planning, and engineering studies, the Countywide Soundwall Projects, and the Freeway Beatification Pilot Project.

LACMTA is also expanding and innovating its Transit Access Pass (TAP) fare collection system. Long Beach recently became the newest operator to join in the TAP system. Santa Monica and other cities will follow suit in FY15. In addition, a mobile application is also being planned to provide a more innovative and easier way for commuters to manage their TAP accounts, register cards, add payment options, and purchase a variety of fare products. Further studies and evaluations of fare collection systems are to be conducted to ensure that future fare technologies will be compatible with each other, as well as allow seamless travel and connectivity with other regional transit agencies.

Awards

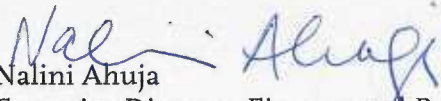
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to LACMTA for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The Certificate of Achievement is the highest 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

The preparation of this report would not have been possible without the skills, effort and dedication of the entire staff of the Accounting Department. We wish to thank all other departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board and to the CEO for their unfailing support in maintaining the highest standard of professionalism in the management of LACMTA's finances.

Respectfully submitted,


Nalini Ahuja
Executive Director, Finance and Budget



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Los Angeles County

**Metropolitan Transportation Authority
California**

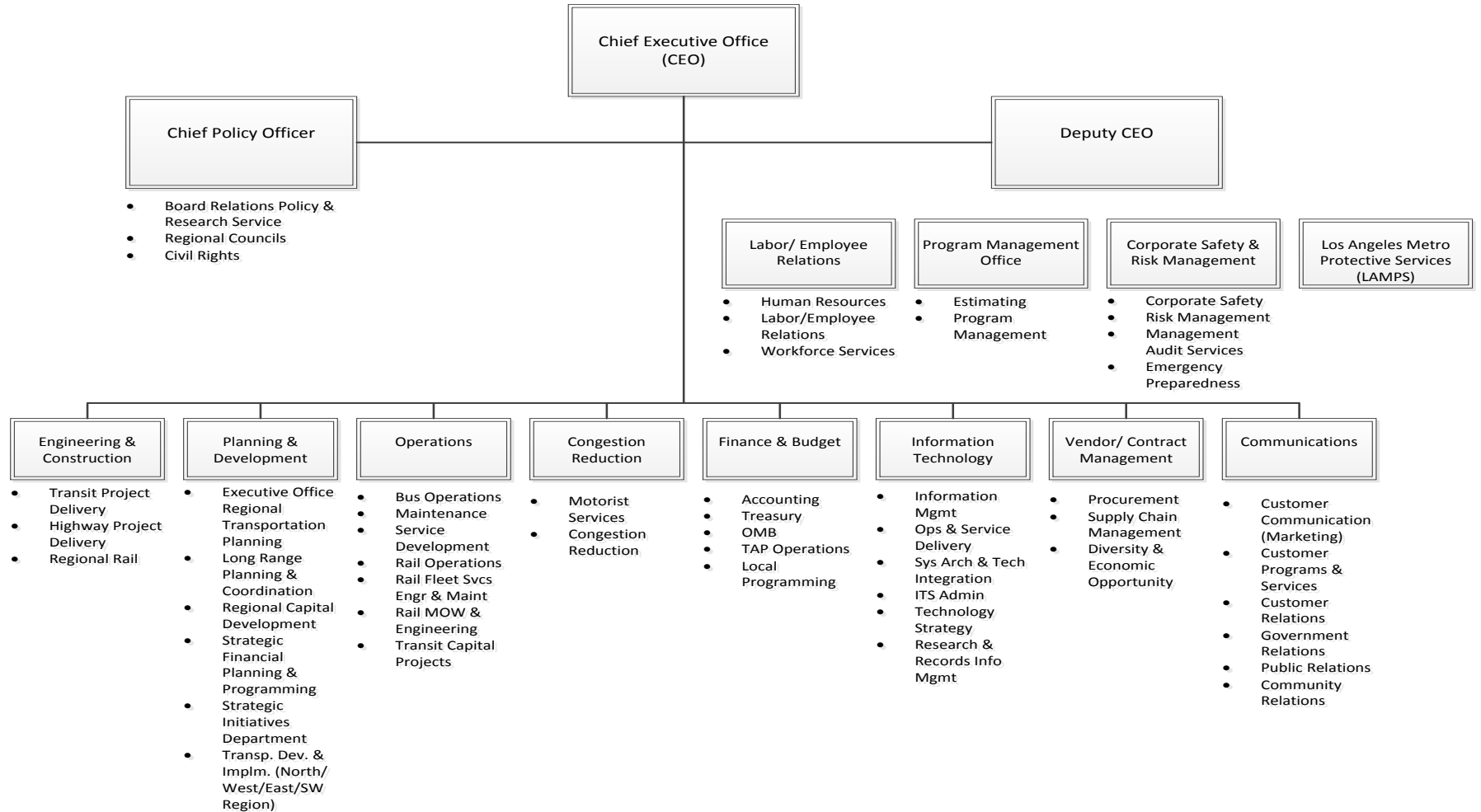
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Los Angeles County Metropolitan Transportation Authority

Management Organizational Chart



Los Angeles County Metropolitan Transportation Authority
BOARD OF DIRECTORS
(Updated as of July 2014)



Eric Garcetti
Chair
Mayor, City of Los Angeles



Mark Ridley-Thomas
First Vice Chair
LA County Supervisor
2nd Supervisorial District



John Fasana
Second Vice Chair
City Council Member
City of Duarte



Michael D. Antonovich
LA County Supervisor
5th Supervisorial District



Mike Bonin
City Council Member
City of Los Angeles



Diane DuBois
Council Member
City of Lakewood



Jacquelyn Dupont-Walker
City of Los Angeles Appointee



Don Knabe
LA County Supervisor
4th Supervisorial District



Paul Krekorian
Council Member
City of Los Angeles



Gloria Molina
LA County Supervisor
1st Supervisorial District



Ara Najarian
Council Member
City of Glendale



Pam O' Connor
Mayor, City of Santa Monica



Zev Yaroslavsky
LA County Supervisor
3rd Supervisorial District



Carrie Bowen
Non-Voting

Los Angeles County Metropolitan Transportation Authority

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
Inspector General

Executive Staff

Lindy Lee
Deputy Chief Executive Officer

William Foster
Interim Chief Operations Officer

Nalini Ahuja
Executive Director, Finance and Budget

Don Ott
Executive Director, Employee and
Labor Relations

Brian Boudreau
Executive Director, Project Management
Oversight

Brian Pennington
Executive Director, Engineering and
Construction

Patricia Torres Bruno
Chief Policy Officer

Noelia Rodriguez
Chief Communications Officer

Dave Edwards
Chief Information Officer

Martha Welborne
Chief Planning Officer

Greg Kildare
Executive Director, Enterprise Risk and
Safety

Stephanie Wiggins
Executive Director, Vendor/Contract
Management

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Financial Section



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the LACMTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, which represent 77%, 77%, and 74% of the assets, net position, and revenues/additions respectively, of the aggregate remaining fund information. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, are based solely on the report 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the basic 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 LACMTA, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management’s discussion and analysis, the schedules of funding progress, and the budgetary comparison information on pages 13–28 and 103–111 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LACMTA’s basic financial statements. The accompanying other supplementary information on pages 113-118 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections on pages 1-9 and 119-141 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LACMTA’s internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 19, 2014

**Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014**

As management of the Los Angeles County Metropolitan Transportation Authority (LACMTA), we offer readers of LACMTA's financial statements this narrative overview and analysis of the financial activities of LACMTA for the fiscal year ended June 30, 2014. The LACMTA's financial statements are 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
- Identify individual major fund issues

We encourage readers to consider the information presented here in conjunction with additional information that we have in our letter of transmittal which can be found on pages 1-5 of this report. All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- LACMTA's total assets and deferred outflows of resource exceeded its liabilities and deferred inflows of resources as of June 30, 2014 by \$8,857,997. Of this amount, \$550,877 is reported as unrestricted net position.
- LACMTA's total net position increased by \$515,075, 6.17%, over the previous year. Business-type activities net position increased by \$944,014, 18.66%, and governmental activities net position decreased by \$428,939, 13.06%. The increase in the business-type activities net position is due to increase in capital and operating grants. For governmental activities, the decrease in net position is primary due to decrease in program revenues and increase in program expenses.
- At the close of the current fiscal year, the LACMTA's governmental funds reported combined fund balances totaling \$1,954,621, a decrease of \$517,133 in comparison with prior year. Of this amount, \$1,446,075 is restricted, \$19,403 is committed and assigned, and \$489,143 is unassigned available for spending at LACMTA's discretion.
- At the end of current fiscal year, the unrestricted fund balance, the total of the committed, assigned and unassigned components of fund balance, for the general fund was \$508,546 or approximately 551.32% of total general fund expenditures.
- During the fiscal year 2014, LACMTA issued an aggregate principal amount of \$313,490 of Proposition C Sales Tax Revenue Bonds, Senior Bonds Series 2013-B at a premium. LACMTA also issued \$124,965 in aggregate principal amount of Proposition C Sales Tax Revenue Refunding Bonds to refund and defease \$144,230 of Proposition C Sales Tax Revenue Bonds, Senior Bonds Series 2004-A to achieve a net present value of cash flow savings of \$ 17,801. Total scheduled principal payments in fiscal year 2014 amounted to \$164,180.

**Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014**

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 of three components: (1) the government-wide financial statements; (2) the fund financial statements; and (3) notes to the financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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 Position, page 29, presents information on all of LACMTA's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, trends of increasing or decreasing net position may serve as useful indicator of whether the financial position of LACMTA is improving or deteriorating.

The Statement of Activities, pages 30-31, presents information showing how LACMTA's net position changed during the most recent fiscal 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 for business-type activities, and those functions that are principally supported by governmental revenues for 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), PTSC-MTA Risk Management Authority (PRMA), Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC) and the Service Authority for Freeway Emergencies (SAFE).

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. LACMTA's funds are divided into three categories: proprietary, governmental, and fiduciary.

**Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014**

Proprietary Funds

LACMTA maintains only one proprietary fund: the Bus and Rail Operations Enterprise fund. All transit-related transactions, including support services, capital, debt, *ExpressLanes*, and the Union Station operation activities are recorded in this fund and presented in the business-type activities in the government-wide financial statements.

The Enterprise fund is used to report the type of functions presented in the business-type activities in the government-wide financial statements. The proprietary fund financial statements can be found on pages 39-41.

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 and outflows of spendable resources, as well as on balances of available spendable resources at the end of current fiscal year.

The basic governmental fund financial statements can be found on pages 32-33 and 36-37.

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 35 and 38 are shown to facilitate the comparison between the governmental funds and the government-wide financials.

LACMTA maintains eleven individual governmental funds, seven of which are considered major funds. Individual fund data for the major funds are presented in the governmental funds' balance sheet and governmental funds' statement of revenues, expenditures, and changes in fund balances.

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major special revenue funds on pages 105-111, for the non-major fund on page 115, and the aggregate remaining special revenue funds on page 116.

Fiduciary Funds

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity. Since these assets are not available to fund LACMTA's programs, they are excluded from the government-wide financial statements. They cover the five employee pension plans and the Other Postemployment Benefits (OPEB) Trust fund that are administered by LACMTA. The basic fiduciary fund statements can be found on pages 42-43.

**Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014**

Notes to Basic 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 45-101.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary and statistical information beginning on page 103.

**Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014**

Government-wide Financial Analysis

Statement of Net Position

LACMTA's net position at June 30, 2014 increased by \$ 515,075 (6.17%) when compared with June 30, 2013. The change was due to higher revenues on sales tax and capital grants and contributions.

The following table is a summary of the statement of net position as of June 30, 2014 and 2013:

Los Angeles County Metropolitan Transportation Authority Summary Statement of Net Position						
	Business-type Activities		Governmental Activities		Total	
	2014	2013	2014	2013	2014	2013
Current & other assets	\$2,303,744	\$2,076,544	\$2,483,660	\$2,798,508	\$4,787,404	\$4,875,052
Capital assets	9,189,325	8,229,462	772,794	772,794	9,962,119	9,002,256
Deferred outflows - derivatives	42,895	78,944	-	-	42,895	78,944
Total assets and deferred outflows	11,535,964	10,384,950	3,256,454	3,571,302	14,792,418	13,956,252
Long-term liabilities	4,876,131	4,972,161	20,054	21,187	4,896,185	4,993,348
Other liabilities	656,985	353,928	381,251	266,027	1,038,236	619,955
Deferred inflows - derivatives	-	27	-	-	-	27
Total liabilities and deferred inflows	5,533,116	5,326,116	401,305	287,214	5,934,421	5,613,330
Net investment in capital assets	5,587,514	4,908,034	772,794	772,794	6,360,308	5,680,828
Restricted for:						
Debt service	504,782	469,027	-	-	504,782	469,027
Proposition A ordinance projects	-	-	342,565	191,111	342,565	191,111
Proposition C ordinance projects	-	-	39,419	40,057	39,419	40,057
Measure R ordinance projects	-	-	664,954	1,189,279	664,954	1,189,279
PTMISEA projects	-	-	108,904	158,943	108,904	158,943
TDA and STA projects	-	-	203,463	324,387	203,463	324,387
Other non-major governmental projects	-	-	82,725	92,954	82,725	92,954
Unrestricted	(89,448)	(318,227)	640,325	514,563	550,877	196,336
Total net position	<u>\$6,002,848</u>	<u>\$5,058,834</u>	<u>\$2,855,149</u>	<u>\$3,284,088</u>	<u>\$8,857,997</u>	<u>\$8,342,922</u>

The increase in current and other assets of \$227,200, 10.94%, in the business-type activities was due to Measure R funds received for the construction of Crenshaw/LAX Transit Center, Metro Gold Line Foothill Extension and Phase 2 of the EXPO light rail line.

The increase in the business-type unrestricted net position of \$228,779, 71.89%, was primarily due to increase in federal, state and local funding for major capital projects.

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The increase in capital assets of \$959,863, 11.66%, was primarily due to construction of LACMTA's major capital projects as described on pages 23-25.

The decrease in current and other assets of \$314,848, 11.25%, in the government-type activities was mainly due to funding of LACMTA's major capital funded projects.

Statement of Activities

The following table is a summary of the statement of activities for the years ended June 30, 2014 and 2013:

Los Angeles County Metropolitan Transportation Authority Summary Statement of Activities						
	Business-type Activities		Governmental Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 400,832	\$ 382,003	\$ 5,899	\$ 23,770	\$ 406,731	\$ 405,773
Operating grants and contributions	241,808	272,951	410,545	502,374	652,353	775,325
Capital grants and contributions	298,199	135,653	-	-	298,199	135,653
General revenues:						
Sales tax	-	-	2,778,676	2,519,720	2,778,676	2,519,720
Investment income	13,273	16,775	8,554	14,421	21,827	31,196
Net appreciation (decline) in fair value of investments	(12)	1,202	6,165	(9,599)	6,153	(8,397)
Miscellaneous	11,707	7,549	22,244	42,203	33,951	49,752
Total program revenues	<u>965,807</u>	<u>816,133</u>	<u>3,232,083</u>	<u>3,092,889</u>	<u>4,197,890</u>	<u>3,909,022</u>
Program expenses:						
Bus and rail operations	1,940,775	1,918,891	-	-	1,940,775	1,918,891
Union station operations	7,498	6,586	-	-	7,498	6,586
Toll operations	12,803	10,102	-	-	12,803	10,102
Transit operators programs	-	-	346,326	239,718	346,326	239,718
Local cities programs	-	-	541,736	431,470	541,736	431,470
Congestion relief operations	-	-	44,792	-	44,792	-
Highway projects	-	-	521,755	312,807	521,755	312,807
Regional multimodal capital programs	-	-	29,080	146,528	29,080	146,528
Paratransit programs	-	-	92,745	13,097	92,745	13,097
Other transportation subsidies	-	-	62,861	130,964	62,861	130,964
General government	-	-	82,444	219,751	82,444	219,751
Total program expenses	<u>1,961,076</u>	<u>1,935,579</u>	<u>1,721,739</u>	<u>1,494,335</u>	<u>3,682,815</u>	<u>3,429,914</u>
Increase (decrease) in net position before transfers	(995,269)	(1,119,446)	1,510,344	1,598,554	515,075	479,108
Transfers	1,939,283	1,215,764	(1,939,283)	(1,215,764)	-	-
Increase in net position	944,014	96,318	(428,939)	382,790	515,075	479,108
Net position – beginning of year	5,058,834	4,962,516	3,284,088	2,901,298	8,342,922	7,863,814
Net position – end of year	<u>\$6,002,848</u>	<u>\$5,058,834</u>	<u>\$2,855,149</u>	<u>\$3,284,088</u>	<u>\$8,857,997</u>	<u>\$8,342,922</u>

Business-type activities recovered 28.93% of total operating expenses from operating revenues, excluding depreciation and interest, compared to 28.66% in the prior year. The

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For the Fiscal Year Ended June 30, 2014**

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 and grants.

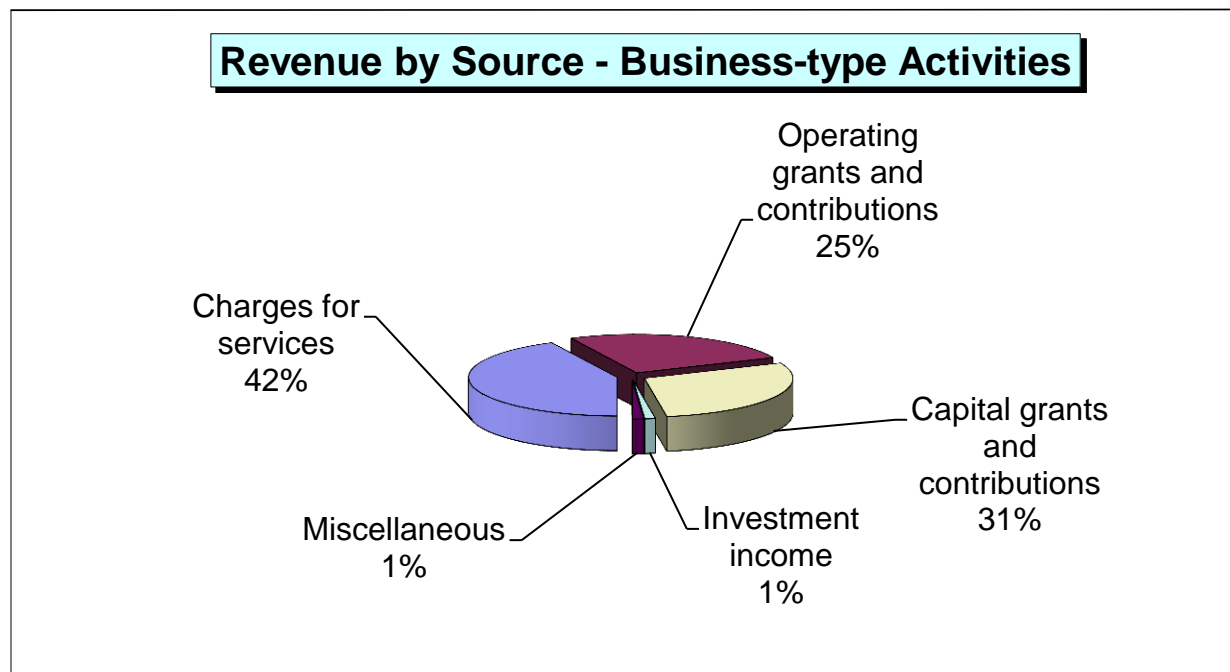
Operating grants and contributions in the governmental activities decreased by \$91,829, 18.28%, compared to the previous year primarily due to lower grant reimbursements on expenses related to I-405 project.

Sales tax revenues in the governmental activities increased by 258,956, 10.28%, compared to the previous year due to increase in Proposition A, Proposition C, Transportation Development Act and Measure R sales tax revenues.

Most of the governmental activities expenses are subsidies related to countywide transportation planning and development programs. These programs are primarily funded by local sales taxes. Subsidies to other agencies totaling \$1,314,929 increased 23.91% from prior year and represented the largest governmental expenses. Subsidies consisted of pass-through federal, state and local funding to other agencies in Los Angeles County for public transit, traffic system, street and road maintenance and other transit related improvement projects.

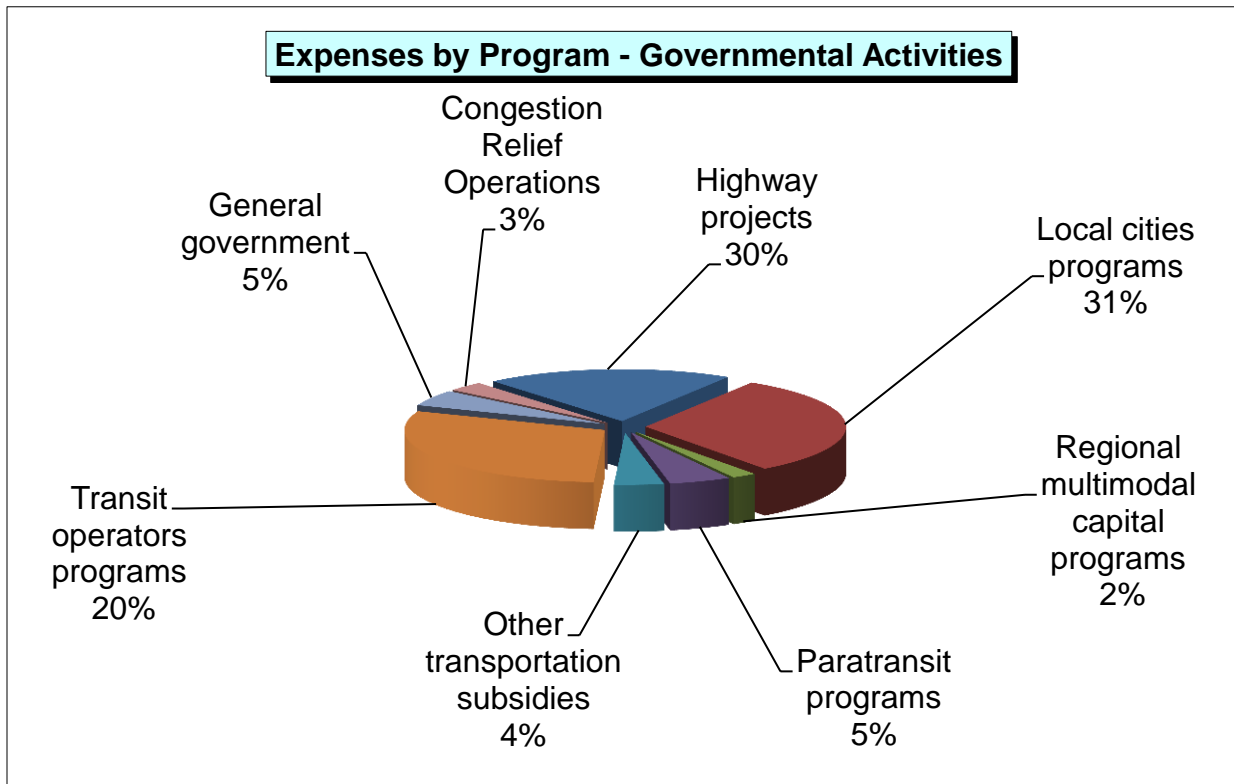
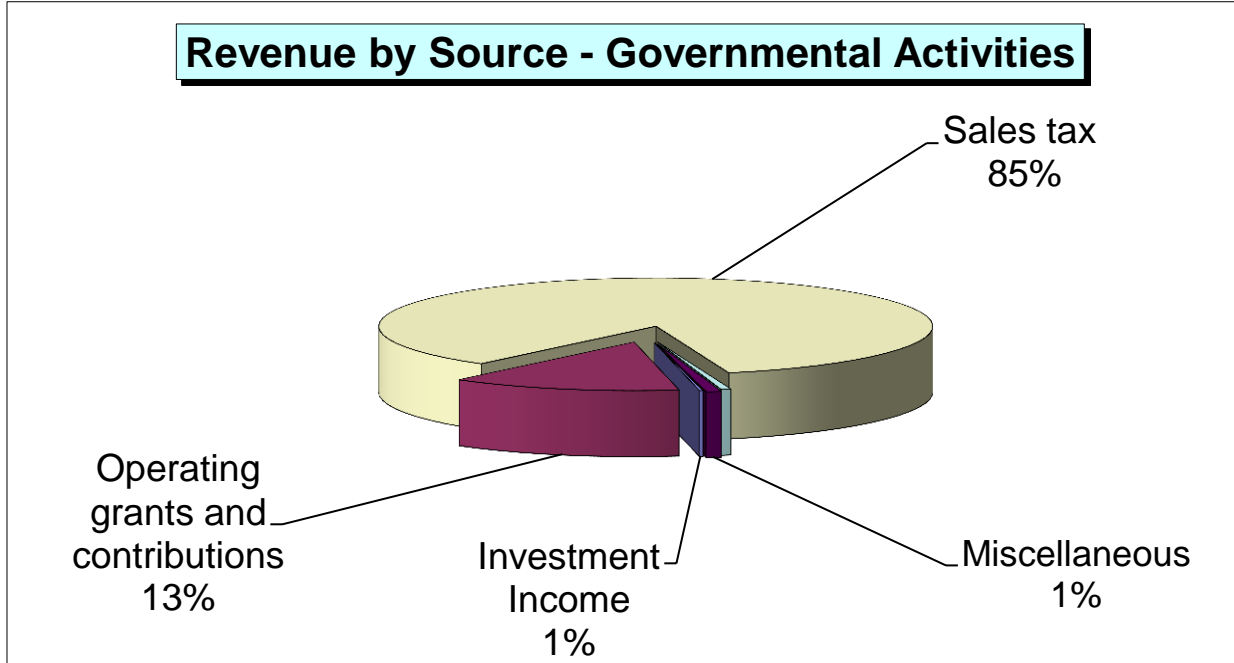
Highway project expenses in the governmental activities were increased by \$208,948 66.80%, compared to the previous year mainly due to increase in Freeway, Phase 2 ACE Grade Separation and High Dessert Corridor projects.

Below is a graphical depiction of the components of business-type revenues for the year ended June 30, 2014.



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Below are graphical depictions of the components of governmental revenues and expenses for the year ended June 30, 2014.



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Financial Analysis of LACMTA's Funds

Proprietary Funds

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

The increase of \$944,014 (18.66%) in net position was primarily due to higher capital grants contribution caused by increased construction activities for Crenshaw/LAX Transit Center, Regional Connector, Gold Line Extension and Westside Purple Line Extension.

