Los Angeles County
Metropolitan Transportation Authority
California

FY15

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Los Angeles County
Metropolitan Transportation Authority
Los Angeles, California

FY15

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

PREPARED BY THE ACCOUNTING DEPARTMENT

Jesse Soto, *Controller*
Nalini Ahuja, *Chief Financial Officer*

Metro

Table of Contents

Los Angeles County Metropolitan Transportation Authority


Metro
America's Best
APTA
Best
Metro Rapid

Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

December 22, 2015

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, 2015 is submitted herewith. State law requires LACMTA to publish a complete set of 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 auditor's reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

Crowe Horwath, 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, 2015. 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 16 to 26, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

LACMTA was created by State of California Assembly Bill 152, Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, which became effective on February 1, 1993. LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator 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. LACMTA employs approximately 10,000 people full-time and part-time in a broad range of technical specialties and services.

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

LACMTA's financial reports include the activities of the Public Transportation Service Corporation (PTSC), 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 FY16 Budget – Once the FY15 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 potential situations where deficits might occur. It will also highlight instances where expense growth patterns may not be consistent with the related revenue growth.

The $5.6 billion FY16 adopted budget is 3.7% more than LACMTA's FY15 budget. The increase is largely due to the ongoing and future construction for heavy rail and light rail lines that will enhance mobility in the region. Other transit and highway projects are also underway in FY16 as LACMTA continues to commit to the maintenance and improvements in safety, security, reliability, and customer service. LACMTA also continues to administer and sponsor programs designed to facilitate the reduction of traffic congestion in Los Angeles.

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). In addition to operating its own services, LACMTA funds other municipal bus operators and wide array of transportation projects.

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 most populous state in the U.S., just behind Georgia and ahead of Michigan. In terms of the economy, LA County leads the nation with nearly $544 billion in annual output. 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 2015, the seasonally adjusted unemployment rate in the County was at 7.1%, below the year ago rate of 8.1%. Health care and social assistance, educational, and health services are the largest year-over industry increase. Trade, transportation , and utilities had the second largest job expansion of the year. Food services and hospitality posted the third largest increase. Manufacturing, mining and logging were the only industries to report employment declines.

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. Over 40% of the nation's inbound containers pass through these ports. Two-way trade experienced growth in terms of trade volume last year, and this growth is expected to continue at an accelerated rate in 2016.

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. LACMTA's rail system is the third largest in the U.S., with more than 170 miles of track and more than 360,000 boardings per weekday. In addition, there are other mass transit options in the County, including 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 2015. It is, however, still far from reaching the pre-crisis level. 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 a rapidly 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 approximately every five 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 between the LRTP cycles 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. 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

MTA continues to oversee the construction of five major rail lines in FY16: 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 FY16 such as the construction of the I-405 HOV lane through the Sepulveda Pass, the I-5 south from Orange County to I-605, several environmental, planning, and engineering studies, the Countywide Soundwall Projects, SR-60 HOV lane, and the Freeway Beautification Pilot Project. Gold Line Foothill Phase 2A extension and Expo Line extension to Santa Monica will open before summer of 2016.

LACMTA's initiatives also include a sustainable transportation system. Metro has the nation's largest clean-air compressed natural gas fleet of more than 2,200 buses which are 97% cleaner than the diesel buses they replaced. LACMTA has added all- electric, zero emission 40-foot buses that will reduce carbon monoxide, and greenhouse gases as well as operating costs. LACMTA has the option to purchase 20 more. LACMTA is the first public transportation agency that has directly incorporated electric vehicle (EV) charging stations and the first transit agency in the US to apply flywheel technology to reduce energy use on its trains.

In addition to LACMTA sustainability efforts, LACMTA has installed solar panels on four maintenance facilities and the El Monte Station with two more in construction, creating the largest installation of solar panels for a transit agency in the US, capable of powering 2,500 homes at any given time. These resulted in a reduction of energy consumption from its facilities to more than 7 million kilowatt-hours a year which will ultimately save $3 million annually.

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, 2014. 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.