Governmental Funds

As previously stated, governmental funds present information about current financial (consumable) resources because they directly impact short-term flow of resources and financing requirements. This situation is particularly true in regard to the different categories of fund balances. The Unassigned fund balance of \$489,143 presents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with \$1,954,621 in total fund balance.

The major governmental funds are discussed below:

The General fund balance increased by \$37,568 mainly due to highway projects previously billed to the General Fund were replaced with other LACMTA's funding source. Of the \$512,591 fund balance, \$23,448 is restricted, committed, and assigned for future expenditures.

The Proposition A fund balance increased by \$151,454 mainly due to increase in sales tax receipts and lower subsidy payments to bus and rail operations. The entire amount of \$342,565 fund balance is restricted as to use by the Proposition A ordinance.

The Proposition C fund balance decreased by \$638 primarily due to an increase in highway project expenditures. The Proposition C ordinance restricts the use of the fund balance of \$39,419.

The Measure R fund balance decreased by \$524,325 mainly due to the increase in funding for capital projects and for bus and rail operations. The restricted fund balance of \$664,954 will be used to fund future programs eligible under the Measure R ordinance.

The PTMISEA fund balance decreased by \$50,039 mainly due to grant receipts of Prop 1B State allocations which was offset by the increase in funding for expenditures for Regional Downtown Connector, and Crenshaw/LAX Transit Corridor projects. The PTMISEA fund has a restricted fund balance of \$108,904.

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Transportation Development Act fund balance decreased by \$124,644 primarily due to higher funding for LACMTA's capital projects. The fund balance of \$199,743 is restricted under the Transportation Development Act's regulation.

State Transit Assistance fund balance decreased by \$9,475 substantially due to lower sales tax revenue and increased subsidy payments for bus operations. The fund balance of \$3,720 is restricted under the State Transit Assistance regulation.

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 1.74% of LACMTA's total governmental fund revenues, while expenditures represent 5.35% of total governmental fund expenditures.

The original budget decreased by \$6,031 due to higher expenditures for transit planning activities.

Revenues

The General Fund's main sources of revenues from lease and rental income from LACMTA's owned properties and receipts of Federal alternative fuel tax refunds.

Total actual revenues are lower than budget by \$22,326 was mainly due to Federal alternative fuel tax credit program which was expired in December 2013.

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.

The favorable variance in expenditures of \$52,375 compared to budget was mainly due to lesser payment of subsidies and expenditures related to governmental and oversight activities, transit planning, and other programming and planning activities. The favorable variance in the other financing sources and uses of \$97,472 compared to budget was mainly due to projects originally billed to the General Fund were funded by other funding sources.

**Los Angeles County Metropolitan Transportation Authority
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Capital Assets

As of June 30, 2014, LACMTA had \$9,962,119, net of accumulated depreciation, invested in capital assets, as shown below, a 10.66% increase from the previous fiscal year.

	Los Angeles County Metropolitan Transportation Authority Capital Assets (Net of accumulated depreciation)					
	Business-type Activities		Governmental Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 910,678	\$ 813,003	\$ 772,794	\$ 772,794	\$ 1,683,472	\$ 1,585,797
Buildings and improvements	5,096,278	5,286,363	-	-	5,096,278	5,286,363
Equipment	57,835	74,319	-	-	57,835	74,319
Vehicles	808,897	828,412	-	-	808,897	828,412
Construction in progress	2,315,637	1,227,365	-	-	2,315,637	1,227,365
Total Capital Assets	\$ 9,189,325	\$ 8,229,462	\$ 772,794	\$ 772,794	\$ 9,962,119	\$ 9,002,256

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

The Exposition light rail project is a \$2.48 billion project that traverses 15.2 miles between Downtown Los Angeles and Santa Monica. The EXPO line is being built in two phases:

The first phase of the EXPO Line, with a budget of \$979 million, is approximately 8.6 miles long and parallels the heavily congested I-10 freeway extending from Downtown Los Angeles to Culver City with a travel time of less than 30 minutes. It operates in a dual track configuration on Flower Street and along the Exposition right-of-way. It has twelve stations, including three aerial stations. The project is electrically powered from overhead power lines. As of June 30, 2014, \$925.2 million has been expended on Phase 1. This phase of the project commenced revenue operations in April 2012.

The second phase estimated to cost \$1.5 billion, is approximately 6.6 miles and continues from the Phase 1 terminus in Culver City to 4th Street and Colorado Avenue in the City of Santa Monica. It travels along the Exposition right-of-way until it reaches 17th Street in Santa Monica and operates in street-running mode down the middle of Colorado Avenue. It will have seven new stations, two of which will be aerial. The estimated travel time between downtown Los Angeles and Santa Monica is less than 46 minutes. As of June 30, 2014, \$703.6 million has been expended on Phase 2 project. The projected revenue operations for Phase 2 is May 2016.

The Metro Gold Line Phase II, Foothill Extension, corridor includes the cities of Pasadena, Arcadia, Monrovia, Duarte, Irwindale, Azusa, Glendora, San Dimas Glendora, La Verne, Pomona, Claremont, and Montclair in the counties of Los Angeles and San Bernardino. The Foothill Extension is being built in two segments. The first segment, Segment 2A, is budgeted at \$741 million and extends from the Sierra Madre Villa Station in Pasadena to the City of Azusa. The second segment, Segment 2B, is currently unbudgeted and would include an

**Los Angeles County Metropolitan Transportation Authority
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extension from Azusa to the City of Montclair. Segment 2A is under construction. The project includes approximately 11.4 miles of double light rail main track, new bridges, improvements to existing bridges, retaining walls, sound walls, six at-grade passenger stations, parking structures, surface parking lots, power systems, train control systems, grade crossings and roadway improvements. Segment 2A also includes 5 miles of freight rail track relocations and improvements. Revenue service along this segment is planned for the fiscal year 2016. As of June 30, 2014, \$444.3 million has been expended.

The Regional Connector Transit Corridor is a \$1.4 billion project. The Board adopted Life-of-Project budget (LOP) of \$1.4 billion in April 2014. The Regional Connector Project has received the Full Funding Grant Agreement (FFGA) and Transportation Infrastructure Finance Innovation Act (TIFIA) Loan Agreement from U.S. Department of Transportation to construct the 1.9 miles, dual-track, underground light rail transit (LRT) service. The Regional Connector Project includes three new stations, the 1st/Central, 2nd/Broadway, and 2nd/Hope. This LRT service will connect the existing Blue and Exposition Line LRT services to the existing Gold Line LRT service at Little Tokyo. This project includes the Environmental Planning, Preliminary Engineering, Final Design, and Construction Phases of the project and Concurrent Non-FFGA activities. As of June 30, 2014, \$134.2 million has been expended.

The Crenshaw/LAX Transit Project has an approved Life-of-Project (LOP) budget of \$2.05 billion that covers the design and construction of a new 8.5-mile double-track LRT line, including eight transit stations, procurement of a minimum of 20 light rail vehicles, and the construction of a full service maintenance facility known as the "Southwestern Yard". The Project will extend from the EXPO Line (at the intersection of Exposition and Crenshaw Boulevards) and the Metro Green Line near the existing Aviation/LAX Station. The efforts in fiscal year 2014 continued with the advanced relocation of major utilities by third parties. In September 2013, the \$1.3 billion design-build contractor commenced mobilization and started final design for the Project. Early construction efforts soon followed with emphasis on ordering long-lead items such as a tunnel boring machine and steel for excavation and bridge support systems. Early construction efforts in 2014 included alignment site clearing, demolition of structures on land acquired for station sites and new structures, and commencement of drilling piles required for station excavations. As of June 30, 2014, \$487.6 million has been expended.

The Westside Purple Line Extension Section 1 Project has an estimated total budget of \$2.9 billion and an interim Life-of-Project budget of \$327.9 million. The Project has received the FFGA and the TIFIA Loan Agreement. Section 1 of this project will extend 3.92 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire/La Cienega. This project includes three underground stations, an expansion and modifications to the existing Division 20 Yard and Maintenance Facility, and to procure 34 heavy rail vehicles. Two of the three Advanced Utility Relocations contracts were awarded. As of June 30, 2014, \$148.6 million has been expended.

LACMTA has executed a contract with Kinkisharyo International, LLC (KI) to procure up to 235 light rail vehicles. The current approved Life-of-Project budget including the two executed

**Los Angeles County Metropolitan Transportation Authority
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For the Fiscal Year Ended June 30, 2014**

Options is \$739 million. In April 2012, the Board approved a contract with Kinkisharyo International, LLC (KI) to manufacture and to deliver 78 new light rail vehicles. In August 2013, the Board executed Options 1 and 4 of the contract, which included 28 and 69 additional vehicles, respectively. The 78 base order vehicles are intended for use on the Foothill and the EXPO light rail line extensions and are scheduled for complete delivery by January 2017. Portion of Option #1 of the contract of which 28 light rail vehicles will be used on the Crenshaw Light Rail Line expansion project while the remaining along with all light rail vehicles in Option #4 will be used for System-wide Fleet Replacement. The Option 2 and 3 of the contract may be used for future service improvements and expansion that are not yet funded as of June 30, 2014. As of June 30, 2014, \$112.9 million has been expended.

The Division 13 Bus Maintenance and Operations facility is a \$104 million project. This project is a bus maintenance, operations, and service facility. This facility is designed to accommodate a fleet of 200 CNG buses and consists of a multi-level structured parking garage, a maintenance building, bus fueling, bus washing, chassis wash and non-revenue vehicle washing, non-revenue vehicle fueling, and maintenance and transportation offices and support areas. This project facility strives to set an example of sustainable design (LEED Gold goal) and the responsible use of natural resources. The materials specified in the construction of this project are regionally sourced and/or have a high recycled content. Attention has been focused on the use of potable water with an exemplary system of storm water reclamation and reuse for bus operations and washing, and low maintenance native vegetation. Storm water run-off and the urban heat island effect are also addressed by a demonstration green roof on the transportation building. Service and vehicle equipment include two and three-post in-ground lifts with modern, computer controlled automated adjustment, a bus wash system utilizing reclaimed storm water, non-revenue vehicle wash systems utilizing 100% recycled water, three-axis lift systems for accessing roof mounted equipment on buses, mobile work platforms at lower level work areas, high-density palletized stacking systems, carousel, and vertical retrieval modules for parts. As of June 30, 2014, \$78.3 million has been expended.

Additional information on capital assets can be found on page 66.

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For the Fiscal Year Ended June 30, 2014**

Long-term Debt Administration

As of June 30, 2014, LACMTA had a total of \$4,518,277 in long-term debt outstanding. Of this amount, \$3,237,260 relates to bonds secured by sales tax revenue, \$148,865 is secured by farebox and other general revenues and \$717,604 relates to Lease/leaseback obligations. The remaining balance consists of commercial paper notes, and other debt as shown below:

Los Angeles County Metropolitan Transportation Authority Long-term Debt						
	Business-type Activities		Governmental Activities		Total	
	2014	2013	2014	2013	2014	2013
Sales tax revenue bonds and refunding bonds	\$ 3,237,260	\$3,107,215	\$ -	\$ -	\$ 3,237,260	\$ 3,107,215
Lease/lease to service obligations	717,604	815,369	-	-	717,604	815,369
General revenue bonds	148,685	154,940	-	-	148,685	154,940
Commercial paper notes	139,419	148,114	-	-	139,419	148,114
Other debt	5,221	6,516	20,054	21,187	25,275	27,703
Total long-term debt	4,248,189	4,232,154	20,054	21,187	4,268,243	4,253,341
Unamortized bond premium	250,163	231,607	-	-	250,163	231,607
Unamortized bond discount	(129)	(138)	-	-	(129)	(138)
Total long-term debt, net	\$ 4,498,223	\$4,463,623	\$ 20,054	\$21,187	\$ 4,518,277	\$ 4,484,810

The net increase in long-term debt was mainly due to the combined effect of the issuance of a new Proposition C Sales Tax Revenue Bonds, Senior Bonds Series 2013-B, the refunding of Proposition C sales Tax Revenue Bonds Series 2004-A, and the scheduled principal payments.

During the fiscal year 2014, LACMTA issued Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2013-B with a total par value of \$313,490 at a premium of \$30,694 to fund ongoing eligible capital projects. Additionally, Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C, and Series 2014-A in the principal amounts of \$63,785 and \$61,180, respectively, were issued to refund and defease \$144,230 of the outstanding principal balance of Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2004-A. The refundings generated an aggregate net present value of net cash flow savings of \$17,801 over 20 years. The difference between the net carrying values of the refunded bonds and the reacquisition price is reported as Deferred Outflows of Resources in the Business-type Activities of the government-wide financial statements and amortized over the life of the refunding or refunded bonds, whichever is shorter.

A capital lease secured by LACMTA's buses under its lease/leaseback to service agreements expired in January 2014 and LACMTA exercised the purchase option on the first lot of buses at no additional cost thereby reducing its Lease/leaseback obligations by \$97,306 as of the end of fiscal year 2014.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Bond Ratings

LACMTA's bonds are rated by Standard & Poor's, Moody's, and Fitch. As of June 30, 2014, the ratings are as follows:

Bond Issue Type	Standard & Poor's	Moody's	Fitch
Proposition A First Tier Senior Lien Bonds	AAA	Aa2	n/a
Proposition C Senior Sales Tax Revenue Bonds	AA+	Aa3	AA
Measure R Sales Tax Revenue Bonds	AAA	Aa2	n/a
General Revenue Bonds	A	A1	n/a

Additional information on LACMTA's long-term debt can be found on pages 82 to 93.

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
- Fuel and labor costs
- Inflation

LACMTA's next year's budget includes many programs and projects to improve transportation throughout Los Angeles County as well as address the safety improvements beneficial to passengers.

LACMTA uses forecasts from various governmental sources as a basis for its future funding assumptions. The budget for FY15 assumed a 3.6% growth in sales tax revenues from Prop A, Prop C, TDA, and Measure R over the FY14 budget. Also, the FY15 budget assumed the allocation of \$104 million of STA from the State. Other budget assumptions included:

- Increase of 13,018 (not in thousands) in bus revenue service hours mainly due to the additional peak bus service to reduce overcrowding on the Harbor Transitway portion of the Metro Silver bus line. Additional bus operators will be hired for these additional service hours.
- Increase of 0.7% in fare revenues based upon the projected bus and rail ridership growth. This increase will result in a farebox recovery ratio of 25.8%. Wage and salary increases based on Board adopted contracts.

Local sales taxes, the largest revenue sources for LACMTA, comprised 40% of LACMTA's total FY15 estimated revenues. From this revenue base, LACMTA constructs a budget that balances anticipated revenues with area transportation needs. For details of LACMTA's FY15 budget, please visit LACMTA's website at www.metro.net.

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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 Executive Officer – Finance and Budget, One Gateway Plaza, Mail Stop 99-24-7, Los Angeles, CA 90012-2952 or visit LACMTA's website at www.metro.net.

Los Angeles County Metropolitan Transportation Authority
Statement of Net Position
June 30, 2014
(Amounts expressed in thousands)

	Business-type Activities	Governmental Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 76,104	\$ 769,395	\$ 845,499
Cash and cash equivalents - restricted	510,697	909	511,606
Investments – unrestricted	289,665	1,026,172	1,315,837
Investments – restricted	214,031	-	214,031
Receivables (net of allowance for doubtful accounts)	399,377	711,406	1,110,783
Internal balances	24,222	(24,222)	-
Inventories	61,237	-	61,237
Prepaid and other current assets	10,807	-	10,807
Lease accounts	717,604	-	717,604
Capital assets:			
Land and construction in progress	3,226,315	772,794	3,999,109
Other capital assets, net of depreciation	5,963,010	-	5,963,010
TOTAL ASSETS	11,493,069	3,256,454	14,749,523
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on derivatives - interest rate swap	4,278	-	4,278
Deferred outflows on refunding	38,617	-	38,617
TOTAL DEFERRED OUTFLOWS OF RESOURCES	42,895	-	42,895
LIABILITIES			
Accounts payable and accrued liabilities	332,460	333,973	666,433
Accrued interest payable	64,795	-	64,795
Net pension obligation	2,362	-	2,362
Net OPEB obligation	160,409	-	160,409
Pollution remediation obligation	7,550	-	7,550
Derivative instrument liability – interest rate swap	7,119	-	7,119
Unearned revenues and unamortized credits	15,473	30,321	45,794
Other liabilities	66,817	16,957	83,774
Long-term liabilities:			
Due within 1 year	592,852	1,183	594,035
Due in more than 1 year	4,283,279	18,871	4,302,150
TOTAL LIABILITIES	5,533,116	401,305	5,934,421
NET POSITION			
Net investment in capital assets	5,587,514	772,794	6,360,308
Restricted for:			
Debt service	504,782	-	504,782
Proposition A ordinance projects	-	342,565	342,565
Proposition C ordinance projects	-	39,419	39,419
Measure R ordinance projects	-	664,954	664,954
PTMISEA projects	-	108,904	108,904
TDA and STA projects	-	203,463	203,463
Other non-major governmental projects	-	82,725	82,725
Unrestricted	(89,448)	640,325	550,877
TOTAL NET POSITION	\$ 6,002,848	\$ 2,855,149	\$ 8,857,997

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, 2014
(Amounts expressed in thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Business-type activities:			
Bus and rail operations	\$ 1,940,775	\$ 360,238	\$ 241,808
Union Station operations	7,498	5,929	-
Toll operations	12,803	34,665	-
Total business-type activities	<u>1,961,076</u>	<u>400,832</u>	<u>241,808</u>
Governmental activities:			
Transit operators programs	346,326	-	-
Local cities programs	541,736	-	-
Congestion relief operations	44,792	-	-
Highway project	521,755	-	204,083
Regional multimodal capital programs	29,080	-	2,646
Paratransit programs	92,745	-	-
Other transportation subsidies	62,861	-	1,191
General government	82,444	5,899	202,625
Total governmental activities	<u>1,721,739</u>	<u>5,899</u>	<u>410,545</u>
Total	<u>\$ 3,682,815</u>	<u>\$ 406,731</u>	<u>\$ 652,353</u>

General revenues:
Sales tax
Investment income
Net appreciation (decline) in fair value of investments
Miscellaneous
Transfers
Total general revenues
Change in net position
Net position – beginning of year
Net position – 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 position		
	Business-type Activities	Governmental Activities	Total
\$ 298,199	\$ (1,040,530)	\$ -	\$ (1,040,530)
-	(1,569)	-	(1,569)
-	21,862	-	21,862
298,199	(1,020,237)	-	(1,020,237)
-	-	(346,326)	(346,326)
-	-	(541,736)	(541,736)
-	-	(44,792)	(44,792)
-	-	(317,672)	(317,672)
-	-	(26,434)	(26,434)
-	-	(92,745)	(92,745)
-	-	(61,670)	(61,670)
-	-	126,080	126,080
-	-	(1,305,295)	(1,305,295)
\$ 298,199	(1,020,237)	(1,305,295)	(2,325,532)
-	-	2,778,676	2,778,676
-	13,273	8,554	21,827
-	(12)	6,165	6,153
-	11,707	22,244	33,951
-	1,939,283	(1,939,283)	-
-	1,964,251	876,356	2,840,607
-	944,014	(428,939)	515,075
-	5,058,834	3,284,088	8,342,922
\$ -	\$ 6,002,848	\$ 2,855,149	\$ 8,857,997

Los Angeles County Metropolitan Transportation Authority
 Balance Sheet
 Governmental Funds
 June 30, 2014
 (Amounts expressed in thousands)

	Special		
	General Fund	Proposition A	Proposition C
ASSETS			
Cash and cash equivalents – unrestricted	\$ 149,011	\$ 95,492	\$ 16,726
Investments - unrestricted	249,378	159,912	28,010
Receivables			
Accounts	942	-	2,186
Interest	-	-	-
Intergovernmental	5,452	-	166,925
Sales tax	-	134,958	134,997
Notes	4,000	-	-
Due from other funds	167,103	-	82,900
Restricted assets			
Cash and cash equivalents	909	-	-
TOTAL ASSETS	\$ 576,795	\$ 390,362	\$ 431,744
LIABILITIES			
Accounts payable and accrued liabilities	\$ 12,395	\$ 42,797	\$ 198,364
Due to other funds	39,819	5,000	27,691
Unearned revenues	10,909	-	8,371
Other liabilities	314	-	-
TOTAL LIABILITIES	63,437	47,797	234,426
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenues	767	-	157,899
TOTAL DEFERRED INFLOWS OF RESOURCES	767	-	157,899
FUND BALANCES			
Restricted	4,045	342,565	39,419
Committed	8,779	-	-
Assigned	10,624	-	-
Unassigned	489,143	-	-
TOTAL FUND BALANCES	512,591	342,565	39,419
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 576,795	\$ 390,362	\$ 431,744

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

Measure R	Revenue		Funds			Total Governmental Funds
	PTMISEA	TDA	STA	Other Governmental Funds		
\$ 232,415	\$ 57,875	\$ 161,097	\$ 12,130	\$ 44,649	\$ 769,395	
389,203	139,784	-	-	59,885	1,026,172	
3,500	-	-	-	108	6,736	
650	-	295	36	-	981	
5,164	-	-	-	178	177,719	
134,144	-	67,603	32,268	-	503,970	
18,000	-	-	-	-	22,000	
42,396	12,111	20,015	5,521	-	330,046	
-	-	-	-	-	909	
\$ 825,472	\$ 209,770	\$ 249,010	\$ 49,955	\$ 104,820	\$ 2,837,928	
\$ 69,504	\$ -	\$ 4,166	\$ 4,466	\$ 2,281	\$ 333,973	
91,014	100,866	45,101	41,769	3,008	354,268	
-	-	-	-	-	19,280	
-	-	-	-	16,643	16,957	
160,518	100,866	49,267	46,235	21,932	724,478	
-	-	-	-	163	158,829	
-	-	-	-	163	158,829	
664,954	108,904	199,743	3,720	82,725	1,446,075	
-	-	-	-	-	8,779	
-	-	-	-	-	10,624	
-	-	-	-	-	489,143	
664,954	108,904	199,743	3,720	82,725	1,954,621	
\$ 825,472	\$ 209,770	\$ 249,010	\$ 49,955	\$ 104,820	\$ 2,837,928	

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Los Angeles County Metropolitan Transportation Authority
 Reconciliation of the Balance Sheet
 to the Statement of Net Position – Governmental Activities
 June 30, 2014
 (Amounts expressed in thousands)

Fund balance – total governmental funds (page 33)	\$ 1,954,621
Government capital assets are not financial resources and, therefore, are not reported in the funds	772,794
Deferred revenues recognized in the Balance Sheet but not reported in the Statement of Net Position – Governmental Activities. These deferred revenues are not available in the current period	158,829
Bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds	(20,054)
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. This is the amount of unearned revenues pertaining to future periods	<u>(11,041)</u>
Net position of governmental activities (page 29)	<u><u>\$ 2,855,149</u></u>

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

Los Angeles County Metropolitan Transportation Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

	<u>Special</u>		
	<u>General Fund</u>	<u>Proposition A</u>	<u>Proposition C</u>
REVENUES			
Sales tax	\$ -	\$ 778,504	\$ 778,600
Intergovernmental	23,543	-	114,337
Investment income	1,989	871	79
Net appreciation (decline) in fair value of investment	1,641	529	(52)
Lease and rental	14,162	-	-
Licenses and fines	524	-	-
Other	12,756	-	-
TOTAL REVENUES	<u>54,615</u>	<u>779,904</u>	<u>892,964</u>
EXPENDITURES			
Current			
Administration and other transportation projects	82,592	-	246,224
Transportation subsidies	7,452	300,674	604,877
Debt and interest expenditures			
Principal	1,133	-	-
Interest and fiscal charges	1,064	-	-
TOTAL EXPENDITURES	<u>92,241</u>	<u>300,674</u>	<u>851,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37,626)</u>	<u>479,230</u>	<u>41,863</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	84,286	-	198,040
Transfers out	(9,092)	(327,776)	(240,541)
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,194</u>	<u>(327,776)</u>	<u>(42,501)</u>
NET CHANGE IN FUND BALANCES	37,568	151,454	(638)
Fund balances – beginning of year	<u>475,023</u>	<u>191,111</u>	<u>40,057</u>
FUND BALANCES – END OF YEAR	<u>\$ 512,591</u>	<u>\$ 342,565</u>	<u>\$ 39,419</u>

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

Revenue		Funds				Other Governmental Funds	Total Governmental Funds
Measure R	PTMISEA	TDA	STA				
\$ 714,218	\$ -	\$ 390,232	\$ 117,122	\$ -	\$ -	\$ 2,778,676	
7,326	153,636	-	-	-	16,495	315,337	
3,989	112	1,763	168	-	397	9,368	
4,103	21	-	-	-	(77)	6,165	
-	-	-	-	-	-	14,162	
-	-	-	-	-	7,842	8,366	
-	-	-	-	-	-	12,756	
729,636	153,769	391,995	117,290		24,657	3,144,830	
67,973	-	-	-		8,765	405,554	
253,754	-	131,138	17,034		-	1,314,929	
-	-	-	-		-	1,133	
-	-	-	-		-	1,064	
321,727	-	131,138	17,034		8,765	1,722,680	
407,909	153,769	260,857	100,256		15,892	1,422,150	
46,839	-	-	5,000		-	334,165	
(979,073)	(203,808)	(385,501)	(114,731)		(12,926)	(2,273,448)	
(932,234)	(203,808)	(385,501)	(109,731)		(12,926)	(1,939,283)	
(524,325)	(50,039)	(124,644)	(9,475)		2,966	(517,133)	
1,189,279	158,943	324,387	13,195		79,759	2,471,754	
\$ 664,954	\$ 108,904	\$ 199,743	\$ 3,720	\$ 82,725	\$ -	\$ 1,954,621	

**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, 2014
(Amounts expressed in thousands)**

Net change in fund balances – total governmental funds (page 37)	\$ (517,133)
Governmental funds account for principal payment as expenditures. The payment of principal on long-term debts consumes current financial resources but has no effect on net position. Principal payments are included in the fund financials	1,133
Revenues reported in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These unearned revenues are not reported in the current period because they are not available	1,120
Governmental funds account for cost of refunding bond obligation as expenditures. However, in the Statement of Net Position - Governmental Activities, these costs are reported as prepayments and amortized over the life of the bonds.	(194)
Investment income accrued in the Statement of Activities in the prior year, and now reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances as they became available	(814)
Revenues accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These unearned revenues are not reported in the current period because they pertain to future periods	158,829
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	<u>(71,880)</u>
Change in net position of governmental activities (page 31)	<u>\$ (428,939)</u>

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

Los Angeles County Metropolitan Transportation Authority
Statement of Net Position
Proprietary Fund – Enterprise Fund
June 30, 2014
(Amounts expressed in thousands)

ASSETS

Current assets:

Cash and cash equivalents – unrestricted	\$ 76,104
Cash and cash equivalents – restricted	232,762
Investments – unrestricted	289,665
Investments – restricted	7,169
Receivables (net of allowance for doubtful accounts)	396,880
Inventories	61,237
Due from other funds	24,222
Prepaid and other current assets	10,807
Total current assets	<u>1,098,846</u>

Noncurrent assets:

Cash and cash equivalents – restricted	277,935
Investments – restricted	206,862
Notes receivable	2,497
Lease accounts	717,604
Capital assets	
Land and construction in progress	3,226,315
Other capital assets, net of depreciation	5,963,010
Total noncurrent assets	<u>10,394,223</u>
Total assets	<u>11,493,069</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows on derivatives – interest rate swap	4,278
Deferred outflows on refunding	38,617
Total deferred outflows of resources	<u>42,895</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	332,460
Accrued interest payable	64,795
Claims payable	71,167
Compensated absences payable	66,005
Bonds and notes payable	455,680
Other current liabilities	66,817
Total current liabilities	<u>1,056,924</u>

Noncurrent liabilities:

Claims payable	219,894
Compensated absences payable	20,842
Net pension obligation	2,362
Net OPEB obligation	160,409
Pollution remediation obligation	7,550
Bonds and notes payable	4,042,543
Derivative instrument liability – interest rate swap	7,119
Unearned revenues and unamortized credits	15,473
Total noncurrent liabilities	<u>4,476,192</u>
Total liabilities	<u>5,533,116</u>

NET POSITION

Net investment in capital assets	5,587,514
Restricted for debt service	504,782
Unrestricted	(89,448)
Total net position	<u>\$6,002,848</u>

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 Position
Proprietary Fund – Enterprise Fund
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

OPERATING REVENUES	
Passenger fares	\$ 339,599
Auxiliary transportation	20,639
Lease and rental	5,929
Toll revenues	34,665
TOTAL OPERATING REVENUES	<u>400,832</u>
OPERATING EXPENSES	
Salaries and wages	464,042
Fringe benefits	417,467
Professional and technical services	188,222
Material and supplies	96,611
Casualty and liability	45,306
Fuel, lubricants, and propulsion power	80,985
Purchased transportation	40,113
Depreciation	439,125
Other	52,852
TOTAL OPERATING EXPENSES	<u>1,824,723</u>
OPERATING LOSS	<u>(1,423,891)</u>
NON-OPERATING REVENUES (EXPENSES)	
Local grants	1,844
State grants	76
Federal grants	239,888
Investment income	13,273
Net decline in fair value of investments	(12)
Interest expense	(136,318)
Loss on disposition of capital assets	(35)
Other revenue	11,707
TOTAL NET NON-OPERATING REVENUES	<u>130,423</u>
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	<u>(1,293,468)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	
Local grants	615
State grants	139,836
Federal grants	157,748
Transfers in – capital	1,342,547
TOTAL CAPITAL GRANTS AND CONTRIBUTIONS	<u>1,640,746</u>
TRANSFERS	
Transfers in	742,233
Transfers out	(145,497)
CHANGE IN NET POSITION	944,014
Net position – beginning of year	<u>5,058,834</u>
NET POSITION – END OF YEAR	<u>\$ 6,002,848</u>

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

Los Angeles County Metropolitan Transportation Authority
Statement of Cash Flows
Proprietary Fund – Enterprise Fund
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 385,710
Payments to suppliers	(381,234)
Payments to employees	(840,857)
Net cash used from operating activities	<u>(836,381)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal operating grants received	239,394
State and local operating grants received	10,426
Transfers to/from other funds	596,736
Net cash flows to non-capital financing activities	<u>846,556</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the issuance of debts	488,614
Proceeds from sale of capital assets	709
Federal grants received for capital projects	78,996
State and local grants received for capital projects	142,919
Transfers from other funds for capital project reimbursements	1,190,272
Payments for matured bonds and notes payable	(324,655)
Acquisition and construction of capital assets	(1,399,733)
Interest paid on bonds payable	(128,728)
Net cash flows used from capital and related financing activities	<u>48,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale and maturity of investments	17,688,846
Purchase of investments	(17,716,429)
Investment earnings	10,103
Net cash flows from investing activities	<u>(17,480)</u>
Net increase in cash and cash equivalents	41,089
Cash and cash equivalents - beginning of year	<u>545,712</u>
Cash and cash equivalents - end of year	<u><u>\$ 586,801</u></u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (1,423,891)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	439,125
Other Non-operating revenue	11,707
Amortization of prepaid expenses and deferred outflows	(796)
Increase in receivables	(28,275)
Increase in prepaid and other current assets	(3,373)
Increase in inventories	(980)
Decrease in notes receivable	16
Increase in accounts payable and accrued liabilities	77,747
Decrease in pollution remediation obligations	(31)
Increase in compensated absences payable	2,966
Increase in claims payable	13,225
Increase in post employment benefit payable	38,174
Decrease in net pension obligation	(487)
Increase in other current liabilities	37,064
Increase in unearned revenues	1,428
Net cash used from operating activities	<u><u>\$ (836,381)</u></u>
Non-cash Investing, Capital and Financing Activities	
Lease/leaseback obligations	\$ 38,538
Bond premium/discount amortization	(31,594)
Bond issue costs written-off	17,877
Loss on disposition of capital assets	(35)
Net decline in fair value of investments	(12)

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

Los Angeles County Metropolitan Transportation Authority
Statement of Fiduciary Net Position
June 30, 2014
(Amounts expressed in thousands)

	Employee Retirement Trust Funds	OPEB Trust Fund
ASSETS		
Cash and cash equivalents	\$ 26,086	\$ 8,151
Investments		
Bonds/Derivatives	261,018	58,546
Domestic stocks	178,202	51,399
Non-domestic stocks	7,742	20,385
Pooled investments	756,914	140,507
Receivables		
Member contributions	663	302
Securities sold	28,126	-
Interest and dividends	31,063	445
Receivable from sponsor	698	-
Prepaid items and other assets	35	-
Total assets	<u>1,290,547</u>	<u>279,735</u>
LIABILITIES		
Accounts payable and other liabilities	2,473	919
Securities purchased	<u>70,576</u>	-
Total liabilities	<u>73,049</u>	<u>919</u>
NET POSITION		
Held in trust for pension and OPEB benefits	<u>\$ 1,217,498</u>	<u>\$ 278,816</u>

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

Los Angeles County Metropolitan Transportation Authority
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2014
(Amounts expressed in thousands)

	<u>Employee Retirement Trust Funds</u>	<u>OPEB Trust Fund</u>
ADDITIONS		
Contributions		
Employer	\$ 56,198	\$ 26,745
Member	25,337	1,021
Total contributions	<u>81,535</u>	<u>27,766</u>
From investing activities		
Net increase in fair value of investments	174,034	24,542
Investment income	9,948	18,214
Investment expense	(3,968)	(908)
Other income	896	-
Total investing activities income	<u>180,910</u>	<u>41,848</u>
Total additions	<u>262,445</u>	<u>69,614</u>
DEDUCTIONS		
Retiree benefits	83,558	21,887
Administrative expenses	1,398	-
Total deductions	<u>84,956</u>	<u>21,887</u>
Net increase	177,489	47,727
Net position – beginning of year	<u>1,040,009</u>	<u>231,089</u>
NET POSITION – END OF YEAR	<u>\$ 1,217,498</u>	<u>\$ 278,816</u>

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

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Los Angeles County Metropolitan Transportation Authority
Notes to the Financial Statements
June 30, 2014

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 basic financial statements. Unless otherwise stated, all dollar amounts are expressed in thousands.

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Los Angeles County Metropolitan Transportation Authority
Notes to the Financial Statements
June 30, 2014

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 comprised 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 PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), Crenshaw Project Corporation (CPC), and the Service Authority for Freeway Emergencies (SAFE) and includes the activities of these organizations in the accompanying financial statements. PTSC, PRMA, and EXPO provide services exclusively to LACMTA. LACMTA shares its governing board with CPC and SAFE. PTSC, PRMA, EXPO, and CPC are presented and reported in the business activity type funds and SAFE is 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.

PRMA was established in October 1998 for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA provides workers' compensation coverage for all LACMTA and PTSC employees' and provides public liability and property damage insurance coverage for all LACMTA properties.

Los Angeles County Metropolitan Transportation Authority
Notes to the Financial Statements
June 30, 2014

EXPO was established in February 2006 for the purpose of constructing the Exposition Light Rail Line, the newest extension of the 73-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. The second phase is approximately 6.6 miles and is continuing from Phase 1 terminus in Culver City to 4th Street and Colorado Avenue in the City of Santa Monica. The first phase of the project commenced revenue operations in April 2012. The expected revenue operational date of the second phase of the project is May 2016.

CPC was established in March 2012 for the purpose of securing a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Crenshaw/LAX Corridor project. This project covers the design and construction of a new 8.5 mile double-track light rail lines with a minimum of six transit stations and a full service maintenance facility known as "Southwestern Yard". The Crenshaw/LAX Corridor project will extend from the EXPO Line at the intersection of Exposition and Crenshaw Boulevards and the Green Line near the existing Aviation/LAX station.

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.

B. Government-wide and Fund Financial Statements

LACMTA's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No.34, as amended, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*," consist of government-wide statements, including a Statement of Net Position 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 governmental 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 within the program revenues are reported as general revenues. Certain indirect costs are included in the reported program expenses.

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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 economic 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 debt is recorded only when payment is due.

Interest income associated with the current fiscal period is subject to accrual and has been recognized as revenues of the current fiscal period.

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, rental, and toll revenues. Operating expenses include the cost of services,

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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, which accounts for the bus and rail operations and the Union Station leasing program, is LACMTA's only proprietary fund.

Bus and rail operations 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. 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 are 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.

The Union Station is a hub for rail and bus services. Amtrak, Metrolink, Metro light rail and subway, and Metro buses are the major providers of services that operates within the Union Station's facilities. There are also private businesses providing food services and general merchandising within the Union Station facilities. Union Station is used to account for activities associated with the rental of spaces and parking, which are reported in the enterprise fund of LACMTA.

Metro *ExpressLanes* is a one-year pilot program funded through a federal grant from U.S. Department of Transportation (USDOT). The ExpressLanes convert existing carpool High-Occupancy Vehicle (HOV) to High-Occupancy Toll (HOT) lanes. The Metro ExpressLanes consists of 11 miles on the I-110 Harbor Transit-way between Adams Boulevard and Harbor Gateway Transit Center that opened in November 2012 and 14 miles on the I-10 El Monte Bus-way between Alameda Street and I-605 that opened in February 2013. All vehicles using the ExpressLanes are required to have a transponder to access the lanes. Tolls are collected electronically. The activities of the Metro ExpressLanes are reported in the enterprise fund

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of LACMTA. In April 2014, LAMCTA's Board of Directors authorized the operations of Metro ExpressLanes from one-year pilot program to become permanent.

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

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:

The 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 taxes 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: 1) 25% to local jurisdictions for local transit; 2) 35% to be used for construction and operation of rail rapid transit systems; and 3) 40% is allocated to county-wide operators 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% to improve and expand rail and bus security; 2) 10% for Commuter Rail and construction of transit centers, park-and-ride lots and freeway bus stops; 3) 20% to local jurisdictions for public transit and related services; 4) 25% for essential county-wide transit-related improvements to freeways and state highways; and 5) 40% to improve and expand rail and bus transit county-wide.

Measure R – The “Traffic Relief and Rail Expansion Ordinance” is used to account for the proceeds of the voter-approved half-cent sales tax that became effective on July 1, 2009 and continuing to June 30, 2039. Revenues collected are allocated to: 1) 2% for Metro rail capital improvements; 2) 3% for Metrolink capital improvements; 3) 5% for rail operations for new transit projects; 4) 15% for local return; 5) 20% for bus operations allocated using LACMTA's formula allocation procedure (based on vehicle service miles and fare revenue); 6) 20% for highway capital projects; and 7) 35% for specific transit capital projects.

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 pay for projects

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that protect the environment and public health, conserve energy, reduce congestion, and 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 under the Transportation Development Act formulas that determine the allocation of the proceeds among eligible recipients. Under the provisions of the “Gas Tax Swap” enacted in 2010, the STA program is funded by an excise tax on diesel fuel and based on actual consumption of diesel fuel rather than an annual budget appropriation.

The LACMTA also has the following non-major special revenue funds:

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 response programs including call box operations.

Other Special Revenue Funds - This fund is used to account for specific revenue sources related to funds not classified as a non-major special revenue funds.

Fiduciary funds are used to account for assets held by LACMTA in a trustee capacity or as an agent for individuals, other governmental units, or other funds. Fiduciary funds include the following fund types:

Employee retirement 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 other postemployment benefits of members and beneficiaries not offered as an integral part of a pension plan.

D. Assets, Liabilities, and Net Position

Cash and Investments

LACMTA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which generally requires investments to be recorded at fair value and the difference between cost and fair value recorded as appreciation (decline) in fair value of investment. Investments are stated at fair value based on quoted market prices. The net appreciation (decline) in fair value of

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investments are shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances for all governmental fund types, and in the Statement of Revenues, Expenses, and Changes in Net Position for the proprietary funds.

Cash and Cash Equivalents

LACMTA considers all highly liquid investments with maturities of three months or less at date of purchase to be cash and cash equivalents as they are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of change in value. 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.

As required by California State statutes, LACMTA is required to deposit surplus cash of the STA and TDA funds with the County Treasurer. LACMTA is an involuntary participant in the County Treasurer's external investment pool. Deposits in the cash management pool of the County Treasurer are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of loss of principal.

Restricted Cash and Cash Equivalents

Certain cash and cash equivalents are restricted as these assets are either advances used for specific purpose with the balance being refunded upon project completion or funds restricted for debt service.

Restricted Investments

Certain investments are classified as restricted on the Statement of Net Position because their use is limited externally by applicable bond covenants, laws or regulations or there exists as imposed restriction through enabling legislation.

Non-current Restricted Cash, Cash Equivalents, and Investments

In accordance with GASB 62, certain restricted cash, cash equivalents, and investments are non-current as these funds are restricted as to withdrawal or use for other than current operations that are designated for disbursement in the acquisition or construction of non-current assets, or that are segregated for the liquidation of long-term debt.

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

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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.

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 \$5,000 (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 is expensed.

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 improvements	30
Rail cars	25
Buses	7 – 14
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 Position. Depreciation on these capital assets is included in the accompanying Statement of Revenues, Expenses, and Changes in Fund Net Position.

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.

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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, net of related original issue premiums and discounts. Effective July 1, 2013, bond issue costs are reported as current period costs and accounting gains and losses resulting from refunding of debts are reported as deferred outflows of resources or deferred inflows of resources in conformity with GASB 65. In the governmental fund type fund financial statements, bond issuance costs and refunding gains/losses are recognized as current period expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements reflecting LACMTA's financial positions report a separate section for the deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. LACMTA reported under this category, (1) the cumulative change in fair value of interest rate swap, a hedging derivative instrument, and (2) the unamortized balance of deferred charges resulting from the difference in the carrying value of the refunded debt and its reacquisition price.

In addition to liabilities, the statements reflecting LACMTA's financial positions report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2014, LACMTA reported only one item under this category, revenues that are not available under the modified accrual basis of accounting and hence, are reported only in the governmental fund financial statements. These represent governmental revenues for grants receivable from federal, state, and local sources that are deferred for the current period and recognized as revenues in the period that they become available.

Unearned Revenues and Unamortized Credits

In the government-wide and proprietary fund type fund financial statements, unearned revenues are resource inflows that do not meet the criteria for revenue recognition. Unearned 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 tokens, and others. When revenue recognition criteria are met, or when LACMTA has a legal claim to the resources, unearned revenue is removed from the Statement of Net Position and the revenue is recognized.

In the government-wide financial statements, unearned revenues represent advance collections of property rentals and unamortized gain related to Lease/leaseback transaction.

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Fund Balances

LACMTA reported its fund balance in various categories based on the nature of the limitations requiring the use of resources for specific purpose. LACMTA classified its governmental fund balances into:

Restricted fund balances include amounts that can be spent only for specific purposes stipulated by enabling legislation, by the grants, creditors, or by regulations of other government. Propositions A, C and Measure R sales taxes are restricted by the ordinances that created the taxes. Funds received from TDA, STA, SAFE, and other grants are restricted by the grants providing the funds.

Committed fund balances are amounts that can be used only for specific purposes imposed by a formal action of the LACMTA's Board of Directors, the primary government's highest decision-making authority. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specific use of the funds.

Assigned fund balances are amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the LACMTA's board policy, contracts that are \$1,000 or less can be approved and assigned by the Chief Executive Officers or his designee.

Unassigned fund balances are the residual classification for the General fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

The Board establishes, modifies, or rescinds fund balance commitments by passage of resolution. LACMTA adopted the GASB 54 criteria and determined that a resolution is binding, and that action can establish a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when expenditure is made for a purpose for which amounts are available multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

E. Effects of New GASB Pronouncements

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

In March 2012, GASB issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items

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that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limits the use of the term deferred in the financial statement presentations. LACMTA implemented the new reporting requirements of GASB 65 for the fiscal year ended June 30, 2014. The adoption of GASB 65 did not have a material impact to LACMTA's financial statements.

In March 2012, GASB issued Statement No. 66, "*Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.*" This statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. It amends Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,*" by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. It also amends Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,*" by modifying the specific guidance for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The implementation of GASB 66 for the fiscal year ended June 30, 2014 did not have an impact on LACMTA's financial statements.

In June 2012, GASB issued Statement No. 67, "*Financial Reporting for Pension Plans*". This Statement replaces the requirements of Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,*" and GASB 50, "*Pension Disclosures,*" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of GASB 25 and GASB 50 remain applicable to pension plans that are not administered through trusts covered by this Statement and to the defined-contribution plans that provide postemployment benefits other than pensions. LACMTA's pension plans implemented the new reporting requirements of GASB 67 for the fiscal year ended June 30, 2014.

In June 2012, GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions*". This Statement replaces the requirements of Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers,*" as well as the requirements of GASB 50, "*Pension Disclosures,*" as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This statement establishes standards for governmental employer recognition, measurement, and presentation of information about pensions provided through pension plans that are within the scope of this statement. It also establishes

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requirements for reporting information about pension-related financial support provided by entities that make contributions to pension plans that are used to provide pensions to the employees of other entities. The requirement of this Statement is effective for fiscal years beginning after June 15, 2014. LACMTA plans to implement the new reporting requirements of GASB 68 for the fiscal year ending June 30, 2015.

In January 2013, GASB issued Statement No. 69, “*Government Combinations and Disposals of Government Operations*”. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Government mergers include combinations of legally separate entities without the exchange of significant considerations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. LACMTA plans to implement the new reporting requirements of GASB 69 for the fiscal year ending June 30, 2015, if applicable.

In April 2013, GASB issued Statement No. 70, “*Accounting and Financial Reporting for Non-exchange Financial Guarantees*”. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in non-exchange transactions. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that the government will be required to make payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a non-exchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This Statement specifies the information required to be disclosed by governments that extend non exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non exchange financial guarantees. The requirements of this Statement are effective for fiscal years beginning after June 15, 2013. LACMTA plans to implement the new reporting requirements of GASB 70 for fiscal year ending June 30, 2015, if applicable.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of Statement 68 which requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension

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contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition, only if it is practical to determine all such amounts. At transition to Statement 68, Statement 71 states that if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2014. LACMTA plans to implement the new reporting requirements of GASB 71 for fiscal year ending June 30, 2015.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The budget cycle begins in August when the Capital call process is initiated—this involves identifying capital needs for the coming fiscal year’s budget, and reviewing/prioritizing the requests. The capital budget process is usually concluded by the end of November or early December. In December, the CEO establishes/updates core missions and operating/support objectives for the coming fiscal year budget. Between January and February, LACMTA submits budgeted planning parameters to the Board outlining basic assumptions to be used in preparing the coming year’s annual budget. In February or March of each year, all LACMTA departments submit requests for appropriations to management so that an operational and capital projects budget can be prepared. OMB works with the requesting departments to finalize the annual budget request and begins the process of “selling” the proposed budget drafts to Board staff from mid-March through early April. In late April, OMB prepares the Proposed Budget book and posts the final version to the metro.net website at least two weeks prior to the public hearing in May. The proposed budgets are submitted to the Board in mid-May for review and adoption. Prior to adoption, the Board conducts public hearings in May for discussion of the proposed annual budgets. The Board adopts the final budget at the conclusion of the hearings, which is planned to occur in late May, but 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.

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Quarterly updates for operating and capital expenditures are submitted to the Board. Budget amendments are made when needed.

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, 2014, the following are LACMTA's cash deposits and investments:

	Business-type Activities	Governmental Activities	Total
Cash Deposits and Investments:			
Cash deposits	\$ 25,346	\$ 27,559	\$ 52,905
Asset-backed securities	22,568	63,353	85,921
Commercial paper	10,542	181,512	192,054
Medium-term notes	25,309	81,382	106,691
Mortgage-backed securities	3,054	6,347	9,401
Pooled funds and mutual funds	469,338	304,934	774,272
State/County investment pools	60,406	258,732	319,138
U.S. Agency securities	272,257	558,530	830,787
U.S. Treasury obligations	201,677	314,127	515,804
Total fair value	<u>\$ 1,090,497</u>	<u>\$ 1,796,476</u>	<u>\$ 2,886,973</u>
Reported in the Statement of Net Position and Balance Sheet:			
Cash and cash equivalents - unrestricted	\$ 76,104	\$ 769,395	\$ 845,499
Cash and cash equivalents - restricted	232,762	909	233,671
Investments - unrestricted	289,665	1,026,172	1,315,837
Investment - restricted current	7,169	-	7,169
Cash and cash equivalents - restricted noncurrent	277,935	-	277,935
Investments - restricted noncurrent	206,862	-	206,862
Total	<u>\$ 1,090,497</u>	<u>\$ 1,796,476</u>	<u>\$ 2,886,973</u>

LACMTA internally pools all cash deposits and investments. All proprietary and governmental funds maintain an equity interest in the pool. Each fund's positive equity in the internally pooled cash deposits and investment account is presented as cash and cash equivalents on the Statement of Net Position 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 average daily balances of each participating fund. For purposes of the Statement of Net Position, Balance Sheet, and Statement of Cash Flows, all highly liquid investments, including restricted assets with an original maturity date of 90 days or less from acquisition

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date, are considered to be cash and cash equivalents. Otherwise, they are classified as investments.

All investments are stated at their fair market values. Net changes in the fair values of investments are shown in the Statement of Revenues, Expenses, and Changes in Fund Net Position in the Enterprise fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances in the Governmental fund.

LACMTA's most recent investment policy, adopted by the Board on January 23, 2014, requires LACMTA's investment program to meet three criteria in the order of their importance: **Safety** – preservation of capital, diversification, 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; **Return on Investments** – 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/P-1 short term or Aa/AA long term
Local Agency within the State of California	5 years	25%	No limit	A1/P-1 short term or Aa/AA long term
U.S. Agency securities	5 years	50%	15%	None
Registered state warrants or treasury notes or bonds of other 49 states	5 years	25%	No limit	A1/P-1 short term or Aa/AA long term
Bankers acceptance	180 days	40%	10%	A1/P1
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
Local Agency Investment Fund (LAIF)	Not applicable	No Limit	Set by LAIF	Not applicable
Local Government Investment Pool (LGIP)	Not applicable	No Limit	Set by LGIP	Not applicable

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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 investment accounts are governed by LACMTA's debt policy.

Cash Deposits

As of June 30, 2014, LACMTA's carrying amount of cash comprises \$232 in cash on hand and \$52,673 in checking accounts for a combined total of \$52,905. LACMTA's total bank balance was \$53,137 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, 2014, LACMTA had the following short-term investments:

Investment Type	Fair Value	Weighted Average Duration (in years) per Investment Type	Concentration of Investments	Ratings
Asset-backed securities	\$ 85,921	0.055259	3.98%	Not Rated to AAA
Commercial paper	192,054	0.011611	8.89%	Not Rated to A-1+
State/County investment pools	319,138	0.029899	14.77%	Not Rated to AAA
Medium-term notes	106,691	0.101619	4.94%	A- to AA+
Mortgage-backed securities	9,401	0.005984	0.43%	Not Rated to AAA
Pooled funds and mutual funds	355,955	0.206303	16.47%	Not Rated to AAA
U.S. Agency securities	664,900	0.230278	30.76%	P-1 to AAA
U.S. Treasury obligations	427,287	0.315395	19.76%	P-1* to AAA
Total	<u>\$ 2,161,347</u>		<u>100.00%</u>	
Portfolio weighted average duration		<u>0.956348</u>		

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 \$99,343. The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for LAIF.

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The net position value of involuntary participation in Los Angeles County Investment Pool (LACIP) totaled \$174,070 as of June 30, 2014. The County Board of Supervisors provides regulatory oversight for LACIP. The State/County investment pools include \$45,725 of municipal debt securities.

Bond Proceeds and Debt Service Investments

As of June 30, 2014, 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
Pooled funds and mutual funds	\$ 418,317	0.499961	62.18%	Not Rated
U.S. Agency securities	165,887	0.031450	24.66%	Not Rated
U.S. Treasury obligations	88,517	0.054387	13.16%	Not Rated to AAA
Total	<u>\$ 672,721</u>		<u>100.00%</u>	
Portfolio weighted average maturities		0.585798		

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 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 risks, 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

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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, 2014, LACMTA does not have any investments with more than 5% of the total investments under one issuer except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

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% of the deposit or by pledging first trust deed mortgage notes having a value of 150% 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 rate will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years. This policy does not apply to investments of proceeds related to bond financings. LACMTA measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2014, there is no exposure to currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

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B. Receivables

Receivables as of June 30, 2014, 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	\$ 43,388	\$ 6,736	\$ 50,124
Interest	3,214	981	4,195
Intergovernmental	351,205	177,719	528,924
Sales Tax	-	503,970	503,970
Notes	2,497	22,000	24,497
Leases and other	66	-	66
Gross Receivables	400,370	711,406	1,111,776
Less: Allowances for doubtful accounts	(993)	-	(993)
Net Receivables	<u>\$ 399,377</u>	<u>\$ 711,406</u>	<u>\$ 1,110,783</u>

Receivables as of June 30, 2014 for governmental activities by individual major funds and non-major funds are as follows:

Fund Name	Receivables					
	Accounts	Interest	Intergovernmental	Sales tax	Notes	Total
General Fund	\$ 942	\$ -	\$ 5,452	\$ -	\$ 4,000	\$ 10,394
Prop A	-	-	-	134,958	-	134,958
Prop C	2,186	-	166,925	134,997	-	304,108
Measure R	3,500	650	5,164	134,144	18,000	161,458
TDA	-	295	-	67,603	-	67,898
STA	-	36	-	32,268	-	32,304
Other Governmental	108	-	178	-	-	286
Total	<u>\$ 6,736</u>	<u>\$ 981</u>	<u>\$ 177,719</u>	<u>\$ 503,970</u>	<u>\$ 22,000</u>	<u>\$ 711,406</u>

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, 2014, the Governmental fund is indebted to the Enterprise fund in the net amount of \$24,222.

<u>Governmental Funds</u>	<u>Payable (Receivable) from/to Enterprise Fund</u>
General fund	\$ 135,926
Measure R	(2,314)
Prop C	(239)
PTMISEA	(88,756)
STA	(41,248)
TDA	(24,583)
Other	(3,008)
Total	<u>\$ (24,222)</u>

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Transfers in and out by fund are as follows:

Transfers Out	Transfers In					Grand Total
	Enterprise Fund	General Fund	Prop C	Measure R	STA	
General Fund	\$ 5,874	\$ -	\$ 2,890	\$ 328	\$ -	\$ 9,092
Prop A	267,926	42,114	12,736	-	5,000	327,776
Prop C	211,822	28,719	-	-	-	240,541
Measure R	888,764	7,681	82,628	-	-	979,073
PTMISEA	203,808	-	-	-	-	203,808
TDA	379,928	5,573	-	-	-	385,501
STA	114,731	-	-	-	-	114,731
Others	11,927	-	999	-	-	12,926
Enterprise Fund	(145,497) *	199	98,787	46,511	-	-
Grand Total	\$ 1,939,283	\$ 84,286	\$ 198,040	\$ 46,839	\$ 5,000	\$ 2,273,448

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

D. 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 \$45,391 of Guaranteed Investment Certificates held in LACMTA's name. As of June 30, 2014, these lease/leaseback agreements totaled \$717,604.

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E. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 813,003	\$ 97,675	\$ -	\$ 910,678
Construction in progress	1,227,365	1,147,988	(59,716)	2,315,637
Total capital assets, not being depreciated	<u>2,040,368</u>	<u>1,245,663</u>	<u>(59,716)</u>	<u>3,226,315</u>
Capital assets, being depreciated:				
Buildings and improvements	8,636,761	103,804	-	8,740,565
Equipment	710,276	10,945	(6,506)	714,715
Vehicles	2,142,588	99,037	(81,455)	2,160,170
Total capital assets, being depreciated	<u>11,489,625</u>	<u>213,786</u>	<u>(87,961)</u>	<u>11,615,450</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,350,398)	(293,889)	-	(3,644,287)
Equipment	(635,957)	(26,812)	5,889	(656,880)
Vehicles	(1,314,176)	(118,424)	81,327	(1,351,273)
Total accumulated depreciation	<u>(5,300,531)</u>	<u>(439,125)</u>	<u>87,216</u>	<u>(5,652,440)</u>
Total capital assets, being depreciated, net	<u>6,189,094</u>	<u>(225,339)</u>	<u>(745)</u>	<u>5,963,010</u>
Business-type activities capital assets	<u>8,229,462</u>	<u>1,020,324</u>	<u>(60,461)</u>	<u>9,189,325</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	772,794	-	-	772,794
Governmental Activities capital assets, net	<u>772,794</u>	<u>-</u>	<u>-</u>	<u>772,794</u>
Total capital assets	<u>\$ 9,002,256</u>	<u>\$ 1,020,324</u>	<u>\$ \$ (60,461)</u>	<u>\$ 9,962,119</u>

Depreciation expense charged to functions and/or programs are as follows:

<u>Business-type Activities</u>		
Bus operations		\$ 127,852
Rail operations		306,632
Union Station operation		767
Metro Express Toll Lanes		<u>3,874</u>
Total depreciation expense – Business-type activities		<u>\$ 439,125</u>

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F. Long-Term Liabilities

As discussed in more detail in Notes G, H, and M, the following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2014.

	Balance June 30, 2013	Addition	Reduction	Balance June 30, 2014	Due Within One Year
Business-type activities:					
Bonds payable	\$ 4,463,623	\$ 527,152	\$ 492,552	\$ 4,498,223	\$ 455,680
Claims payable	277,836	84,392	71,167	291,061	71,167
Compensated absences payable	83,881	69,908	66,942	86,847	66,005
	4,825,340	681,452	630,661	4,876,131	592,852
Governmental activities:					
Bonds payable	21,187	-	1,133	20,054	1,183
Total long-term liabilities	\$ 4,846,527	\$ 681,452	\$ 631,794	\$ 4,896,185	\$ 594,035

G. Risk Management

The primary emphasis of risk management activities at LACMTA is to prevent or reduce 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.

Capital

For its construction projects, LACMTA requires contractors to maintain a contractor controlled insurance program (CCIP) to minimize LACMTA's risk of exposure to construction related losses. 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 public liability and property damage and workers' compensation claims are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average discount rate of 3.0%. LACMTA believes that the estimated liability for self-insured claims as of June 30, 2014 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.

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LACMTA is partially self-insured for public liability and property damage for non-construction activities up to \$7,500 per occurrence. LACMTA has acquired outside insurance coverage for losses of \$250,000 in excess of self-insurance retentions. LACMTA is self-insured for losses greater than \$250,000.

Furthermore, LACMTA has an all-risk property insurance program that covers all of its property. The property insurance policy covers insurable values of approximately \$9.6 billion on a probable maximum loss basis with policy limits of \$350,000 for damages (\$150,000 for flood damages). 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, 2014, a designated investment has been set aside in the amount of \$100,772 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2014, a designated investment has been set aside in the amount of \$190,289 equal to the workers' compensation liabilities.

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2014 and 2013:

	Property and Casualty		Workers' Compensation		Total	
	2014	2013	2014	2013	2014	2013
Unpaid claims and claim adjustment						
reserves – beginning of year	\$90,140	\$93,907	\$187,696	\$188,675	\$277,836	\$282,582
Provisions for insured events	32,286	37,603	49,954	41,586	82,240	79,189
Interest income	718	157	1,434	645	2,152	802
Total incurred claims and claims						
adjustment expense	123,144	131,667	239,084	230,906	362,228	362,573
Payment attributable to insured events	(22,372)	(41,527)	(48,795)	(43,210)	(71,167)	(84,737)
Total unpaid claims and claim						
adjustment reserves – end of year	\$100,772	\$90,140	\$190,289	\$187,696	\$291,061	\$277,836

As of June 30, 2014, \$71,167 of the total claims liability is considered current. Claims Payable is reported in the Statement of Net Position in the Enterprise Fund.

H. Compensated Absences

LACMTA's and PTSC's contract employees represented by the United Transportation Union (UTU), the Amalgamated Transportation Union (ATU), Transportation Communications Union (TCU), American Federation State, County, Municipal Employees (AFSCME), and the Brotherhood of Teamsters (Teamsters) accumulate vacation leave pay and sick leave pay in varying amounts based on the collective bargaining agreements with the various unions. Under the existing collective bargaining agreements, vacation periods are not cumulative. However, employees may carry forward vacation pay of up to 40 hours for TCU and ATU,

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while 40 hours may be carried forward to the next vacation period for UTU 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% of face value. Unused sick leave for contract employees is payable at the rate of 100% of the face value upon retirement or death.

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

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% at retirement, termination, or death. Frozen sick leave may be converted to TOWP prior to retirement at a 75% 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%, except for those individuals who retire between the ages 50 and 55, wherein the payout rate varies from 50% to 75% 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%. Upon death, payment of frozen sick leave will be at 100% to the employee's beneficiary.

The following is a summary of the compensated absences payable as of June 30, 2014:

	Balance June 30, 2013	Earned	Used	Balance June 30, 2014	Due Within One Year
Union Employees:					
Vacation leave	\$ 24,804	\$ 26,572	\$ (25,556)	\$ 25,820	\$ 25,556
Sick leave	31,461	14,656	(14,135)	31,982	14,135
TOWP	6,984	9,421	(8,720)	7,685	7,933
Sub-total	<u>63,249</u>	<u>50,649</u>	<u>(48,411)</u>	<u>65,487</u>	<u>47,624</u>
Non-Union Employees:					
Vacation leave	585	30	(28)	587	28
Sick leave	2,488	141	(250)	2,379	250
TOWP	17,559	19,088	(18,253)	18,394	18,103
Sub-total	<u>20,632</u>	<u>19,259</u>	<u>(18,531)</u>	<u>21,360</u>	<u>18,381</u>
Total	\$ 83,881	\$ 69,908	\$ (66,942)	\$ 86,847	\$ 66,005

As of June 30, 2014, \$ 66,005 of the compensated absences payable is considered current. The compensated absences payable is reported in the Statement of Net Position in the Enterprise Fund.

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I. Deferred Compensation and 401(k) Savings Plan

Deferred Compensation Plan

LACMTA has a deferred compensation plan for all employees established in accordance with Internal Revenue Code (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 \$17,500 (not in thousands) or 100% of their earnings in calendar year 2014. A special provision in the law allows an additional \$5,500 (not in thousands) if an employee is a “Baby Boomer,” age 50 or older by December 31, 2014, and employees eligible for retirement within three years can avail of the “catch up provision”, totaling \$35,000 (not in thousands).

The plan is managed by a third-party plan administrator and trustee. Employee deferrals can be allocated among several investment options as directed by the employee. Although the employee is always 100% vested in the plan, withdrawals are not available to employee until termination, retirement, age 59-1/2, 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 accompanying financial statements. LACMTA does not match employees’ contribution to the deferred compensation plan. As of June 30, 2014, the deferred compensation plans had assets stated at fair value of \$295,534.

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 \$17,500 (not in thousands) or 100% of their earnings in calendar year 2014. A special provision in the law allows an additional \$5,500 (not in thousands) if an employee is a “Baby Boomer,” age 50 or older by December 31, 2014.

The 401(k) 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 accompanying financial statements. LACMTA does not match employees’ contribution to the 401(k) savings plan. As of June 30, 2014, the 401(k) savings plan had assets at fair value totaling \$370,650.

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Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is \$46,000 (not in thousands). Also, the maximum annual combined contribution per calendar year using both plans is \$52,500 if an employee falls within the catch up provision and less than 50 years of age, or \$58,000 (not in thousands) if an employee falls within the catch up provision and age 50 or older.

J. 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 2% 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. For employees hired before January 1, 2013, the benefit factor is actuarially reduced for retirement prior to age 60 and actuarially increased after age 60 up to age 63. For employees first employed on or after January 1, 2013, the benefit factor is actuarially reduced for retirement prior to age 62 and actuarially increased after age 62 up to age 67. The plan provides for survivor and disability benefits. The benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees' Retirement Law. CalPERS implemented GASB Statement no. 67 – *Financial Reporting for Pension Plans* for the fiscal year ended June 30, 2014. 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 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, 2014, the contribution rate of covered payroll for employees was 16.10%. This rate includes the mandatory employee contribution of 7.0% that is currently paid by PTSC.

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The Public Employees' Pension Reform Act of 2013 (PEPRA) took effect January 1, 2013. Under PEPRA, new employees first employed on or after January 1, 2013 pay 50% of the normal cost of the defined benefit plan. Assembly Bill (AB) 1222, signed by Governor Brown on October 4, 2013, exempts transit employees of public employers from all provisions of the PEPRA, has been extended to January 1, 2016, or until a court determines that the provisions of PEPRA do not violate specified federal transit labor laws, whichever is sooner.

Total Annual Required Contributions (ARC) for the years ended June 30, 2014, 2013, and 2012 were \$22,135, \$22,900, and \$22,656, respectively, all of which were attributable to PTSC. Such contributions were made in accordance with the latest CalPERS actuarial valuation as of June 30, 2011. These pension contributions for normal costs include the employees' portion, and for the years ended June 30, 2014, 2013, and 2012, they were \$9,624, \$10,228, and \$10,153, respectively. While the required employer contribution rate for the current fiscal year is determined by the actuarial valuation three years prior and the expected dollar amounts of the ARC is determined by multiplying the rate by the expected payroll for the applicable year, the actual contributions are made using the same rate applied to the actual current payroll resulting in a net pension obligation of \$2,170 as of June 30, 2014.

Annual Required Contribution	\$	12,511
Interest on Net Pension obligation		202
Adjustment to ARC		(156)
Total Annual Cost		12,557
Less Contributions		13,076
Decrease in Net Pension Obligation		(519)
Net Pension Obligation – beginning of year		2,689
Net Pension Obligation – end of year	\$	2,170

The smoothing of market value method was used to determine the actuarial value of assets, which was set to be no less than 80% or greater than 120% of actual market value for the purpose of determining 2013/2014 employer contributions. Initial unfunded liabilities are amortized over a closed period that depends on the plan's entry date into CalPERS with subsequent plan amendments amortized as a level percentage of pay over a closed 20-year period. As of valuation date June 30, 2011, the average remaining period is 18 years. The actuarial assumptions are 7.5% investment rate of return, an inflation rate of 2.75%, and projected salary increases of 3.30% to 14.20% dependent on age, service, and type of employment and payroll growth of 3.00% compounded annually.

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 and after 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,

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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. LACMTA's pension plans implemented GASB Statement no. 67 – *Financial Reporting for Pension Plans* for the fiscal year ended June 30, 2014. 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.

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 except ATU Plan which changed the actuarial cost method from Projected Unit Credit to Entry Age Normal effective January 1, 2013. The employee and employer contributions are required by the plan agreement as either a percentage of annual earnings which is applicable only to ATU pension plan or the dollar amount recommended to finance the benefits provided in the UTU, TCU, AFSCME, and Non-Contract 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, except for ATU Plan which effective January 1, 2011 the amortization period was reset to a fixed and declining 20-year period for five years with a 15- year rolling amortization period in effect thereafter. As of January 1, 2013, the amortization period is 18 years.

The ARCs, for LACMTA and employees, by plan, for the years ended June 30, 2014, 2013, and 2012, are as follows:

Contributions	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non-Contract Employees Plan	AFSCME	Total
2014						
Employer	\$ 23,568	\$ 5,466	\$ 20,126	\$ 5,074	\$ 1,964	\$ 56,198
Employee	16,423	1,756	7,830	-	-	26,009
Total	\$ 39,991	\$ 7,222	\$ 27,956	\$ 5,074	\$ 1,964	\$ 82,207
2013						
Employer	\$ 24,104	\$ 5,270	\$ 18,663	\$ 4,785	\$ 1,816	\$ 54,638
Employee	15,378	1,654	5,794	-	-	22,826
Total	\$ 39,482	\$ 6,924	\$ 24,457	\$ 4,785	\$ 1,816	\$ 77,464
2012						
Employer	\$ 20,379	\$ 4,145	\$ 16,906	\$ 3,114	\$ 1,350	\$ 45,894
Employee	13,948	1,632	4,089	-	-	19,669
Total	\$ 34,327	\$ 5,777	\$ 20,995	\$ 3,114	\$ 1,350	\$ 65,563

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The annual pension cost, annual amount contributed, and net pension obligation for the years ended June 30, 2014, 2013, and 2012 are as follows:

<u>Year Ended</u>	United Transportation Union Plan	Transportation Communication Union Plan	Amalgamated Transit Union Plan	Non- Contract Employees Plan	AFSCME	Total
<u>2014</u>						
Annual Pension Cost	\$ 23,538	\$ 5,466	\$ 20,141	\$ 5,074	\$ 1,964	\$ 56,183
Annual Amount Contributed	23,568	5,466	20,126	5,074	1,964	56,198
Net Pension Obligation (Asset)	720	-	(528)	-	-	192
<u>2013</u>						
Annual Pension Cost	24,072	5,270	18,677	4,785	1,816	54,620
Annual Amount Contributed	24,104	5,270	18,663	4,785	1,816	54,638
Net Pension Obligation (Asset)	750	-	(543)	-	-	207
<u>2012</u>						
Annual Pension Cost	20,347	4,145	16,934	3,114	1,350	45,890
Annual Amount Contributed	20,379	4,145	16,722	3,114	1,350	45,710
Net Pension Obligation (Asset)	803	-	(358)	-	-	445

The components of the net pension obligation for UTU employees for the years ended June 30, 2014, 2013, and 2012 are as follows:

<u>Year Ended</u>	Annual Required Contribution (ARC) (a)	NPO at the beginning of the year (BOY) (b)	Interest on the NPO at the BOY (c)	Amortization of NPO at the BOY (Decrease in NPO) (d)	Amount contributed (e)	NPO at the end of the year (a)+(b)+(c)+(d)-(e)
2014	\$ 23,568	\$ 750	\$ 52	\$ (82)	\$ 23,568	\$ 720
2013	24,104	803	55	(108)	24,104	750
2012	20,379	835	63	(95)	20,379	803

The components of the net pension asset for ATU employees for years ended June 30, 2014, 2013, and 2012 are as follows:

<u>Year Ended</u>	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)	Amount Contributed (e)	NPO at the end of the year (a)+(b)+(c)+(d)-(e)
2014	\$ 20,126	\$ (543)	\$ (41)	\$ 56	\$ 20,126	\$ (528)
2013	18,663	(358)	(42)	(143)	18,663	(543)
2012	16,906	(570)	(48)	76	16,722	(358)

LACMTA's contributions to the Plans for the year ended June 30, 2014 were made in accordance with the actuarially determined requirements computed as of December 31, 2012, except for ATU, which was made in accordance with actuarial valuation report as of January 1, 2013. Actuarially computed costs are determined using the Projected Unit Credit Method except ATU Plan which changed the actuarial cost method from Projected Unit Credit to Entry Age Normal effective January 1, 2013. LACMTA's contributions for all plans

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for the years ended June 30, 2014, 2013, and 2012, were \$56,198, \$54,638, and \$45,710, respectively. Annual pension cost, which is equivalent to ARC plus interest on NPO less amortization of NPO, amounted to \$56,183, \$54,620, and \$45,890, respectively, for the years ended June 30, 2014, 2013, and 2012, respectively. The net pension obligations for the UTU Plan for the years ended June 30, 2014, 2013, 2012, were \$720, \$750, and \$803, respectively while net pension asset for the ATU Plan as of June 30, 2014, 2013, and 2012 were \$528, \$543, and \$358, respectively. There was no NPO at June 30, 2014, 2013, and 2012, for the TCU, Non-Contract, and AFSCME Plans.

The required contribution rate by employees for the fiscal years ended June 30, 2014, 2013, and 2012 were between 0 and 9.23%, 0 and 8.45%, and 0 and 7.67%, respectively, of their annual wages. The employer rate is equal to the ARC. Effective December 31, 2008, the actuarial value of assets for UTU, TCU, Non-Contract, and AFSCME Plans were revised from the average of book and market values to a 5-year smoothed market value of assets restricted to a 20% corridor around the market value of assets. The key actuarial assumptions include 7.0% investment rate of return. Effective with the actuarial valuation as of December 31, 2007, the ATU Plan adopted the 4-year smoothed market value method with a 15% corridor to determine the actuarial value of assets. The key actuarial assumptions include 7.5% investment rate of return on ATU Plan, 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, 2014 is presented below:

Actuarial Valuation Date	Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a)-(b)/(c)
PTSC						
June 30, 2012	\$ 429,424	\$ 408,153	\$ 21,271	95.05%	\$ 129,574	16.42%
LACMTA						
January 1, 2014						
ATU	434,105	279,262	154,843	64.33%	116,182	133.28 %
December 31, 2013						
UTU	616,389	430,208	186,181	69.79%	173,322	107.42%
TCU	113,148	78,632	34,516	69.49%	28,978	119.11%
Non-Contract	143,347	106,501	36,846	74.30%	3,953	932.10%
AFSCME	57,110	46,908	10,202	82.14%	3,822	266.93%

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K. 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 and 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 prepared for the Plan and can be obtained by requesting a copy from the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

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 funded in accordance with the funding policy as described below. 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 at 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, 2013 and 2011, the effective dates of the biennial OPEB valuations, are as follows. There have been no significant changes in the number of employees covered since that date.

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Participant	Union Health & Welfare Trusts				Total
	LACMTA	ATU	TCU	UTU	
As of January 1, 2013					
Active Employees	1,888	2,326	783	3,966	8,963
Retirees under 65	236	352	173	1,031	1,792
Retirees over 65	735	610	145	1,220	2,710
Total Active and Retirees	2,859	3,288	1,101	6,217	13,465
As of January 1, 2011					
Active Employees	1,727	2,190	695	3,840	8,452
Retirees under 65	301	376	164	1,069	1,910
Retirees over 65	652	537	132	1,125	2,446
Total Active and Retirees	2,680	3,103	991	6,034	12,808

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% of LACMTA's cost. Contributions are remitted by LACMTA to the Plan.

The Union Health and Welfare Trusts establish the plan member contribution rates (not in thousands). ATU retirees' contributions are \$80/month pre-65 years of age and \$60 per month post-65 years of age. TCU retiree contributions are \$45 per month with an additional \$15 per month contribution for dependent coverage. UTU retiree contributions are \$100 per month with no additional contribution for dependent coverage. Contributions made by employees represented by ATU, TCU, and UTU are directly remitted to their respective union healthcare trusts.

LACMTA Contribution

LACMTA's funding policy is to contribute the ARC as determined by GASB 45 unless budgetary constraints require lower contribution. In no event will the annual contribution be less than the LACMTA's direct "pay-as-you-go" costs as determined by required premium payments and contracted contributions to the union healthcare trusts. In the near-term, LACMTA expects that contributions will be approximately \$5 million above pay as you go costs. Actuarially computed costs are determined using the projected unit credit method.

Since LACMTA has committed to fund in excess of 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 4.25%, which implicitly assumes a level of funding in excess of pay-as-you-go costs and the investment policy of the trust to support a long-term expected rate of return on assets of 7.5%, while LACMTA's general assets support a return on assets of 3.5%. The ARC calculation uses an open 20-year rolling amortization that meets

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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) 4.25% discount rate, compounded annually; b) increase in future payroll of 3.5% per year, compounded annually; c) mortality using RP-2000 Mortality Table, male and female with blue collar adjustments, with mortality improvements projected to year 2025; d) health care cost trend rate of 8.50%; and e) included an inflation rate of 2.5%.

The healthcare cost trend assumptions comprised of three elements: 1) initial trend rate, 2) ultimate trend rate, and 3) the grade-down period. The trend rate assumptions exclude the expected impact of aging since this impact is explicitly reflected elsewhere in the valuation. The initial trend rate is the expected increase in health care costs into the second year of the valuation, i.e., the first assumed annual increase in starting per capita rates. Initial rates are established on an aggregate basis for pre-Medicare medical claims, Medicare-eligible medical claims, prescription drug claims, and administrative expenses. These expected trend rates, are based on market assessments and surveys and take into account historical experience, expected unit cost information, changes in utilization, plan design leveraging, cost shifting, and new technology. For valuation purposes, these trend rates are blended together based on a cost-weighted average basis. 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. The healthcare cost trend rate were adjusted to reflect the impact from the 40% excise tax provision on high cost plans beginning in 2018 under the healthcare reform.

LACMTA's contractual contributions are assumed to increase in years after the current contract in accordance with medical trend, and while LACMTA plan retirees/dependent contributions are assumed to increase at the same rate as medical costs, retiree contributions for ATU, TCU, and UTU participants are not assumed to increase.

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The actuarial value of assets is based on a five-year, moving average of expected and market values adjusted by recognition of gains or losses and limited to be no more than 120% and no less than 80% of market value.

LACMTA opted to perform biennial 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, 2013 valuation is used to determine the Annual Required Contributions (ARC) for the fiscal years ending June 30, 2014 and 2015. In the January 1, 2013 valuation, the ARC is equal to normal cost plus amortization of the unfunded actuarial accrued liability determined under the projected unit credit method. The amortization period is an open 20-year period as a level percentage of expected payroll. The total ARC as a percentage of payroll is equal to 13.87%. The aggregate payroll is assumed to grow at 3.5% per year.

The following table summarizes the valuation results applying the level percentage of pay method to the valuation date of January 1, 2013:

Summary of Costs	
Normal Cost	\$ 37,835
Percentage of Total Payroll	6.07%
Amortization of Unfunded Actuarial Accrued Liability	\$ 48,654
Percentage of Total Payroll	7.81%
ARC with 20-year Level Percent of Payroll Amortization	\$ 86,489
Percentage of Total Payroll	13.87%

Annual OPEB Cost and Net OPEB Obligation

The 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 30 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 to the plan for the year ended June 30, 2014 are as follows:

Annual Required Contribution	\$ 86,489
Interest on Net OPEB Obligation	5,195
Adjustment to ARC	<u>(6,961)</u>
Total Annual OPEB Cost	84,723
Less Contributions made	<u>46,549</u>
Increase in Net OPEB Obligation	38,174
Net OPEB Obligation – beginning of year	<u>122,235</u>
Net OPEB Obligation – end of year	<u><u>\$ 160,409</u></u>

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LACMTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2014, 2013, and 2012 are as follows:

Year Ended	OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 84,722	54.94%	\$ 160,409
2013	80,603	54.33%	122,235
2012	81,143	50.46%	85,420

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.

The LACMTA's funding progress information as of June 30, 2014 is illustrated as follows:

Actuarial Valuation Date	Projected Unit Credit Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a)-(b)/(c)
January 1, 2013						
LACMTA	\$ 181,326	\$ 35,736	\$ 145,590	19.71%	\$ 177,369	82.08%
ATU	522,674	103,010	419,664	19.71%	160,829	260.94%
TCU	77,417	15,258	62,159	19.71%	38,395	161.89%
UTU	282,600	55,696	226,904	19.71%	246,765	91.95%

Healthcare Reform

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. One key provision of the PPACA is the assessment of the excise tax on high cost plans (Cadillac Plans) beginning in 2018. Under this act, a 40% excise tax applies to plans with costs exceeding certain thresholds: \$11,850 (not in thousands) – single; \$30,950 (not in thousands) – family for early retirees. Significant uncertainties exist regarding the impact of the excise tax on high cost plans without further regulatory guidance. Management's estimated potential liability of the effect of the tax is based on unadjusted thresholds and assumes that the tax is shared between LACMTA and its participants in the same way that the current costs are shared. The estimated impact of the 40% excise tax provision on high cost plans beginning in 2018, under the healthcare reform, is reflected in the actuarial valuation report as of January 1, 2013.

In addition, an adjustment for anticipated health care reform fees beginning in 2014 was also reflecting in the actuarial valuation.

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I. Pollution Remediation Obligation

LACMTA follows the guidance of 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. 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.

LACMTA calculates expected outlays related to this pollution remediation using established potential environmental liability estimates for three different cost categories namely, external remediation costs, internal administration costs, and litigation and settlement costs, in which each cost categories has a different way to estimate the costs. External remediation costs are estimated on a life cycle basis through retirement of the pollution remediation obligations or a forecasted, year-by-year scope of the remaining project life cycles 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, 2014.

Internal administration costs use a full time equivalent (FTE) basis. 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 period 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 cleanup sites that received LACMTA's generated hazardous waste, based on volume, ongoing remediation costs, and prior years' expenses.

The remediation obligation estimates as of June 30, 2014 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, 2014, LACMTA has an estimated pollution remediation obligations of \$7,550 related to soil and/or groundwater pollution cleanup activities. Currently, LACMTA does not have any pollution remediation activities for possible liabilities which are not reasonably estimable.

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M. Long-term Debt

LACMTA's long-term debt activities for the year ended June 30, 2014 are summarized as follows:

Series	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<u>Business-type Activities</u>					
Sales tax revenue and refunding bonds	\$ 3,107,215	\$ 438,455	\$ 308,410	\$ 3,237,260	\$ 169,965
Lease/leaseback to service obligations	815,368	38,538 *	136,302	717,604	249,709
General revenue bonds	154,940	-	6,255	148,685	6,715
Commercial paper	148,114	-	8,695	139,419	-
Notes payable	6,517	-	1,296	5,221	1,348
Total long-term debt	4,232,154	476,993	460,958	4,248,189	427,737
Add: Unamortized bond premium	231,607	50,159	31,603	250,163	27,952
Less: Unamortized bond discount	(138)	-	(9)	(129)	(9)
Net Business-type activities long-term debt	4,463,623	527,152	492,552	4,498,223	455,680
<u>Governmental Activities</u>					
Redevelopment and housing bonds	21,187	-	1,133	20,054	1,183
Total long-term debt	\$ 4,484,810	\$ 527,152	\$ 493,685	\$ 4,518,277	\$ 456,863

* Represent Lease/leaseback accretion.

Unamortized bond premium and bond discount reflected on the table above are associated with the issuance of sales tax revenue and refunding bonds and general revenue bonds.

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Sales tax revenue and refunding bonds outstanding as of June 30, 2014 are as follows:

Series	Original Borrowing	Year Issued	Final Maturity	Interest Rates to Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 1 Year
<u>Proposition A</u>									
2003A	\$ 273,505	2003	2018	3.70 to 5.00%	\$ 14,890	\$ -	\$ (14,890)	\$ -	\$ -
2005A	242,795	2005	2035	4.38 to 5.00%	205,060	-	(6,395)	198,665	6,710
2005B	43,655	2005	2013	5.00%	5,775	-	(5,775)	-	-
2007A	46,635	2007	2016	5.00%	46,355	-	(10,755)	35,600	11,290
2008A	263,075	2008	2031	VRDB*	257,000	-	(1,650)	255,350	8,325
2008B	26,075	2008	2028	3.50 to 5.00%	23,225	-	(830)	22,395	875
2009A	320,945	2009	2026	2.00 to 5.00%	233,345	-	(21,595)	211,750	22,485
2011A	144,000	2011	2018	3.00 to 5.00%	128,865	-	(24,235)	104,630	21,035
2011B	91,110	2011	2023	3.00 to 5.00%	91,110	-	-	91,110	-
2012A	68,205	2012	2021	2.00 to 5.00%	68,205	-	-	68,205	16,825
2013A	262,195	2013	2021	5.00%	262,195	-	-	262,195	-
				Sub-total	1,336,025	-	(86,125)	1,249,900	87,545
<u>Proposition C</u>									
2003A	94,840	2003	2013	5.25%	11,075	-	(11,075)	-	-
2004A	176,345	2004	2034	3.50 to 5.25%	148,640	-	(148,640)	-	-
2006A	129,385	2006	2030	4.00 to 5.00%	127,495	-	(4,680)	122,815	4,915
2008A	128,745	2008	2022	4.00 to 5.00%	90,985	-	(20,220)	70,765	360
2009D	118,785	2009	2019	3.00 to 5.00%	88,335	-	(10,855)	77,480	11,365
2009E	118,980	2009	2029	3.25 to 5.00%	107,330	-	(5,215)	102,115	5,425
2009B	245,825	2009	2020	3.00 to 5.00%	229,765	-	(5,715)	224,050	28,925
2010A	45,455	2010	2023	5.25%	37,150	-	-	37,150	-
2012A	14,635	2012	2028	3.00 to 3.125%	14,635	-	-	14,635	-
2012B	74,885	2012	2025	5.00%	74,885	-	-	74,885	-
2013A	138,960	2013	2023	2.00 to 5.00%	138,960	-	-	138,960	11,070
2013B	313,490	2013	2038	2.00 to 5.00%	-	313,490	-	313,490	3,730
2013C	63,785	2013	2026	4.00 to 5.00%	-	63,785	-	63,785	-
2014A	61,180	2014	2034	2.00 to 5.00%	-	61,180	-	61,180	-
				Sub-total	1,069,255	438,455	(206,400)	1,301,310	65,790
<u>Measure R</u>									
2010A	573,950	2010	2039	4.28 to 5.74%	573,950	-	-	573,950	-
2010B	158,460	2010	2020	3.00 to 5.00%	127,985	-	(15,885)	112,100	16,630
				Sub-total	701,935	-	(15,885)	686,050	16,630
				Total	\$ 3,107,215	\$ 438,455	\$ (308,410)	\$ 3,237,260	\$ 169,965

* include Variable Rate Demand Bonds (VRDB) and Index Interest Rate Bonds

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Sales Tax Revenue and Sales Tax Revenue Refunding Bonds

LACMTA issues sales tax revenue bonds to provide funds for the acquisition of revenue vehicles and construction of major capital projects. Sales tax revenue bonds are secured by the Los Angeles County voter approved Proposition A, Proposition C, or Measure R sales taxes less administration costs and allocations to local governments.

LACMTA issues sales tax revenue refunding bonds generally to reduce debt service costs by refinancing previously issued sales tax revenue bonds and/or commercial paper notes when more favorable interest rates or financing terms are available. Refundings may also be executed for reasons other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used or to retire an indenture in order to remove undesirable covenants.

The principal is payable in annual installments on July 1 on Proposition A and Proposition C bonds, and on June 1 on Measure R bonds. Interest is payable semi-annually on January 1 and July 1 on Proposition A and Proposition C bonds, and on December 1 and June 1 on Measure R bonds.

The Proposition A Series 2008-A1 and Series-A2 bonds with outstanding balance of \$63,750 and \$63,825 respectively as of June 30, 2014 were purchased by Banc of America Preferred Funding Corporation on July 28, 2014 (Series 2008-A1) and August 1, 2014 (Series 2008-A2). The Proposition A Series 2008-A3 with outstanding balance of \$63,850 and the Proposition A Series 2008-A4 with outstanding balance of \$63,925 as of June 30, 2014 were purchased by U.S. Bank National Association on August 1, 2014. Under the Direct Purchase Agreements with Banc of America Preferred Funding Corporation and U.S. Bank National Association, the Index Interest Rate Bonds bear interest at a rate equal to 70% of the LIBOR Index plus an interest rate spread. The Index Interest Rate Bonds will be subject to tender for purchase on July 28, 2016 (Series 2008-A1) and August 1, 2016 (Series 2008-A2, 2008-A3 and 2008-A4) with a one year early termination clause unless extended or modified.

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 entered into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments that 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 realized \$64,700 in net benefits after funding of the 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 were provided for LACMTA’s right to continue to use and control the facilities, buses, and rail cars during the term of the

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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 various finance obligations have been recorded as lease accounts in the Statement of Net Position – Enterprise Fund. These funds were placed with fiscal agents and are sufficient to cover all scheduled payments. The related liabilities are shown as long-term debt in the business-type activities. This debt will be repaid from earnings on the related investments together with the principal amounts of the investments.

American International Group Inc. (“AIG”) or its affiliates provided a fixed income investment product known as a “payment undertaking agreement” (“PUA”) that was used in eight 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, LACMTA obtained credit enhancement from AIG and Assured Guaranty Municipal Corp. (as successor to Financial Security Assurance Inc.) (“AGM”) for several of the transactions. As a result of declines in AIG’s and AGM’s credit ratings, LACMTA was contractually obligated to replace the PUAs or provide credit enhancement for eight transactions. The remaining two were unaffected.

LACMTA has terminated two of the eight affected leases and has entered into collateral posting agreements for four others. Issues remain with two of the affected leases and LACMTA is discussing potential solutions with the applicable lessors. Failure to reach a solution with respect to the two remaining affected transactions could result in early termination of the transactions and could require LACMTA to pay up to \$41.98 million, plus legal costs.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2014 are as follows:

Lease	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Comerica / CIBC / Norwest Lease	6.79% - 7.64%	\$ 231,132	\$ 7,202	\$ -	\$ 238,334	\$ (7,728)
Comerica Lease	7.12%	63,340	4,183	(3,217)	64,306	(3,268)
First Hawaiian Lease	6.61%	53,147	3,258	(476)	55,929	(533)
Philip Morris Lease	5.0% - 5.13%	414,871	20,597	(132,610)	302,858	264,927
Fleet Lease	6.79% - 7.64%	52,878	3,299	-	56,177	(3,689)
Total		\$ 815,368	\$ 38,539	\$ (136,303)	\$ 717,604	\$ 249,709

Note: Additions represent loan accretion, which is the accrued interest, or a portion thereof, added to principal amount.

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General Revenue Bonds

General revenue bonds are issued to generate financing for the acquisition, construction and major rehabilitation of capital assets. The general revenue bonds were issued to fund the cost of the LACMTA's 27-story headquarters building, including parking and related improvements. Refunding bonds were subsequently issued to refinance the original debt to achieve debt service savings. The 2004 Bonds are auction rate bonds with an Interest Rate Swap agreement with a counterparty bank and as such the interest rate varies and the rates shown below is the fixed rate provided on the swap agreement. The swap agreement was subsequently terminated on July 1, 2014 at no cost to LACMTA. The 2010 Bonds are fixed rate.

General Revenue Bonds outstanding as of June 30, 2014 are as follows:

Series	Original Borrowing	Year Issued	Final Maturity	Interest Rates to Maturity	Outstanding Balance	Unamortized Bond Premiums	Bonds Payable as of June 30, 2014
2004 Bonds	\$ 197,050	2004	2027	3.50%	\$ 86,175	\$ -	\$ 86,175
2010A Bonds	79,620	2010	2021	3.00 to 5.00 %	62,510	5,219	67,729
Total					<u>\$ 148,685</u>	<u>\$ 5,219</u>	<u>\$ 153,904</u>

Commercial Paper Notes

LACMTA issues Commercial Paper Notes (CPN) to provide interim financing for construction and acquisition activities, including construction of transit and rail capital projects and rail right-of-way acquisitions. LACMTA operates two commercial paper programs, Proposition A and Proposition C CPN, to maintain access to a low cost and flexible source of capital financing. Taxable and tax-exempt CPN are issued by LACMTA with maturity dates ranging from one to 270 days at various interest rates.

As of June 30, 2014, LACMTA's Proposition A CPN program has a \$150,000 letter of credit while the Proposition C CPN program has \$150,000 credit capacity that includes a \$75,000 letter of credit and another \$75,000 revolving credit facility. Both of the credit facilities supporting the Proposition C commercial paper program will expire on April 12, 2016, while the letters of credit supporting the Proposition A commercial paper program will expire on March 11, 2016. As of June 30, 2014, LACMTA has \$119,020 outstanding principal balance under the Proposition A letter of credit and \$20,399 under the Proposition C CPN program, all of which are taxable.

Under the terms of the commercial paper 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 were classified as noncurrent liabilities. LACMTA periodically retires CPN by issuing long-term, fixed rate bonds.

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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 one bank for the Proposition C CPN program and another two banks for the Proposition A CPN program. All of the banks are 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 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 paid 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 loan for Proposition C CPN is repayable over a period of four years with equal quarterly principal payments. The term loan for Proposition A CPN is repayable beginning nine months after the commencement of the term loan, with quarterly principal payments over a period of two years and three months. Interest is charged at rates specified in the applicable Reimbursement Agreement.

Under the Proposition C Revolving Credit Agreement between the LACMTA and Wells Fargo Bank, LACMTA is authorized to issue up to \$75,000 in Subordinate Proposition C Sales Tax Revenue Revolving Obligations. In July, 2013, LACMTA entered into an agreement with Alameda Corridor East Construction Authority (ACE) for the purpose of providing a working capital loan of up to \$45 million. In September, 2013, LACMTA borrowed from its taxable Proposition C revolving credit facility \$20,000 and another \$25,000 from its tax-exempt Proposition C revolving credit facility in November, 2013 on behalf of ACE. The term of the loan shall commence on the date of the first drawdown and shall terminate on the earlier to occur of 1) 10 years from commencement date, or 2) the point in time where LACMTA has an outstanding obligation to fund its last \$75,000 in Measure R or Proposition C funds. All costs associated with the loan are billed to and paid by ACE as they are incurred so that there is no additional cost to LACMTA on this loan.

All Proposition C Revolving Obligations issued by LACMTA are purchased by Wells Fargo Bank in accordance with the Proposition C Revolving Credit Agreement. The Proposition C Revolving Obligations are payable from the Proposition C sales tax revenue on a basis subordinate to the lien on Proposition C Senior Bonds.

Pursuant to the terms of the Proposition C Revolving Credit Agreement, the Proposition C revolving obligations bear interest at variable rates determined pursuant to the terms of the Proposition C Revolving Credit Agreement. The principal balances of all Proposition C revolving obligations outstanding are due and payable on April 22, 2016, except as provided in the Proposition C Revolving Credit Agreement. However, subject to the terms of the Proposition C Revolving Credit Agreement, on April 22, 2016, LACMTA can convert any outstanding Proposition C revolving obligations to a term loan that will be payable in twelve equal quarterly installments following April 22, 2016.

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Notes Payable

LACMTA’s notes payable relates to the Acquisition Fund and Control Agreement between LACMTA and Banc of America Public Capital Corp, for financing the acquisition of the solar energy generation and conservation equipment and installation at the LACMTA’s Support Services Center. The note bearing interest of 4.04% matures in February 2018. Principal and interest are due monthly on the 6th of each month. At June 30, 2014, notes payable principal outstanding amounted to \$5,221. The note was later sold to retain all of the terms and conditions of the original note.

Redevelopment and Housing Bonds

Redevelopment and Housing Bonds consist of two issues: the 2002 Grand Central Square Qualified Redevelopment Bonds Series 2002A (Series 2002A) and Grand Central Square Multi Family Housing Revenue Refunding Series 2007B (Series 2007B). The outstanding balances as of June 30, 2014, were as follows:

Series	Original Borrowing	Year Issued	Final Maturity	Interest Rates to Maturity	Outstanding Balance
2002A Bonds	\$ 20,825	2002	2026	4.90% to 5.375%	\$ 13,859
2007B Bonds	8,615	2007	2026	4.00 %To 5.00%	6,195
Total					<u>\$ 20,054</u>

The Redevelopment and Housing Bonds were issued by the Community Redevelopment Financing Authority of the CRA/LA, a Designated Local Authority, formerly Community Redevelopment Agency (CRA) of the City of Los Angeles, secured by LACMTA revenues, pursuant to the pledge agreement between the two parties. Proceeds were used to purchase certain CRA/LA obligations and to finance CRA/LA’s projects that include Grand Central Square Housing Project, which relates to the rehabilitation of a portion of the Grand Central Market, and Central Business District Area Redevelopment Project. Both projects are located in downtown Los Angeles, served by and accessible to Metro Red Line subway station. LACMTA agreed to support these projects as a means of encouraging the use of mass transit and reducing traffic congestion.

The projects were completed and LACMTA makes the debt service payments on the related refunding bond issues Series 2002A and 2007B, to be reimbursed by Grand Central Square Limited Partnership (the “Developer”), pursuant to the reimbursement agreement. The Developer issued two promissory notes, collateralized by real property of the Grand Central Square Housing Project, with a combined value of \$41,112 due in fiscal year 2027.

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Annual Debt Service Requirement

LACMTA's annual debt requirement for long-term debt, lease and leaseback obligations, and notes payable are as follows:

Business-type Activities

Sales tax revenue and refunding bonds

Year Ending June 30	Proposition A			Proposition C		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 87,545	\$ 54,851	\$ 142,396	\$ 65,790	\$ 59,873	\$ 125,663
2016	87,625	51,084	138,709	75,720	58,168	133,888
2017	91,740	46,944	138,684	78,850	54,540	133,390
2018	96,525	42,623	139,148	82,210	50,654	132,864
2019	101,190	38,027	139,217	85,770	46,584	132,354
2020-2024	509,155	114,949	624,104	459,675	167,054	626,729
2025-2029	186,345	37,760	224,105	209,015	82,544	291,559
2030-2039	89,775	14,855	104,630	244,280	53,190	297,470
	<u>\$1,249,900</u>	<u>\$401,093</u>	<u>\$1,650,993</u>	<u>\$1,301,310</u>	<u>\$ 572,607</u>	<u>\$1,873,917</u>

Year Ending June 30	Measure R		
	Principal	Interest	Total
2015	\$ 16,630	\$ 37,039	\$ 53,669
2016	17,365	36,308	53,673
2017	18,180	35,490	53,670
2018	19,040	34,631	53,671
2019	19,965	33,705	53,670
2020-2024	112,470	153,800	266,270
2025-2029	132,495	123,527	256,022
2030-2039	349,905	116,414	466,319
	<u>\$ 686,050</u>	<u>\$ 570,914</u>	<u>\$ 1,256,964</u>

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General revenue and refunding bonds and notes payable

Year Ending June 30	General revenue refunding bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 6,715	\$ 5,644	\$ 12,359	\$ 1,348	\$ 186	\$ 1,534
2016	7,160	5,368	12,528	1,404	131	1,535
2017	7,655	5,076	12,731	1,462	73	1,535
2018	8,140	4,738	12,878	1,007	33	1,040
2019	8,700	4,361	13,061	-	-	-
2020-2024	53,665	15,531	69,196	-	-	-
2025-2029	56,650	4,104	60,754	-	-	-
	<u>\$ 148,685</u>	<u>\$ 44,822</u>	<u>\$ 193,507</u>	<u>\$ 5,221</u>	<u>\$ 423</u>	<u>\$ 5,644</u>

Lease/leaseback to Service Obligation

Year Ending June 30	Principal	Interest	Total
2015	\$ 249,709	\$ 26,613	\$ 276,322
2016	27,559	13,263	40,822
2017	(15,993)	20,451	4,458
2018	(20,803)	21,863	1,060
2019	(23,419)	23,419	-
2020-2024	16,803	116,434	133,237
2025-2029	230,053	65,683	295,736
2030-2039	253,695	12,726	266,421
	<u>\$ 717,604</u>	<u>\$ 300,452</u>	<u>\$ 1,018,056</u>

Governmental Activities

LACMTA's annual debt service requirement for Redevelopment and Housing Bonds are as follows:

Redevelopment and Housing Bonds

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,183	\$ 1,011	\$ 2,194
2016	1,241	954	2,195
2017	1,303	894	2,197
2018	1,364	829	2,193
2019	1,432	761	2,193
2020-2024	8,327	2,627	10,954
2025-2029	5,204	457	5,661
	<u>\$ 20,054</u>	<u>\$ 7,533</u>	<u>\$ 27,587</u>

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Pledged Revenues

LACMTA pledged its Proposition A, Proposition C and Measure R sales tax revenues, excluding sales tax allocated for administrative fees and local allocations, to repay sales tax revenue bonds, sales tax revenue refunding bonds, and redevelopment and housing bonds while farebox revenues are pledged for the payment of the general revenue and refunding bonds. These bonds were used to finance the acquisition of revenue vehicles and construction and renovation of major capital facilities. LACMTA is subject to a maximum annual debt service policy limits set forth in its Debt Policy annually adopted by the LACMTA's Board. The table below presents LACMTA's pledged revenue, annual debt service, and debt service coverage for the fiscal year ended June 30, 2014:

Source	Gross Receipts *	Allocation Rate	Local Allocations	Pledged Revenue	Total Debt Service	Debt Service Coverage
Prop A	\$ 778,504	25%	\$ 194,626	\$ 583,878	\$ 143,985	4.1
Prop C	778,600	20%	155,720	622,880	110,849	5.6
Measure R	714,218	15%	107,133	607,085	53,669	11.3
General revenue	425,767	-	-	425,767	12,212	34.9

** Sales tax revenues are reported using the accrual basis of accounting. This is net of the State Board of Equalization administrative fees. Gross receipts presented in the general revenue bonds represent farebox revenues, advertising, revenue derived from LACMTA's leased properties, investment earnings, and other revenues under non-operating revenue categories of the Enterprise Fund.*

Significant Changes to Long-Term Bond and Note Obligations

The summary of changes in long-term debt is presented in the table on page 83 of this report.

During fiscal year 2014, LACMTA issued an aggregate of \$313,490 principal amount of Proposition C First Tier Senior Sales Tax Revenue Bonds, Series 2013-B with interest rates from 2% to 5%. The net proceeds including \$30,695 of bond premiums and net of underwriter's discount of \$386 are used to fund existing Proposition C eligible capital projects. Principal amounts are due on July 1 of each year until final maturity on July 1, 2038 and interests due on outstanding principal balance are payable on July 1 and January 1 of each year.

LACMTA also issued an aggregate of \$124,966 principal amount of Proposition C sales tax revenue refunding bonds Series 2013-C, and 2014-A with interest rates ranging from 4% to 5% . The net proceeds, net of bond premiums of \$19,465 and after payment of \$196 of underwriting fees, together with funds available from the refunded bonds reserve accounts, were used to (a) refund and defease \$144,230 of Proposition C Series 2004-A with interest rates from 3.5% to 5.25%, (b) pay associated bond issuance costs, and (c) deposit required debt service reserve funds of the refunding bonds.

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The net carrying amount of the refunded Proposition C sales tax revenue refunding bonds exceeded the reacquisition price by \$4,869. The difference between the net carrying amount and the reacquisition price is reported as deferred inflow of resources in the business-type activities of the government-wide financial statements and is amortized over the shorter of the life of the refunded or refunding bonds.

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

Refunding Debt	Prior Net Cash Flow	Refunding Debt Service	Net Cash Flow Savings	Net Present Value of Net Cash Flow Savings
Prop C 2013-C refunding 2004-A	\$ 89,103	\$ 79,238	\$ 9,865	\$ 7,963
Prop C 2014-A refunding 2004-A	129,311	112,494	16,817	9,838
Total	<u>\$ 218,414</u>	<u>\$ 191,732</u>	<u>\$ 26,682</u>	<u>\$ 17,801</u>

In September, 2012, LACMTA secured a loan for \$545,900 from the United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act (TIFIA) to partially finance the construction of the Crenshaw/LAX Corridor Project. The loan, secured by a portion of LACMTA's Measure R sales tax revenue allocated to the Crenshaw/LAX Corridor project, bears interest at 2.43% per annum on the outstanding balance with maturity date of June 1, 2034.

In October 2013, the USDOT approved a TIFIA loan for the design and construction of the Regional Connector Transit Corridor Project in an aggregate principal amount not to exceed \$160,000. In February 2014, the USDOT through the Federal Highway Administration (FHA) and LACMTA entered into a Full Funding Agreement to secure a grant of up to \$669,900 of the \$1.4 billion budgeted cost for the Project and issued Measure R Junior Subordinate Sales Tax Revenue Bonds, 2014-A to evidence the obligation of LACMTA to repay the \$160,000 loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.5% per annum with final maturity on June 1, 2036.

In May, 2014, LACMTA secured a TIFIA loan for its Westside Purple Line Extension Section 1 Project in an aggregate principal amount not to exceed \$856,000 and entered into a Full Funding Agreement with the USDOT through the FHA pursuant to which the Project, budgeted at \$2.6 billion, has received a grant of \$65,000 with up to \$1.25 billion in total grant funds over a period of years. LACMTA issued Measure R Junior Subordinate Sales Tax Revenue Bonds, 2014-B TIFIA Series to evidence LACMTA's obligation to repay the loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.23% per annum with final maturity date of June 1, 2037.

Annual principal amounts due on all the TIFIA loans are payable on June 1 and interest payments due on the outstanding principal balances are payable semi-annually on June 1

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and December 1. There are no outstanding balances on any of the TIFIA loans as of June 30, 2014.

N. Derivative Instruments

LACMTA entered into interest swap agreements and commodity swap agreements to hedge or reduce financial risk such as interest rates and commodity price fluctuations related to variable rate bonds and compressed natural gas.

Derivative instruments are reported at fair value in the Statement of Net Position. The fair value is the theoretical cost that LACMTA will pay or receive to terminate the swap at the valuation date. The fair values were estimated by discounting the future monthly net cash flows on commodity swap or future net settlement payments required by the interest rate swap.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year ended June 30, 2014, are as follows:

Business-Type Activities	Fiscal Year Change		Year End Fair Value		Notional Value
	Classification	Amount	Amount	Classification	
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflows of Resources	\$ 7,037	\$ (7,119)	Noncurrent liability	\$ 341,525
Commodity swap	Deferred Inflows of Resources	27	-	Current asset	-

These derivative instruments are evaluated to determine if they are effective, which will significantly reduce the identified financial risk, at year end. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

Hedge accounting is applied to effective derivative instruments. Effective derivatives are reported, at fair value, as assets or liabilities with corresponding deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Changes in fair value are recognized as deferred outflows or inflows of resources. If the derivative instrument is determined to be ineffective, it is classified as investment derivative. An ineffective derivative's fair value is reported as an asset or liability on the Statement of Net Position. Change in fair value is reported within investment revenue classification on the Statement of Activities. As of June 30, 2014, all of LACMTA's derivative instruments were determined to be effective hedges.

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As of June 30, 2014, LACMTA had the following hedging derivative instruments within the business-type activities.

Type	Objective	Notional Value	Effective Date	Maturity Date	Fair Value at June 30, 2014	Terms
<u>Interest Rate Swap</u>						
Pay Fixed Interest Rate Swap	To reduce the risks associated with the changes in interest rates of the 2004 Gateway Bonds	\$ 86,175	9/22/2004	7/1/2027	\$ (8)	Receives 64% of LIBOR; Pays 3.501%
Pay Fixed Interest Rate Swap	To reduce the risks associated with the changes in interest rates of the Prop A Series 2008-A1 and A2	127,575	8/23/2005	7/1/2031	(3,560)	Receives 63% of LIBOR; Pays 3.373%
Pay Fixed Interest Rate Swap	To reduce the risks associated with the changes in interest rates of the Prop A Series 2008-A3 and A4	127,775	8/23/2005	7/1/2031	(3,551)	Receives 63% of LIBOR; Pays 3.358%
Total		<u>\$ 341,525</u>			<u>\$ (7,119)</u>	

Interest Rate Swap

LACMTA entered into interest rate swap agreements to manage the exposure of changes in variable interest rate related to its debt obligations. 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.

LACMTA neither received nor paid any upfront amount when these swaps were initiated. The fair value of the interest rate swap hedging derivatives at valuation date was negative, as reflected in the table on previous page, because the market interest rates on the valuation date of the swaps were lower than market interest rates on the effective date of the swaps.

The 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 inspection of the swaps and the providers.

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

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As of June 30, 2014, LACMTA's outstanding interest swap fair values along with the changes in fair values for the year then ended, and the associated counterparties and credit ratings are as follows:

Bond Series	Fair Value June 30, 2013	Change in Fair Value	Fair Value at June 30, 2014	Counterparty	Ratings		
					Moody's	S&P	Fitch
2004 Gateway	\$ (2,286)	\$ 2,278	\$ (8)	Bank of Montreal	Aa3	A+	AA-
Prop A Series 2008-A/A2	(5,949)	2,389	(3,560)	Bank of Montreal	Aa3	A+	AA-
Prop A Series 2008-3/A4	(5,921)	2,370	(3,551)	Deutsche Bank AG	A2	A	A+
Total	<u>\$ (14,156)</u>	<u>\$ 7,037</u>	<u>\$ (7,119)</u>				

LACMTA is exposed to the following risks generally associated with the interest rate 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 in cash, U.S. Government securities or certain federal agency securities. As of June 30, 2014, no collateral was required to be posted.

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

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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 monthly. A contingency plan is periodically updated identifying alternatives to finance a termination payment and/or replace or restructure the hedge.

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, 2014, LACMTA did not have any swap termination subject to exposure of rollover risk.

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, 2014, 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, 2014, 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, 2014, LACMTA has sufficient liquidity support.

Los Angeles County Metropolitan Transportation Authority
Notes to the Financial Statements
June 30, 2014

Annual debt service requirements on variable rate obligations and net swap payments on outstanding interest rate swaps are estimated as follows based on market conditions as of June 30, 2014:

Fiscal Year	Variable-rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2015	\$ 8,325	\$ 1,219	\$ 7,863	\$ 17,407
2016	8,625	1,178	7,598	17,401
2017	16,775	1,116	7,200	25,091
2018	13,250	1,043	6,730	21,023
2019	15,525	973	6,280	22,778
2020-2024	89,500	3,646	23,525	116,671
2025-2029	98,350	1,220	7,872	107,442
2030-2039	5,000	37	239	5,276
Total	\$ 255,350	\$ 10,432	\$ 67,307	\$ 333,089

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 and can be found on page 89.

The swap agreement on the 2004 Gateway Bonds with outstanding principal balance of \$86,175 was terminated on July 1, 2014; hence, the related future debt service requirements are not included in this table. The 2004 Gateway Bonds are auction rate bonds bearing interest at ARS (Auction Rate Security) rate or a maximum rate of 12% per annum.

Los Angeles County Metropolitan Transportation Authority
Notes to the Financial Statements
June 30, 2014

O. Leases

Operating Leases

LACMTA has entered into various lease agreements as “Lessor” of various parcels of land located within the vicinity of the Red Line stations, including LA Union Station, which was acquired by LACMTA in April 2011. The majority of these leases will expire between 50 years and 99 years. These leases are considered operating leases for accounting purposes.

The carrying value of the land held for lease as of June 30, 2014, is \$94,983 and is included under the Land caption in the capital assets section of the notes to the basic financial statements found on page 66.

The following is a schedule by years of minimum future rentals to be received on non-cancelable operating leases as of June 30, 2014:

Year Ending June 30	Amount
2015	\$ 7,765
2016	3,968
2017	4,132
2018	4,253
2019-2023	20,081
2024-2028	19,613
2029-2033	22,454
2034-2038	25,814
2039-2043	29,755
2044-2048	34,316
2049-2053	39,967
2054-2058	34,868
2059-2063	24,856
2064-2068	26,680
2069-2073	29,433
2074-2078	32,306
2079-2083	34,635
2084-2088	38,829
2089-2093	38,526
2094-2098	40,710
2099-2103	47,224
2104-2106	28,230
Total	\$ 588,415

Los Angeles County Metropolitan Transportation Authority
Notes to the Financial Statements
June 30, 2014

LACMTA is committed under various leases as “lessee” of building and office spaces. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2014 totaled \$5,522. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2015	\$ 2,696
2016	2,382
2017	2,386
2018	2,104
Total	\$ 9,568

P. Capital and MOU Commitments

Construction in Progress and Other Significant Commitments

LACMTA’s commitments to vendors for capital projects which are in various phases of development as of June 30, 2014 are as follows:

Project	Contract Commitments	
	Total	Remaining
Rail projects	\$ 4,677,705	\$ 2,706,054
Bus rapid transitways	91,263	3,372
Bus acquisition and others	1,193,905	571,871
	\$ 5,962,873	\$ 3,281,297

LACMTA has entered into various Memoranda of Understanding (MOU) to fund local transportation projects. For this purpose, LACMTA has reserved Propositions A and C, Measure R, TDA and STA funds totaling \$1,355,585 as of June 30, 2014.

Q. Joint Powers

LACMTA is a member of the Southern California Regional Rail Authority (SCRRA), which was formed as a regional Joint Powers Agency between the transportation commissions of the counties of Los Angeles, San Bernardino, Orange, Riverside, and Ventura. 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. LACMTA provides funding for the majority of Metrolink’s operating and capital costs. As of June 30, 2014, the total outstanding payables and commitments were \$3,529 and \$43,015, respectively.

Los Angeles County Metropolitan Transportation Authority
Notes to the Financial Statements
June 30, 2014

A summary of audited financial information for the SCRRA for the year ended June 30, 2013 (most recent data available) is as follows:

Current Assets	\$ 160,164
Noncurrent Assets	46,662
Capital Assets, net	1,311,357
Total Assets	1,518,183
Total Liabilities	202,211
Net Position	\$ 1,315,972
Total Revenues	\$ 340,772
Total Expenses	265,585
Increase in Net Position	\$ 75,187

Additional detailed financial information is available from the Office of Finance and Administration, SCRRA, One Gateway Plaza, 12th Floor, Los Angeles, CA 90012, or visit Metrolink's website at www.metrolinktrains.com.

R. Litigation and Other Contingencies

Litigation

In May 2014, Kiewit Infrastructure West Co., f/k/a Kiewit Pacific Company, a Delaware corporation, in connection with a design/build contract for the I-405 Sepulveda Pass Widening Project, claims damages in the \$350 million to \$450 million range. LACMTA has rejected the claim and Kiewit has filed a complaint for declaratory relief, anticipatory breach of the dispute resolution and DRB (Disputes Review Board) process, breach of contract and breach of implied covenant of good faith and fair dealing. The case is pending and no trial date has been set. LACMTA does not believe the outcome of the litigation will be material to LACMTA's respective financial positions or will have a material adverse impact on its ability to pay debt service on any of its obligations.

In addition to the matters herein discussed, various other claims have been asserted against LACMTA. In the opinion of LACMTA, none of the pending claims will be material to LACMTA's respective financial positions or will materially and adversely affect LACMTA's ability to pay the principal of and interest on any of its obligations.

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.

Los Angeles County Metropolitan Transportation Authority
Notes to the Financial Statements
June 30, 2014

Excise Tax on Lease/leaseback Transactions

Section 4965 of the Internal Revenue Code of 1986, as amended, imposes a federal excise tax (the "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. Based on Section 4965 and the final Treasury Regulations thereunder, LACMTA believes that the Excise Tax will not have a material adverse effect on its financial condition or results of its operation.

S. Subsequent Events

Long-Term Debt

In November 2014, the LACMTA's Board of Directors authorized the competitive sale of bonds to refund \$184,910 of outstanding Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2005-A, in one or more transactions through June 30, 2015, to achieve debt service savings. On December 18, 2014, LACMTA issued an aggregate principal amount of \$135,715 of Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2014-A with fixed interest rates ranging from 3.0% - 5.0% and final maturity date of July 1, 2035. The proceeds, including premium of \$18,844, and together with available funds, are used to advance refund and defease a portion of the Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2005-A, with an aggregate principal amount of \$154,645, and pay the costs associated with the issuance of Series 2014-A. The refunding achieved a net present value savings of \$25,948 over 20 years. Bond interest is due and payable semi-annually on January 1 and July 1 and principal amounts due are payable annually on July 1 of each year.

Index Interest Rate Bonds

On August 1, 2014, the liquidity facilities supporting LACMTA's Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2008-A1, Series 2008-A2, Series 2008-A3 and Series 2008-A4 (the "Index Interest Rate Bonds") bearing interest at an Index Interest Rate expired. On July 28, 2014, the Series 2008-A1 Bonds were purchased by Banc of America Preferred Funding Corporation (BAPFC) and on August 1, 2014, the Series 2008-A2 Bonds were purchased by BAPFC and the Series 2008-A3 and 2008-A4 Bonds were purchased by U.S. Bank National Association, to replace the expiring liquidity facilities with Bank of America, N.A., Sumitomo Mitsui Banking Corporation, and RBC Capital Markets, LLC. The Index Interest Rate Bonds will be subject to tender for purchase on July 28, 2016 (Series 2008-A1) and August 1, 2016 (Series 2008-A2, 2008-A3 and 2008-A4) with a one year early termination clause unless extended or modified.

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Required Supplementary Information

**Los Angeles County Metropolitan Transportation Authority
Required Supplementary Information
Schedule of Funding Progress – Pension Plans
For the Fiscal Year Ended June 30, 2014**

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	Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll (a)-(b)/ (c)
PTSC *						
06/30/12	\$ 429,424	\$ 408,153	\$ 21,271	95.05%	\$ 129,574	16.42%
06/30/11	403,848	374,041	29,807	92.62%	125,814	23.69%
06/30/10	360,072	339,282	20,790	94.23%	132,749	15.66%
LACMTA **						
UTU						
12/31/13	616,389	430,208	186,181	69.79%	173,322	107.42%
12/31/12	605,421	389,041	216,380	64.26%	177,930	121.61%
12/31/11	546,643	386,459	160,184	70.70%	181,993	88.02%
TCU						
12/31/13	113,148	78,632	34,516	69.49%	28,978	119.11%
12/31/12	109,766	70,250	39,516	64.00%	28,735	137.52%
12/31/11	105,148	67,668	37,480	64.36%	26,975	138.94%
ATU						
12/31/13	434,105	279,262	154,842	64.33%	116,182	133.28%
12/31/12	404,114	252,788	151,326	62.55%	114,500	132.16%
12/31/11	339,989	224,261	115,728	65.96%	111,164	104.11%
Non-Contract						
12/31/13	143,347	106,501	36,846	74.30%	3,953	932.10%
12/31/12	144,423	99,654	44,769	69.00%	4,412	1,014.71%
12/31/11	144,895	103,523	41,372	71.45%	4,856	851.98%
AFSCME						
12/31/13	57,110	46,908	10,202	82.14%	3,822	266.93%
12/31/12	57,047	42,817	14,230	75.06%	4,598	309.48%
12/31/11	55,847	43,597	12,250	78.07%	5,213	234.99%
LACMTA TOTAL						
12/31/13	\$ 1,364,099	\$ 941,511	\$ 422,588	69.02%	\$ 326,257	129.53%
12/31/12	1,320,771	854,550	466,221	64.70%	330,175	141.20%
12/31/11	1,192,522	825,508	367,014	69.22%	330,201	111.15%

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.

See accompanying independent auditors' report.

**Los Angeles County Metropolitan Transportation Authority
Required Supplementary Information
Schedule of Funding Progress – OPEB
For the Fiscal Year Ended June 30, 2014**

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 Actuarial Accrued Liability (UAAL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a)-(b)/(c)
January 1, 2013						
LACMTA	\$ 181,326	\$ 35,736	\$ 145,590	19.71%	\$ 177,369	82.08%
ATU	522,674	103,010	419,664	19.71%	160,829	260.94%
TCU	77,417	15,258	62,159	19.71%	38,395	161.89%
UTU	282,600	55,696	226,904	19.71%	246,765	91.95%
Total	<u>\$ 1,064,017</u>	<u>\$ 209,700</u>	<u>\$ 854,317</u>	<u>19.71%</u>	<u>\$ 623,358</u>	<u>137.05%</u>
January 1, 2011						
LACMTA	\$ 172,997	\$ 32,322	\$ 140,675	18.68%	\$ 159,974	87.94%
ATU	499,030	93,236	405,794	18.68%	154,401	262.82%
TCU	70,017	13,082	56,935	18.68%	38,139	149.28%
UTU	262,005	48,951	213,054	18.68%	257,023	82.89%
Total	<u>\$ 1,004,049</u>	<u>\$ 187,591</u>	<u>\$ 816,458</u>	<u>18.68%</u>	<u>\$ 609,537</u>	<u>133.95%</u>
January 1, 2009						
LACMTA	\$ 148,150	\$ 22,934	\$ 125,216	15.48%	\$ 165,924	75.47%
ATU	462,109	71,537	390,572	15.48%	142,512	274.06%
TCU	90,227	13,968	76,259	15.48%	35,372	215.59%
UTU	314,221	48,643	265,578	15.48%	236,341	112.37%
Total	<u>\$ 1,014,707</u>	<u>\$ 157,082</u>	<u>\$ 857,625</u>	<u>15.48%</u>	<u>\$ 580,149</u>	<u>147.83%</u>

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

See accompanying independent auditors' report.

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, 2014
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 33,646	\$ 33,646	\$ 23,543	\$ (10,103)
Investment income	4,060	4,060	1,989	(2,071)
Net appreciation in fair value of investments	-	-	1,641	1,641
Lease and rental	20,428	20,428	14,162	(6,266)
Licenses and fines	-	-	524	524
Other	18,807	18,807	12,756	(6,051)
TOTAL REVENUES	76,941	76,941	54,615	(22,326)
EXPENDITURES				
Current:				
Administration and other	114,291	119,675	82,592	37,083
Transportation subsidies	22,764	22,764	7,452	15,312
Debt and interest expenditures:				
Principal	1,110	1,110	1,133	(23)
Interest and fiscal charges	1,067	1,067	1,064	3
TOTAL EXPENDITURES	139,232	144,616	92,241	52,375
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(62,291)	(67,675)	(37,626)	30,049
OTHER FINANCING SOURCES (USES)				
Transfers in	33,437	33,921	84,286	50,365
Transfers out	(55,068)	(56,199)	(9,092)	47,107
TOTAL OTHER FINANCING SOURCES (USES)	(21,631)	(22,278)	75,194	97,472
NET CHANGE IN FUND BALANCES	(83,922)	(89,953)	37,568	127,521
Fund balances – beginning of year	475,023	475,023	475,023	-
FUND BALANCES – END OF YEAR	\$ 391,101	\$ 385,070	\$ 512,591	\$ 127,521

*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, 2014
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 708,400	\$ 708,400	\$ 778,504	\$ 70,104
Investment income	-	-	871	871
Net appreciation in fair value of investments	-	-	529	529
TOTAL REVENUES	708,400	708,400	779,904	71,504
EXPENDITURES				
Current:				
Transportation subsidies	288,519	288,519	300,674	(12,155)
TOTAL EXPENDITURES	288,519	288,519	300,674	(12,155)
EXCESS OF REVENUES OVER EXPENDITURES	419,881	419,881	479,230	59,349
OTHER FINANCING SOURCES (USES)				
Transfers out	(266,742)	(266,742)	(327,776)	(61,034)
TOTAL OTHER FINANCING SOURCES (USES)	(266,742)	(266,742)	(327,776)	(61,034)
NET CHANGE IN FUND BALANCES	153,139	153,139	151,454	(1,685)
Fund balances – beginning of year	191,111	191,111	191,111	-
FUND BALANCES – END OF YEAR	\$ 344,250	\$ 344,250	\$ 342,565	\$ (1,685)

* 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, 2014
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 708,401	\$ 708,401	\$ 778,600	\$ 70,199
Intergovernmental	220,803	220,803	114,337	(106,466)
Investment income	-	-	79	79
Net decline in fair value of investments	-	-	(52)	(52)
TOTAL REVENUES	929,204	929,204	892,964	(36,240)
EXPENDITURES				
Current:				
Administration and other	247,298	244,369	246,224	(1,855)
Transportation subsidies	535,926	536,161	604,877	(68,716)
TOTAL EXPENDITURES	783,224	780,530	851,101	(70,571)
EXCESS OF REVENUES OVER EXPENDITURES	145,980	148,674	41,863	(106,811)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,627	11,273	198,040	186,767
Transfers out	(248,537)	(204,544)	(240,541)	(35,997)
TOTAL OTHER FINANCING SOURCES (USES)	(237,910)	(193,271)	(42,501)	150,770
NET CHANGE IN FUND BALANCES	(91,930)	(44,597)	(638)	43,959
Fund balances – beginning of year	40,057	40,057	40,057	-
FUND BALANCES – END OF YEAR	\$ (51,873)	\$ (4,540)	\$ 39,419	\$ 43,959

* 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
Measure R Fund
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 708,400	\$ 708,400	\$ 714,218	\$ 5,818
Intergovernmental	600	600	7,326	6,726
Investment income	-	-	3,989	3,989
Net appreciation in fair value of investments	-	-	4,103	4,103
TOTAL REVENUES	709,000	709,000	729,636	20,636
EXPENDITURES				
Current:				
Administration and other	113,253	120,142	67,973	52,169
Transportation subsidies	241,772	241,272	253,754	(12,482)
TOTAL EXPENDITURES	355,025	361,414	321,727	39,687
EXCESS OF REVENUES OVER EXPENDITURES	353,975	347,586	407,909	60,323
OTHER FINANCING SOURCES (USES)				
Transfers in	10,279	10,279	46,839	36,560
Transfers out	(579,177)	(609,894)	(979,073)	(369,179)
TOTAL OTHER FINANCING SOURCES (USES)	(568,898)	(599,615)	(932,234)	(332,619)
NET CHANGE IN FUND BALANCES	(214,923)	(252,029)	(524,325)	(272,296)
Fund balances – beginning of year	1,189,279	1,189,279	1,189,279	-
FUND BALANCES – END OF YEAR	\$ 974,356	\$ 937,250	\$ 664,954	\$ (272,296)

*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, 2014
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 153,636	\$ 153,636
Investment income	-	-	112	112
Net appreciation in fair value of investments	-	-	21	21
TOTAL REVENUES	-	-	153,769	153,769
OTHER FINANCING SOURCES (USES)				
Transfers out	(343,599)	(280,870)	(203,808)	77,062
TOTAL OTHER FINANCING SOURCES (USES)	(343,599)	(280,870)	(203,808)	77,062
NET CHANGE IN FUND BALANCES	(343,599)	(280,870)	(50,039)	230,831
Fund balances – beginning of year	158,943	158,943	158,943	-
FUND BALANCES – END OF YEAR	<u>\$ (184,656)</u>	<u>\$ (121,927)</u>	<u>\$ 108,904</u>	<u>\$ 230,831</u>

**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
Transportation Development Act Fund
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

	<u>Budgeted Amounts*</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 354,200	\$ 354,200	\$ 390,232	\$ 36,032
Investment income	-	-	1,763	1,763
TOTAL REVENUES	<u>354,200</u>	<u>354,200</u>	<u>391,995</u>	<u>37,795</u>
EXPENDITURES				
Current:				
Transportation subsidies	<u>132,686</u>	<u>132,686</u>	<u>131,138</u>	<u>1,548</u>
TOTAL EXPENDITURES	<u>132,686</u>	<u>132,686</u>	<u>131,138</u>	<u>1,548</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>221,514</u>	<u>221,514</u>	<u>260,857</u>	<u>39,343</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	937	937	-	(937)
Transfer out	<u>(384,424)</u>	<u>(384,424)</u>	<u>(385,501)</u>	<u>(1,077)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(383,487)</u>	<u>(383,487)</u>	<u>(385,501)</u>	<u>(2,014)</u>
NET CHANGE IN FUND BALANCES	<u>(161,973)</u>	<u>(161,973)</u>	<u>(124,644)</u>	<u>37,329</u>
Fund balances – beginning of year	<u>324,387</u>	<u>324,387</u>	<u>324,387</u>	<u>-</u>
FUND BALANCES – END OF YEAR	<u>\$ 162,414</u>	<u>\$ 162,414</u>	<u>\$ 199,743</u>	<u>\$ 37,329</u>

**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
State Transit Assistance Fund
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 115,528	\$ 115,528	\$ 117,122	\$ 1,594
Investment income	-	-	168	168
TOTAL REVENUES	115,528	115,528	117,290	1,762
EXPENDITURES				
Current:				
Transportation subsidies	16,502	16,502	17,034	(532)
TOTAL EXPENDITURES	16,502	16,502	17,034	(532)
EXCESS OF REVENUES OVER EXPENDITURES	99,026	99,026	100,256	1,230
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,000	5,000
Transfers out	(115,263)	(115,263)	(114,731)	532
TOTAL OTHER FINANCING SOURCES (USES)	(115,263)	(115,263)	(109,731)	5,532
NET CHANGE IN FUND BALANCES	(16,237)	(16,237)	(9,475)	6,762
Fund balances – beginning of year	13,195	13,195	13,195	-
FUND BALANCES – END OF YEAR	\$ (3,042)	\$ (3,042)	\$ 3,720	\$ 6,762

*Budget prepared in accordance with GAAP

See accompanying independent auditors' report.

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Other Supplementary Information

Los Angeles County Metropolitan Transportation Authority
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2014
(Amounts expressed in thousands)

	Special Revenue Funds		
	Service Authority For Fwy Emergency	Other	Total Non-major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,921	\$ 32,728	\$ 44,649
Investments	18,580	41,305	59,885
Receivables			
Accounts	-	108	108
Intergovernmental	123	55	178
TOTAL ASSETS	\$ 30,624	\$ 74,196	\$ 104,820
LIABILITIES			
Accounts payable and accrued liabilities	\$ 901	\$ 1,380	\$ 2,281
Due to other funds	-	3,008	3,008
Other liabilities	-	16,643	16,643
TOTAL LIABILITIES	901	21,031	21,932
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenues	-	163	163
TOTAL DEFERRED INFLOWS OF RESOURCES	-	163	163
FUND BALANCES			
Restricted	29,723	53,002	82,725
TOTAL FUND BALANCES	29,723	53,002	82,725
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 30,624	\$ 74,196	\$ 104,820

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

	Special Revenue Funds		Total Non-major Governmental Funds
	Service Authority For Fwy Emergency	Other	
REVENUES			
Intergovernmental	\$ 5	\$ 16,490	\$ 16,495
Investment income	361	36	397
Net decline in fair value of investments	(53)	(24)	(77)
Licenses and fines	7,842	-	7,842
TOTAL REVENUES	8,155	16,502	24,657
EXPENDITURES			
Current:			
Administration and other	6,358	2,407	8,765
TOTAL EXPENDITURES	6,358	2,407	8,765
EXCESS OF REVENUES OVER			
EXPENDITURES	1,797	14,095	15,892
OTHER FINANCING SOURCES (USES)			
Transfers out	(4,529)	(8,397)	(12,926)
TOTAL OTHER FINANCING SOURCES (USES)	(4,529)	(8,397)	(12,926)
NET CHANGE IN FUND BALANCES	(2,732)	5,698	2,966
Fund balances – beginning of year	32,455	47,304	79,759
FUND BALANCES – END OF YEAR	\$ 29,723	\$ 53,002	\$ 82,725

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Service Authority for Freeway Emergency Fund
For the Year Ended June 30, 2014
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 5	\$ 5
Investment income	500	500	361	(139)
Net decline in fair value of investments	-	-	(53)	(53)
Licenses and fines	8,325	8,325	7,842	(483)
TOTAL REVENUES	8,825	8,825	8,155	(670)
EXPENDITURES				
Current:				
Administration and other	11,760	11,705	6,358	5,347
TOTAL EXPENDITURES	11,760	11,705	6,358	5,347
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,935)	(2,880)	1,797	4,677
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,500)	(1,500)	(4,529)	(3,029)
TOTAL OTHER FINANCING SOURCES AND USES	(1,500)	(1,500)	(4,529)	(3,029)
NET CHANGE IN FUND BALANCES	(4,435)	(4,380)	(2,732)	1,648
Fund balances – beginning of year	32,455	32,455	32,455	-
FUND BALANCES – END OF YEAR	\$ 28,020	\$ 28,075	\$ 29,723	\$ 1,648

*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, 2014
(Amounts expressed in thousands)

	Budgeted Amounts*		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 174	\$ 174	\$ 16,490	\$ 16,316
Investment income	-	-	36	36
Net decline in fair value of investments	-	-	(24)	(24)
TOTAL REVENUES	174	174	16,502	16,328
EXPENDITURES				
Current:				
Administration and other	(174)	(424)	2,407	(2,831)
TOTAL EXPENDITURES	(174)	(424)	2407	(2,831)
EXCESS OF REVENUES OVER EXPENDITURES	348	598	14,095	13,497
OTHER FINANCING SOURCES AND (USES)				
Transfers out	(9,038)	(9,038)	(8,397)	641
TOTAL OTHER FINANCING SOURCES AND (USES)	(9,038)	(9,038)	(8,397)	641
NET CHANGE IN FUND BALANCES	(8,690)	(8,440)	5,698	14,138
Fund balances – beginning of year	47,304	47,304	47,304	-
FUND BALANCES – END OF YEAR	\$ 38,614	\$ 38,864	\$ 53,002	\$ 14,138

*Budget prepared in accordance with GAAP

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Changes in Fiduciary Net Position– Employee Retirement Trust Funds
Fiduciary Funds
For the Year Ended June 30, 2014
(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	\$ 11,616	\$ 2,307	\$ 8,135	\$ 1,310	\$ 2,718	\$ 26,086
Investments						
Bonds	116,232	23,089	81,401	13,112	27,184	261,018
Domestic stocks	79,353	15,763	55,575	8,952	18,559	178,202
Non-domestic stocks	3,447	685	2,415	389	806	7,742
Pooled investments	337,052	66,954	236,053	38,025	78,830	756,914
Receivables						
Member contribution	397	49	217	-	-	663
Securities sold	12,525	2,488	8,771	1,413	2,929	28,126
Inter-plan receivables	-	-	-	807	675	1,482
Interest and dividends	13,833	2,748	9,687	1,560	3,235	31,063
Receivable from sponsor	-	68	133	63	434	698
Prepaid items and other assets	15	3	11	2	4	35
Total assets	574,470	114,154	402,398	65,633	135,374	1,292,029
LIABILITIES						
Accounts payable and other liabilities	1,033	239	744	162	295	2,473
Inter-plan payables	990	122	370	-	-	1,482
Securities purchased	31,427	6,243	22,010	3,545	7,351	70,576
Total liabilities	33,450	6,604	23,124	3,707	7,646	74,531
NET POSITION						
Held in trust for pension benefits	\$ 541,020	\$ 107,550	\$ 379,274	\$ 61,926	\$ 127,728	\$ 1,217,498

Note: Inter-plan receivables/payables between the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 42.

See accompanying independent auditor's report.

Los Angeles County Metropolitan Transportation Authority
Combining Statement of Changes in Fiduciary Net Position– Employee Retirement Trust Funds
Fiduciary Funds
For the Year Ended June 30, 2014
(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	\$ 23,568	\$ 5,466	\$ 20,126	\$ 1,964	\$ 5,074	\$ 56,198
Member	14,930	1,647	7,278	807	675	25,337
Total contributions	38,498	7,113	27,404	2,771	5,749	81,535
From investing activities:						
Net appreciation in fair value of investments	77,610	15,208	53,735	8,891	18,590	174,034
Investment income	4,435	870	3,076	507	1,060	9,948
Investment expense	(1,768)	(347)	(1,229)	(203)	(421)	(3,968)
Other income	438	273	114	24	47	896
Total investing activities income	80,715	16,004	55,696	9,219	19,276	180,910
Total additions	119,213	23,117	83,100	11,990	25,025	262,445
DEDUCTIONS						
Retiree benefits	40,145	5,787	22,251	4,835	10,540	83,558
Administrative expenses	450	193	377	167	211	1,398
Total deductions	40,595	5,980	22,628	5,002	10,751	84,956
Increase in net position	78,618	17,137	60,472	6,988	14,274	177,489
Net Position – beginning of year	462,402	90,413	318,802	54,938	113,454	1,040,009
NET POSITION – END OF YEAR	\$ 541,020	\$ 107,550	\$ 379,274	\$ 61,926	\$ 127,728	\$ 1,217,498

See accompanying independent auditors' report.

Statistical Section

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how LACMTA's financial performance has changed over time.	120
Revenue Capacity These schedules contain information to help the reader assess LACMTA's local revenue sources: sales taxes, operating assistance, and passenger fares.	125
Debt Capacity These schedules present information to help the reader assess the affordability of LACMTA's current outstanding debts and LACMTA's ability to issue additional debt in the future.	128
Demographic and Economic Information These schedules contain demographic and economic indicators to assist the reader in understanding the environment within which LACMTA's financial activities take place.	132
Operating Information These schedules contain service and facilities statistics to help the reader understand how LACMTA's financial report relates to its services and operating activities and how it compares to the transit industry.	135

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

Table 1

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	\$ 779,046	\$ 778,972	\$ 772,905	\$ 772,838	\$ 772,794	\$ 772,794	\$ 772,794	\$ 772,794	\$ 772,794	\$ 772,794
Restricted for										
Proposition A ordinance projects	136,940	166,588	304,706	196,639	114,615	80,536	69,049	161,158	191,111	342,565
Proposition C ordinance projects	287,341	358,111	388,235	578,028	478,474	116,013	116,912	134,652	40,057	39,419
Measure R ordinance projects	-	-	-	-	-	383,665	611,464	915,357	1,189,279	664,954
PTMISEA projects	-	-	-	52,624	118,614	56,696	-	32,182	158,943	108,904
TDA and STA projects	138,397	166,856	243,120	245,822	171,491	259,618	264,366	324,010	337,582	203,463
Other non-major governmental projects	90,951	99,074	353,299	369,610	384,875	348,327	49,968	74,742	79,759	82,725
Unrestricted	214,841	244,136	297,103	132,436	100,240	234,401	499,084	486,403	514,563	640,325
Total governmental activities net position	1,647,516	1,813,737	2,359,368	2,347,997	2,141,103	2,252,050	2,383,637	2,901,298	3,284,088	2,855,149
Business-type activities:										
Net investment in capital assets	3,555,446	3,694,487	3,671,581	3,911,725	3,900,614	4,366,480	4,497,567	4,561,995	4,908,034	5,587,514
Restricted for debt service	298,187	313,622	289,669	321,823	419,282	446,878	440,892	431,009	469,027	504,782
Unrestricted	(137,312)	(24,924)	111,273	76,168	212,781	(1,909)	(130,868)	(30,488)	(318,227)	(89,448)
Total business-type activities net position	3,716,321	3,983,185	4,072,523	4,309,716	4,532,677	4,811,449	4,807,591	4,962,516	5,058,834	6,002,848
Primary government:										
Net investment in capital assets	4,334,492	4,473,459	4,444,486	4,684,563	4,673,408	5,139,274	5,270,361	5,334,789	5,680,828	6,360,308
Restricted for debt service	298,187	313,622	289,669	321,823	419,282	446,878	440,892	431,009	469,027	504,782
Restricted for other purpose										
Proposition A ordinance projects	136,940	166,588	304,706	196,639	114,615	80,536	69,049	161,158	191,111	342,565
Proposition C ordinance projects	287,341	358,111	388,235	578,028	478,474	116,013	116,912	134,652	40,057	39,419
Measure R ordinance projects	-	-	-	-	-	383,665	611,464	915,357	1,189,279	664,954
PTMISEA projects	-	-	-	52,624	118,614	56,696	-	32,182	158,943	108,904
TDA and STA projects	138,397	166,856	243,120	245,822	171,491	259,618	264,366	324,010	337,582	203,463
Other non-major governmental projects	90,951	99,074	353,299	369,610	384,875	348,327	49,968	74,742	79,759	82,725
Unrestricted	77,529	219,212	408,376	208,604	313,021	232,492	368,216	455,915	196,336	550,877
Total primary government net position	\$ 5,363,837	\$ 5,796,922	\$ 6,431,891	\$ 6,657,713	\$ 6,673,780	\$ 7,063,499	\$ 7,191,228	\$ 7,863,814	\$ 8,342,922	\$ 8,857,997

Source: Comprehensive Annual Financial Report

See accompanying independent auditors' report.

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

Table 2

Expenses	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Transit operators programs	\$ 221,400	\$ 202,964	\$ 235,476	\$ 209,299	\$ 282,305	\$ 201,354	\$ 238,624	\$ 220,782	\$ 239,718	\$ 346,326
Local cities programs	-	-	-	-	-	370,177	401,957	442,409	431,470	541,736
Congestion relief operations	-	-	-	-	-	-	-	-	-	44,792
Highway projects	303,969	306,532	320,629	318,492	300,113	247,715	108,511	234,690	312,807	521,755
Regional multimodal capital programs	60,619	117,483	103,286	316,631	188,316	102,084	80,221	96,174	146,528	29,080
Paratransit programs	35,010	11,397	12,440	14,355	14,208	25,283	16,456	10,227	13,097	92,745
Other transportation subsidies	55,471	66,234	49,997	57,711	79,910	88,180	56,504	63,875	130,964	62,861
Debt service interest	1,540	1,505	1,456	1,408	1,444	1,249	1,205	1,161	1,114	1,064
General government	101,610	119,157	132,228	165,783	200,523	218,380	257,433	167,134	218,637	81,380
Total government activities	\$ 779,619	\$ 825,272	855,512	1,083,679	\$ 1,066,819	\$ 1,254,422	\$ 1,160,911	\$ 1,236,452	\$ 1,494,335	\$ 1,721,739
Business-type activities										
Transit operations	1,471,539	1,567,469	1,691,649	1,747,243	1,807,037	1,808,257	1,910,466	1,835,735	1,916,041	1,940,775
Union Station operations	-	-	-	-	-	-	1,052	4,167	6,586	7,498
Toll operations	-	-	-	-	-	-	-	-	10,102	12,803
Total business-type activities expenses	1,471,539	1,567,469	1,691,649	1,747,243	1,807,037	1,808,257	1,911,518	1,839,902	1,932,729	1,961,076
Total expenses	\$ 2,251,158	\$ 2,392,741	\$ 2,547,161	\$ 2,830,922	\$ 2,873,856	\$ 3,062,679	\$ 3,072,429	\$ 3,076,354	\$ 3,427,064	\$ 3,682,815
Program Revenues										
Governmental activities:										
Charges for services	\$ 10,945	\$ 12,742	\$ 13,311	\$ 10,915	\$ 10,101	\$ 15,713	\$ 16,302	\$ 15,740	\$ 23,770	\$ 5,899
Operating grants and contributions	20,054	30,477	343,003	191,046	162,387	267,306	169,261	401,651	502,374	410,545
Total governmental activities program	30,999	43,219	356,314	201,961	172,488	283,019	185,563	417,391	526,144	416,444
Business-type activities:										
Charges for services	284,682	299,966	313,000	357,857	357,895	342,087	375,168	375,917	382,003	400,832
Operating grants and contributions	217,043	207,683	186,003	198,443	214,285	239,835	261,068	289,517	272,951	241,808
Capital grants and contributions	245,860	467,665	302,613	200,575	424,732	411,392	182,378	207,509	135,653	298,199
Total business-type activities program	747,585	975,314	801,616	756,875	996,912	993,314	818,614	872,943	790,607	940,839
Total program revenues	\$ 778,584	\$ 1,018,533	\$ 1,157,930	\$ 958,836	\$ 1,169,400	\$ 1,276,333	\$ 1,004,177	\$ 1,290,334	\$ 1,316,751	\$ 1,357,283
Net (expense) / revenue:										
Governmental activities	\$ (748,620)	\$ (782,053)	\$ (499,198)	\$ (881,718)	\$ (894,331)	\$ (971,403)	\$ (975,348)	\$ (819,061)	\$ (968,191)	\$ (1,305,295)
Business-type activities	(723,954)	(592,155)	(890,033)	(990,368)	(810,125)	(814,943)	(1,092,904)	(966,959)	(1,142,122)	(1,020,237)
Total net expense	\$(1,472,574)	\$(1,374,208)	\$ (1,389,231)	\$ (1,872,086)	\$ (1,704,456)	\$ (1,786,346)	\$ (2,068,252)	\$ (1,786,020)	\$(2,110,313)	\$(2,325,532)

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

Table 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes In Net Position										
Governmental activities										
Sales tax	\$ 1,587,517	\$ 1,738,996	\$ 1,908,416	\$ 1,801,291	\$ 1,596,152	\$ 2,085,370	\$ 2,104,072	\$ 2,386,439	\$ 2,519,720	\$ 2,778,676
Investment income*	14,886	32,764	51,186	70,782	55,284	39,268	24,628	17,829	4,822	14,719
Miscellaneous	12,847	13,484	29,736	39,273	41,063	26,979	49,218	32,205	42,203	22,244
Transfers	(862,574)	(837,219)	(944,260)	(1,040,999)	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)
Total government activities	752,676	948,025	1,045,078	870,347	687,437	1,082,350	1,106,935	1,336,722	1,350,981	876,356
Business-type activities:										
Investment income*	15,525	17,418	29,282	15,586	7,793	8,102	13,191	15,480	17,977	13,261
Miscellaneous	4,460	4,382	5,829	5,237	20,231	16,346	4,872	6,653	4,699	11,707
Transfers	862,574	837,219	944,260	1,040,999	1,005,062	1,069,267	1,070,983	1,099,751	1,215,764	1,939,283
Total business-type activities	882,559	859,019	979,371	1,061,822	1,033,086	1,093,715	1,089,046	1,121,884	1,238,440	1,964,251
Total primary government	\$ 1,635,235	\$ 1,807,044	\$ 2,024,449	\$ 1,932,169	\$ 1,720,523	\$ 2,176,065	\$ 2,195,981	\$ 2,458,606	\$ 2,589,421	2,840,607
Change in Net Position										
Governmental activities	\$ 4,056	\$ 165,972	\$ 545,880	\$ (11,371)	\$ (206,894)	\$ 110,947	\$ 131,587	\$ 517,661	\$ 382,790	\$ (428,939)
Business-type activities	158,605	266,864	89,338	71,454	222,961	278,772	(3,858)	154,925	96,318	944,014
Total primary government	\$ 162,661	\$ 432,836	\$ 635,218	\$ 60,083	\$ 16,067	\$ 389,719	\$ 127,729	\$ 672,586	\$ 479,108	\$ 515,075

Source: Comprehensive Annual Financial Report

* Including net appreciation (decline) in fair value of investments

See accompanying independent auditors' report.

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

Table 3

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 6,727	\$ 2,320	\$ 3,047	\$ 2,890	\$ 1,780	\$ 1,843	\$ -	\$ -	\$ -	\$ -
Unreserved	86,626	113,838	150,995	144,513	158,847	178,611	-	-	-	-
Restricted*	-	-	-	-	-	-	7,827	9,023	6,588	4,045
Committed*	-	-	-	-	-	-	46,564	3,492	8,877	8,779
Assigned*	-	-	-	-	-	-	986	6,818	11,403	10,624
Unassigned*	-	-	-	-	-	-	434,371	456,263	448,155	489,143
Total General Fund	\$ 93,353	\$ 116,158	\$ 154,042	\$ 147,403	\$ 160,627	\$ 180,454	\$ 489,748	\$ 475,596	\$ 475,023	\$ 512,591
All other governmental funds										
Reserved	\$ 535,519	\$ 473,013	\$ 542,896	\$ 656,807	\$ 825,140	\$ 1,201,151	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Proposition A	40,245	130,428	250,696	120,077	(18,093)	23,741	-	-	-	-
Proposition C	19,965	85,824	75,753	239,583	(44,054)	(871,854)	-	-	-	-
Measure R	-	-	-	-	-	349,183	-	-	-	-
PTMISEA	-	-	-	52,624	118,614	56,696	-	-	-	-
TCRP	-	-	317,434	-	-	-	-	-	-	-
Transportation Development Act	31,833	53,579	52,292	17,572	(8,529)	(1,107)	-	-	-	-
State Transit Assistance	16,088	32,756	36,505	7,684	33,613	160,797	-	-	-	-
Non-major Governmental	9,979	14,809	25,939	363,345	360,172	319,897	-	-	-	-
Restricted*										
Proposition A	-	-	-	-	-	-	69,049	161,158	191,111	342,565
Proposition C	-	-	-	-	-	-	116,912	134,652	40,057	39,419
Measure R	-	-	-	-	-	-	611,464	915,357	1,189,279	664,954
PTMISEA	-	-	-	-	-	-	-	32,182	158,943	108,904
TDA and STA	-	-	-	-	-	-	264,366	324,010	337,582	203,463
Non-major Governmental	-	-	-	-	-	-	49,968	74,742	79,759	82,725
Total all other governmental funds	653,629	790,409	1,301,515	1,457,692	1,266,863	1,238,504	1,111,759	1,642,101	1,996,731	1,442,030
Total governmental funds	\$ 746,982	\$ 906,567	\$ 1,455,557	\$ 1,605,095	\$ 1,427,490	\$ 1,418,958	\$ 1,601,507	\$ 2,117,697	\$ 2,471,754	\$ 1,954,621

Source: Comprehensive Annual Financial Report

* Reclassification of Fund Balances with the implementation of GASB Statement No. 54 Fund Balance Reporting and Government Fund Type Definitions

See accompanying independent auditors' report.

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

Table 4

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Sales tax	\$1,587,517	\$1,738,996	\$1,908,416	\$ 1,768,916	\$ 1,628,527	\$ 2,085,370	\$2,104,072	\$2,386,439	\$2,519,720	\$2,778,676
Intergovernmental	20,054	26,955	343,003	194,565	162,387	151,046	228,469	413,262	484,194	315,337
Investment income*	14,886	32,764	51,186	70,782	55,284	39,268	24,628	16,812	5,025	15,533
Lease and rental	10,945	12,741	11,293	10,915	10,101	15,713	16,206	15,740	15,509	14,162
Licenses and fines	8,088	8,157	8,246	8,407	8,091	7,962	8,023	8,065	8,115	8,366
Other	2,608	3,170	26,784	28,706	30,811	16,820	34,071	13,095	32,658	12,756
Total revenues	1,644,098	1,822,783	2,348,928	2,082,291	1,895,201	2,316,179	2,415,469	2,853,413	3,065,221	3,144,830
Expenditures										
Current										
Administration and other	91,942	93,912	98,720	130,090	161,504	377,193	295,139	356,480	431,967	405,554
Transportation subsidies	686,070	729,780	754,733	759,447	903,971	875,977	864,528	878,796	1,061,239	1,314,929
Principal, interest, and fiscal charges	2,283	2,283	2,226	2,217	2,269	2,274	2,270	2,196	2,194	2,197
Total expenditures	780,295	825,975	855,679	891,754	1,067,744	1,255,444	1,161,937	1,237,472	1,495,400	1,722,680
Excess of revenues over expenditures	863,803	996,808	1,493,249	1,190,537	827,457	1,060,735	1,253,532	1,615,941	1,569,821	1,422,150
Other financing sources (uses)										
Transfers out, net of transfers in	(862,574)	(837,221)	(944,260)	(1,040,999)	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)
Total other financing sources (uses)	(862,574)	(837,221)	(944,260)	(1,040,999)	(1,005,062)	(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)
Net change in fund balances	\$ 1,229	\$ 159,587	\$ 548,989	\$ 149,538	\$ (177,605)	\$ (8,532)	\$ 182,549	\$ 516,190	\$ 354,057	\$ (517,133)
Debt service expenditures expressed as a percentage of non-capital expenditures	0.29%	0.28%	0.26%	0.25%	0.21%	0.18%	0.20%	0.18%	0.15%	0.13%

Source: Comprehensive Annual Financial Report

* Includes net appreciation (decline) in fair value of investments

See accompanying independent auditors' report.

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

Table 5

Fiscal Year	Proposition A	Proposition C	Measure R	Transportation Development Act	Other	Total
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)	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
2010	565,746	565,787	551,480 (2)	285,270	117,087	2,085,370
2011	601,883	601,932	598,647	301,610	- (3)	2,104,072
2012	648,692	648,776	645,026	326,883	117,062	2,386,439
2013	687,172	687,332	684,862	343,806	116,548	2,519,720
2014	778,504 (4)	778,600 (4)	714,218 (4)	390,232	117,122	2,778,676

Source: Comprehensive Annual Financial Report

(1) 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 provided by law.

(2) Measure R is a voter-approved half-cent sales tax that took effect in July 2009 for Los Angeles County to finance new Transportation projects and programs.

(3) No allocation from State of California due to budget deficit.

(4) The substantial increase was due to one-time accrual of sales tax revenues.

See accompanying independent auditors' report.

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

Table 6

Fiscal Year	Passenger Fares	Federal Operating Grants	Operating Subsidies	Auxiliary Transportation/ Route Subsidies	Lease and Rental*	Toll Revenues**	Total
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
2010	316,427	238,981	619,221	25,660	-	-	1,200,289
2011	345,973	259,871	554,808	28,000	1,195	-	1,189,847
2012	344,014	287,977	522,998	27,815	4,088	-	1,186,892
2013	340,010	272,199	625,955	24,543	4,459	12,991	1,280,157
2014	339,599	239,888	596,736 ***	20,639	5,929	34,665	1,237,456

Source: Comprehensive Annual Financial Report

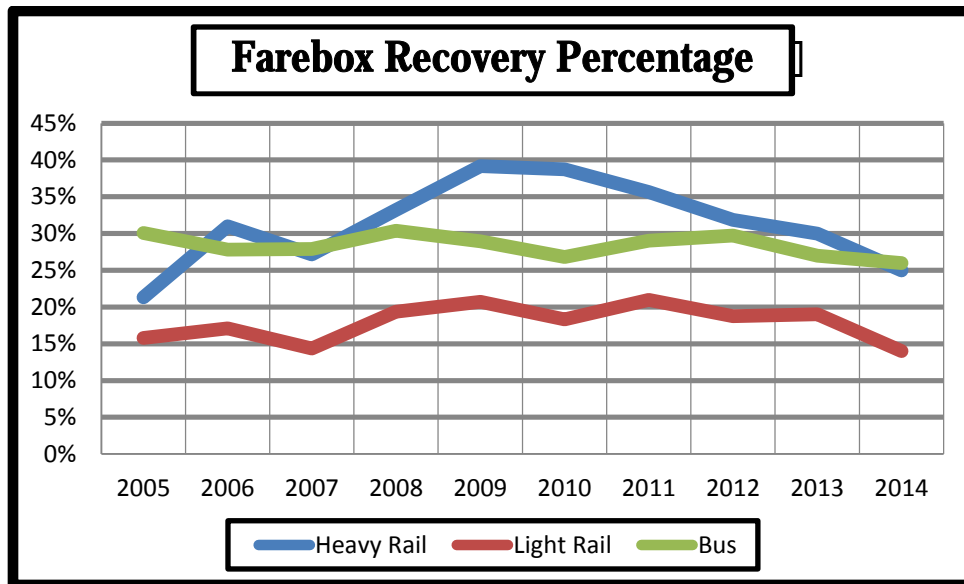
* LACMTA purchased Union Station property in April 2011.
 ** Metro ExpressLanes commenced revenue operations in November 2012 for I-110 and February 2013 for I-10
 *** Net of transfers out

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
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%
2010	39%	18%	27%	27%
2011	36%	21%	29%	28%
2012	32%	19%	29%	28%
2013	30%	19%	27%	26%
2014	25%	14%	26%	23%



Source: National Transit Database Report

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Principal	\$ 209,357	\$ 233,522	\$ 195,023	\$ 244,887	\$ 293,606	\$ 262,992	\$ 325,173	\$ 215,522	\$ 180,432	\$ 316,781
Interest and others	134,216	174,312	156,680	161,976	169,737	137,187	148,131	157,942	134,724	136,318
Total debt service expenditures	\$ 343,573	\$ 407,834	\$ 351,703	\$ 406,863	\$ 463,343	\$ 400,179	\$ 473,304	\$ 373,464	\$ 315,156	\$ 453,099
Total general expenditures	\$ 1,976,716	\$ 2,112,185	\$ 2,574,205	\$ 2,716,469	\$ 3,168,395	\$ 3,326,242	\$ 3,397,117	\$ 3,292,896	\$ 3,608,561	\$ 4,000,992
Percent of debt service to general expenditures (%)	17.38%	19.31%	13.66%	14.98%	14.62%	12.03%	13.93%	11.34%	8.73%	11.32%

Source: Comprehensive Annual Financial Report

See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
Historical Debt Service Coverage Ratios – Proposition A, Proposition C, and Measure R
Last Ten Fiscal Years
(Amounts expressed in thousands)

Table 9

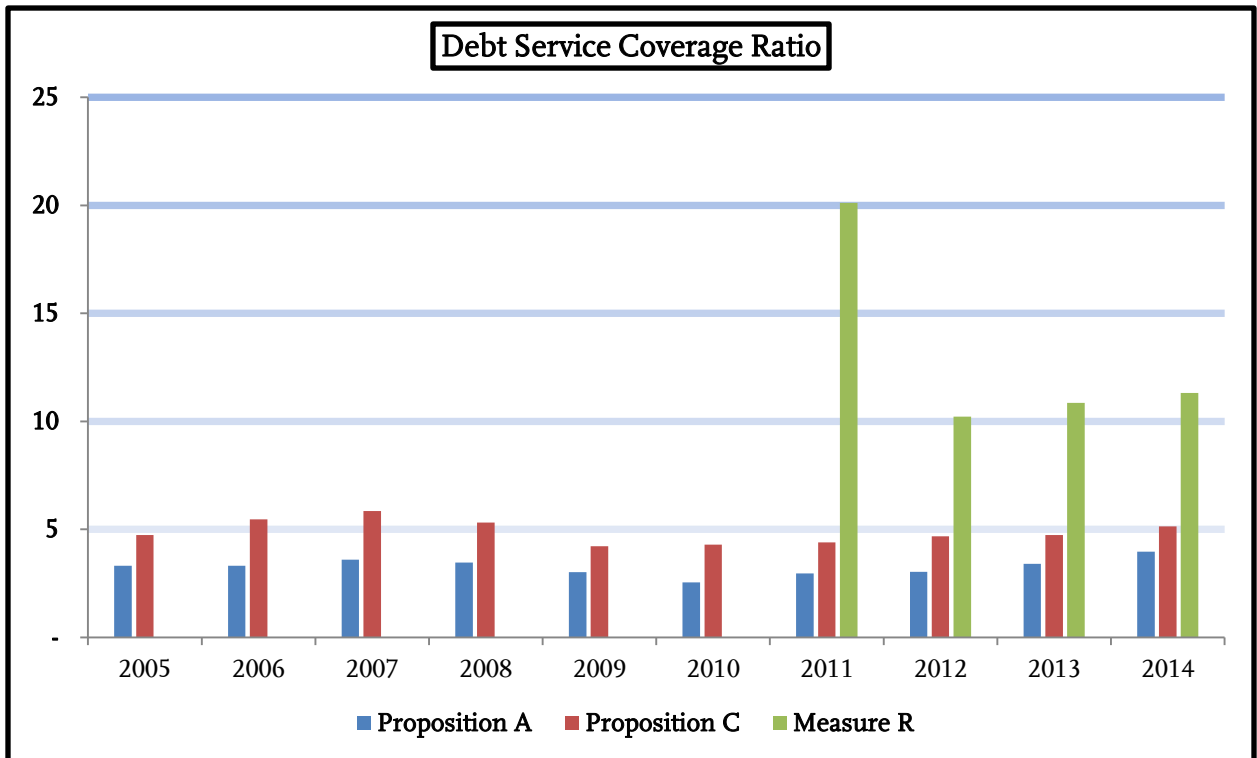
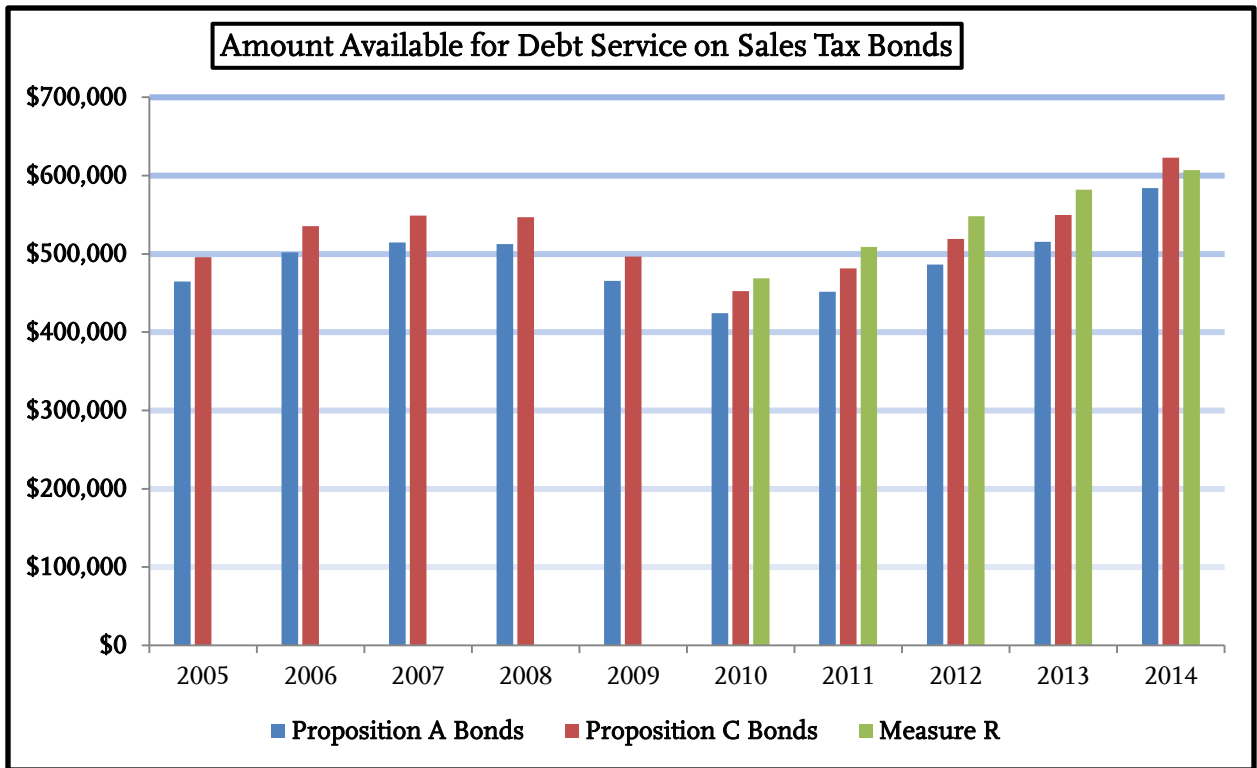
Source	Fiscal Year	Net Sales Tax Revenue	Less Local Return*	Amount Available for Debt Service On Sales Tax Bonds	Aggregate Debt Service Requirement	Debt Service Coverage Ratio
Proposition A	2005	\$ 619,497	\$ 154,874	\$ 464,623	\$ 140,075	3.32
	2006	668,984	167,246	501,738	151,529	3.31
	2007	686,167	171,542	514,625	143,017	3.60
	2008	683,352	170,838	512,514	148,065	3.46
	2009	620,797	155,199	465,598	153,777	3.03
	2010	565,746	141,437	424,309	166,380	2.55
	2011	601,883	150,471	451,412	152,480	2.96
	2012	648,692	162,173	486,519	160,071	3.04
	2013	687,172	171,793	515,379	151,261	3.41
	2014	778,504	194,626	583,878	147,197	3.97
Proposition C	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	5.30
	2009	620,866	124,173	496,693	117,792	4.22
	2010	565,787	113,157	452,630	105,483	4.29
	2011	601,932	120,386	481,546	109,340	4.40
	2012	648,776	129,755	519,021	110,907	4.68
	2013	687,332	137,466	549,866	116,127	4.74
	2014	778,600	155,720	622,880	121,326	5.13
Measure R**	2010	551,480	82,722	468,758	-	-
	2011	598,647	89,797	508,850	25,303	20.11
	2012	645,026	96,754	548,272	53,659	10.22
	2013	684,862	102,729	582,133	53,649	10.85
	2014	714,218	107,133	607,085	53,658	11.31

Source: Comprehensive Annual Financial Report

* % Local Return of net sales tax revenue - Proposition A 25%, Proposition C 20%, and Measure R 15%

** Measure R started in July 2009

**Graphical Presentation of Table 9
 Proposition A, Proposition C, and Measure R 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 Ten Fiscal Years
(Amounts expressed in millions except per capita amount)

Table 10

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Redevelopment and housing bonds	\$ 28	\$ 28	\$ 27	\$ 26	\$ 25	\$ 24	\$ 23	\$ 22	\$ 21	\$ 20
Total governmental activities	28	28	27	26	25	24	23	22	21	20
Business-type activities:										
Sales tax revenue and refunding bonds	2,996	3,160	3,062	2,951	2,873	2,834	3,448	3,361	3,107	3,237
Sales tax revenue bonds – local allocation	8	7	4	2	-	-	-	-	-	-
Lease revenue bonds	12	9	-	-	-	-	-	-	-	-
Lease/leaseback obligation	888	811	814	845	871	912	851	785	815	718
General revenue bonds	269	252	236	221	203	185	166	161	155	149
Commercial paper	399	188	189	184	279	144	144	34	148	139
Capitalized lease	21	17	13	27	19	5	2	1	-	-
Capital grant receipts revenue bonds	-	265	240	217	132	90	-	-	-	5
Total business-type activities	4,593	4,709	4,558	4,447	4,377	4,170	4,611	4,342	4,225	4,248
Total primary government	\$ 4,621	\$ 4,737	\$ 4,585	\$ 4,473	\$ 4,402	\$ 4,194	\$ 4,634	\$ 4,364	\$ 4,246	\$ 4,268
Percentage of Personal Income*	1.32%	1.28%	1.23%	1.03%	1.14%	1.04%	1.10%	0.99%	0.93%	0.88%
Per Capita*	\$ 463.26	\$ 473.17	\$ 441.66	\$ 454.27	\$ 421.80	\$ 427.79	\$ 470.74	\$ 440.98	\$ 436.43	\$425.02

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
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	131,881,774	429,568,942	41	7.3%
2009	10,393	38,293	112,744,727	392,579,855	38	12.6%
2010	9,825	37,309	116,942,334	403,144,483	41	12.6%
2011	9,861	37,570	126,440,737	420,913,463	43	12.3%
2012	9,912	37,826	135,939,140	439,465,628	44	11.1%
2013	9,963	38,082	145,437,543	458,017,793	46	10.2%
2014	10,042	38,340	153,005,272	487,437,104	49	8.2%

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

See accompanying independent auditors' report.

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

Table 12

Major Employers	2006 **		2011*	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
County of Los Angeles	93,200	2.02%	95,700	2.21%
Los Angeles Unified School District	74,632	1.62%	73,300	1.70%
Federal Government	53,200	1.15%	48,100	1.11%
University of California, Los Angeles	35,543	0.77%	41,000	0.95%
City of Los Angeles	53,471	1.16%	47,700	1.10%
State of California (non-education)	30,200	0.65%	30,400	0.70%
Kaiser Permanente	32,180	0.70%	36,500	0.84%
Northrop Grumman Corp	21,000	0.46%	18,000	0.42%
Boeing	15,825	0.34%	n/a	n/a
Kroger Co. (formerly Ralph's Grocery)	14,000	0.30%	n/a	n/a
University of Southern California	n/a	n/a	16,600	0.38%
Target Corp.	n/a	n/a	14,200	0.33%
Total	423,251	9.17%	421,500	9.75%
Total Employment in LA County ***	4,613,200	-	4,323,000	-

Sources:

* *Los Angeles Almanac research*

** *City-Data Los Angeles Economy Report*

*** *California Employment Development Department, Labor Market Information Division*

n/a Data not available

Note: Information for 2005, 2007, 2008, 2009, 2010, 2012, 2013, and 2014 are 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)**

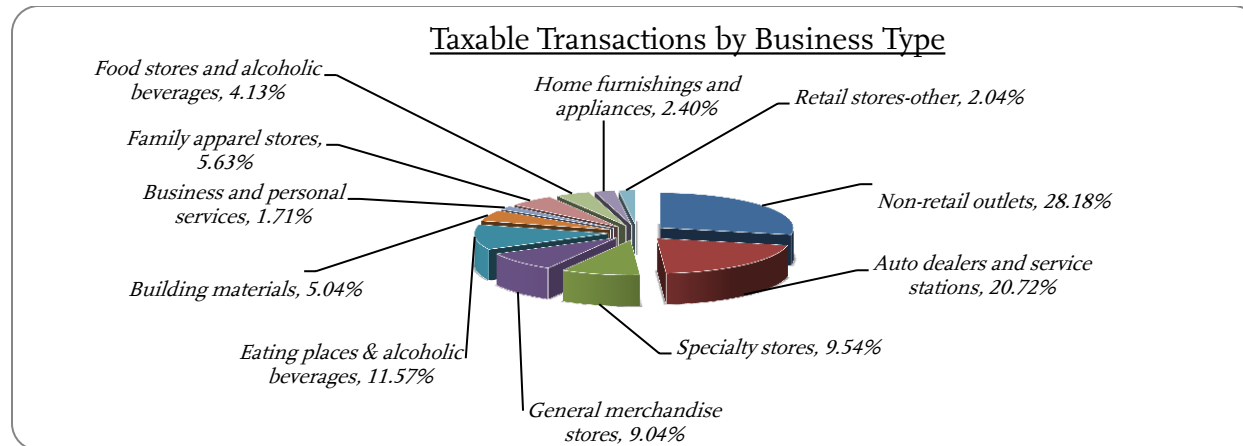
Table 13

	2005	2006	2007	2008	2009	2010	2011	2012□	2013**	2014
Non-retail outlets	\$ 35,240	\$ 35,218	\$ 36,316	\$ 36,759	\$ 34,301	\$ 34,767	\$ 37,189	\$ 39,977	\$ 37,633	\$ 35,289
Auto dealers and service stations	26,908	29,162	29,387	29,746	20,431	22,298	26,081	28,517	28,578	28,639
Specialty stores	14,045	14,333	14,703	14,882	12,896	13,125	13,543	13,987	13,374	12,761
General merchandise stores	13,322	13,729	13,825	13,994	10,059	10,369	10,866	11,158	10,463	9,768
Eating places and alcoholic beverages	12,516	13,751	14,473	14,650	13,877	14,291	15,287	16,512	16,735	16,958
Building materials	6,722	7,872	7,495	7,586	5,755	6,130	6,307	6,511	6,072	5,633
Business and personal services	6,017	5,391	5,409	5,475	-	-	-	-	-	-
Family apparel stores	4,836	5,527	5,829	5,901	7,146	7,608	8,357	9,167	8,942	8,717
Food stores and alcoholic beverages	4,938	4,680	4,912	4,972	5,411	5,405	5,591	5,825	5,769	5,713
Home furnishings and appliances	4,114	4,307	4,287	4,339	2,058	2,158	2,322	2,442	2,388	2,334
Retail stores – other	2,064	2,193	1,184	1,198	811	791	897	1,200	1,594	1,988
Total	\$ 130,722	\$ 136,163	\$ 137,820	\$ 139,502	\$ 112,745	\$ 116,942	\$ 126,440	\$ 135,296	\$ 131,548	\$ 127,800

Source: California State Board of Equalization

□ Data not available, estimates only based on % change from FY10 to FY11

**Data not available, estimates only based on % change from FY11 to FY12



See accompanying independent auditors' report.

Los Angeles County Metropolitan Transportation Authority
 Business-type Activities – Transit Operations

Table 14

Operating Indicators by Mode

Last Ten Fiscal Years

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

	2005(1)	2006	2007(2)	2008	2009	2010	2011	2012	2013	2014
PASSENGER FARES:										
Heavy Rail	\$ 16,298	\$ 24,015	\$ 23,739	\$ 31,843	\$ 29,402	\$ 34,983	\$ 34,789	\$ 33,665	\$ 34,753	\$ 32,500
Light Rail	19,912	22,657	20,752	29,690	28,682	30,725	36,627	37,778	44,565	35,033
Bus*	233,028	233,900	248,877	275,428	275,906	250,719	274,557	272,571	260,692	246,211
OPERATING EXPENSES: (excluding depreciation)										
Heavy Rail	\$ 76,373	\$ 77,541	\$ 87,368	\$ 95,930	\$ 88,793	\$ 90,320	\$ 97,631	\$ 105,620	\$ 116,829	\$ 132,142
Light Rail	126,123	132,397	144,466	153,267	150,108	167,915	174,704	201,416	239,047	257,979
Bus*	772,907	841,210	892,512	919,541	939,248	945,990	956,784	924,512	962,155	980,176
PASSENGER MILES:										
Heavy Rail	173,935	193,020	194,032	217,965	227,657	231,936	226,974	231,684	237,760	254,440
Light Rail	268,981	297,477	291,158	306,848	327,341	333,334	337,518	366,233	408,032	412,776
Bus*	1,414,359	1,474,733	1,497,245	1,462,317	1,517,647	1,486,802	1,492,820	1,519,263	1,496,480	1,593,876
REVENUE VEHICLE MILES:										
Heavy Rail	5,877	5,867	5,986	6,003	6,078	5,885	5,908	6,156	6,865	7,067
Light Rail	8,114	8,047	8,688	8,812	9,051	9,646	10,155	11,153	13,239	13,863
Bus*	92,054	92,937	84,700	90,282	88,535	87,128	81,489	76,390	75,465	101,274
BUSES AND RAIL CARS:										
Heavy Rail	104	104	104	104	104	104	104	104	104	104
Light Rail	121	121	121	121	145	158	167	169	171	171
Bus*	2,856	2,870	2,733	2,738	2,460	3,010	2,712	2,536	2,362	3,668
PASSENGER STATIONS:										
Heavy Rail	16	16	16	16	16	16	16	16	16	16
Light Rail	49	49	49	49	49	53	53	66	66	66

Source: National Transit Database Report

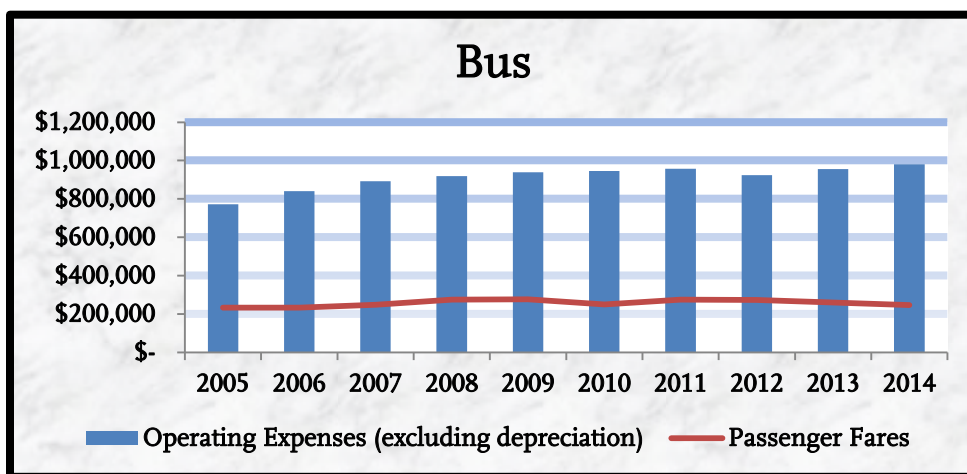
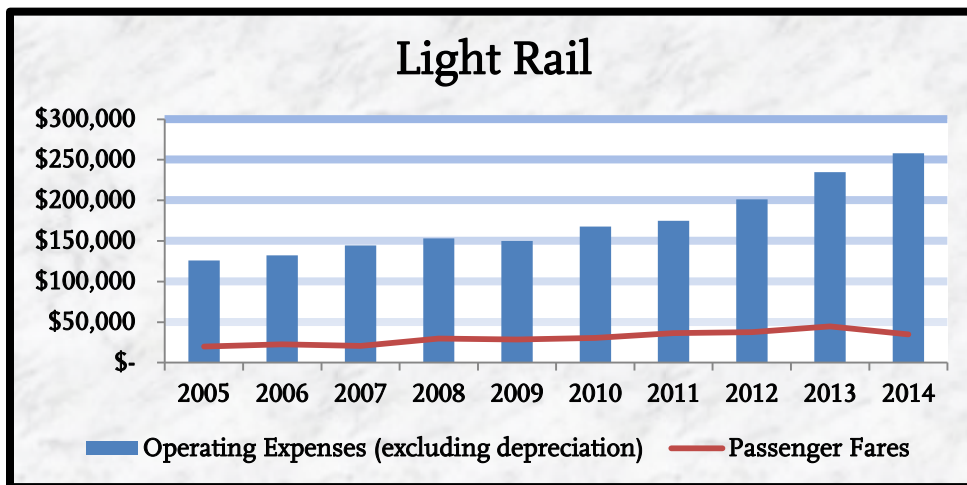
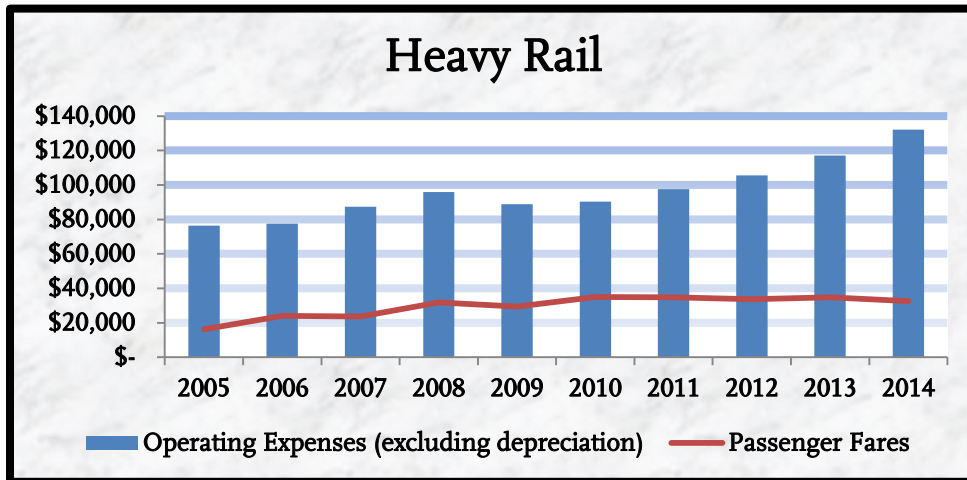
* Includes Purchased Transportation and Orange Line

(1) There was a 33-day strike during this period thereby reducing miles and revenue fares.

(2) More passenger stations added due to opening of new segment

See accompanying independent auditors' report.

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



See accompanying independent auditors' report.

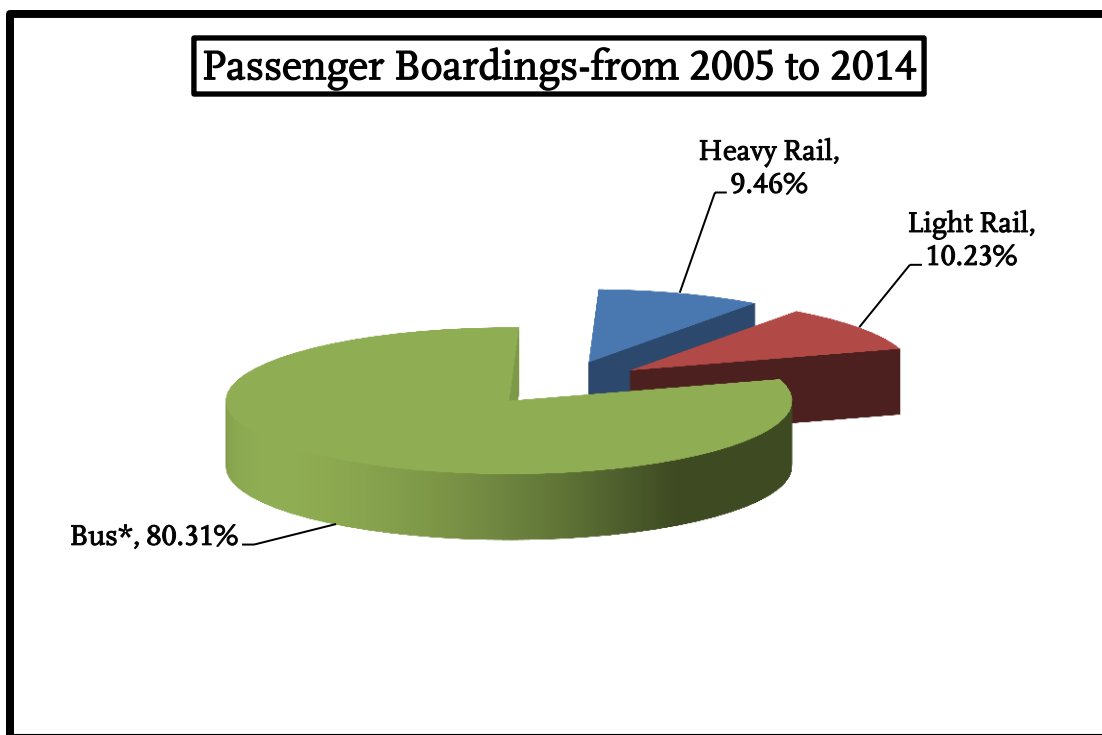
Los Angeles County Metropolitan Transportation Authority
 Business-type Activities – Transit Operations
 Passenger Boardings by Mode
 Last Ten Fiscal Years
 (Boardings expressed in thousands)

Table 15

Fiscal Year	Heavy Rail	Light Rail	Bus*	Total
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
2010	47,906	46,409	365,975	460,290
2011	46,454	49,252	357,221	452,927
2012	47,736	53,781	346,437	447,954
2013	49,516	63,652	359,504	472,672
2014	50,365	63,705	345,055	459,125

Source: National Transit Database Report

*Includes Purchased Transportation and Orange Line



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
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
2010	694,967	259,109	90,749	173,831	432,856	1,651,512
2011	674,215	259,813	95,630	210,793	512,776	1,753,227
2012	680,907	276,187	109,919	178,797	436,820	1,682,630
2013	678,111	276,009	111,725	258,347	465,787	1,789,979
2014	671,358	283,275	116,877	281,226	438,235	1,790,971

Source: National Transit Database Report

See accompanying independent auditors' report.

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

Table 17

Function	Full-Time Equivalent Employees									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
LACMTA Operations	7,591	7,641	7,701	7,789	7,834	7,678	7,324	7,344	7,477	7,571
Countywide Planning & Development	110	104	104	116	119	124	84	103	98	101
Construction Project Management	106	88	86	86	93	118	128	171	157	180
Communications	235	215	214	216	221	228	210	196	199	194
Support Services	788	757	750	755	792	831	713	722	757	765
Chief Executive Office	76	67	67	75	73	179	175	209	285	314
Board of Directors	47	46	45	45	45	43	37	38	38	37
Total	8,953	8,918	8,967	9,082	9,177	9,201	8,671	8,783	9,011	9,162

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

Fiscal Year	Operations			Operating Assistance				Total
	Passenger Fares	Other	Subtotal	Federal	State	Local	Subtotal	
Transportation Industry (1)								
2005	32%	7%	39%	8%	24%	29%	61%	100%
2006	33%	7%	40%	8%	23%	29%	60%	100%
2007	31%	7%	38%	7%	24%	31%	62%	100%
2008	31%	7%	38%	6%	26%	30%	62%	100%
2009	32%	6%	38%	8%	25%	29%	62%	100%
2010	32%	6%	38%	9%	25%	28%	62%	100%
2011	33%	5%	38%	10%	24%	28%	62%	100%
2012	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*	*
LACMTA (2)								
2005	24%	2%	26%	19%	1%	54%	74%	100%
2006	23%	2%	25%	17%	3%	55%	75%	100%
2007	25%	3%	28%	16%	13%	43%	72%	100%
2008	28%	3%	31%	17%	6%	46%	69%	100%
2009	24%	3%	27%	15%	5%	53%	73%	100%
2010	24%	3%	27%	17%	4%	52%	73%	100%
2011	25%	3%	28%	18%	17%	37%	72%	100%
2012	25%	2%	27%	20%	10%	43%	73%	100%
2013	24%	3%	27%	18%	7%	48%	73%	100%
2014	23%	4%	27%	16%	8%	48%	72%	100%

1) Source: APTA Public Transportation Fact Book

2) Source: National Transit Database Report

* Data not available

See accompanying independent auditors' report.

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

Table 19

Fiscal Year	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Purchased Transportation	Total**
Transportation Industry (1)						
2005	46%	17%	10%	13%	14%	100%
2006	46%	18%	9%	13%	14%	100%
2007	46%	18%	9%	14%	13%	100%
2008	46%	17%	9%	14%	14%	100%
2009	46%	17%	9%	14%	14%	100%
2010	45%	17%	9%	15%	14%	100%
2011	46%	17%	9%	15%	13%	100%
2012	45%	17%	9%	15%	14%	100%
2013	*	*	*	*	*	*
2014	*	*	*	*	*	*
LACMTA (2)						
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%
2010	54%	21%	7%	14%	4%	100%
2011	52%	20%	8%	16%	4%	100%
2012	52%	22%	9%	13%	4%	100%
2013	49%	20%	8%	19%	4%	100%
2014	50%	20%	9%	18%	3%	100%

1) Source: APTA Public Transportation Fact Book

2) Source: National Transit Database Report

* Data not available

** Excluding depreciation

See accompanying independent auditors' report.

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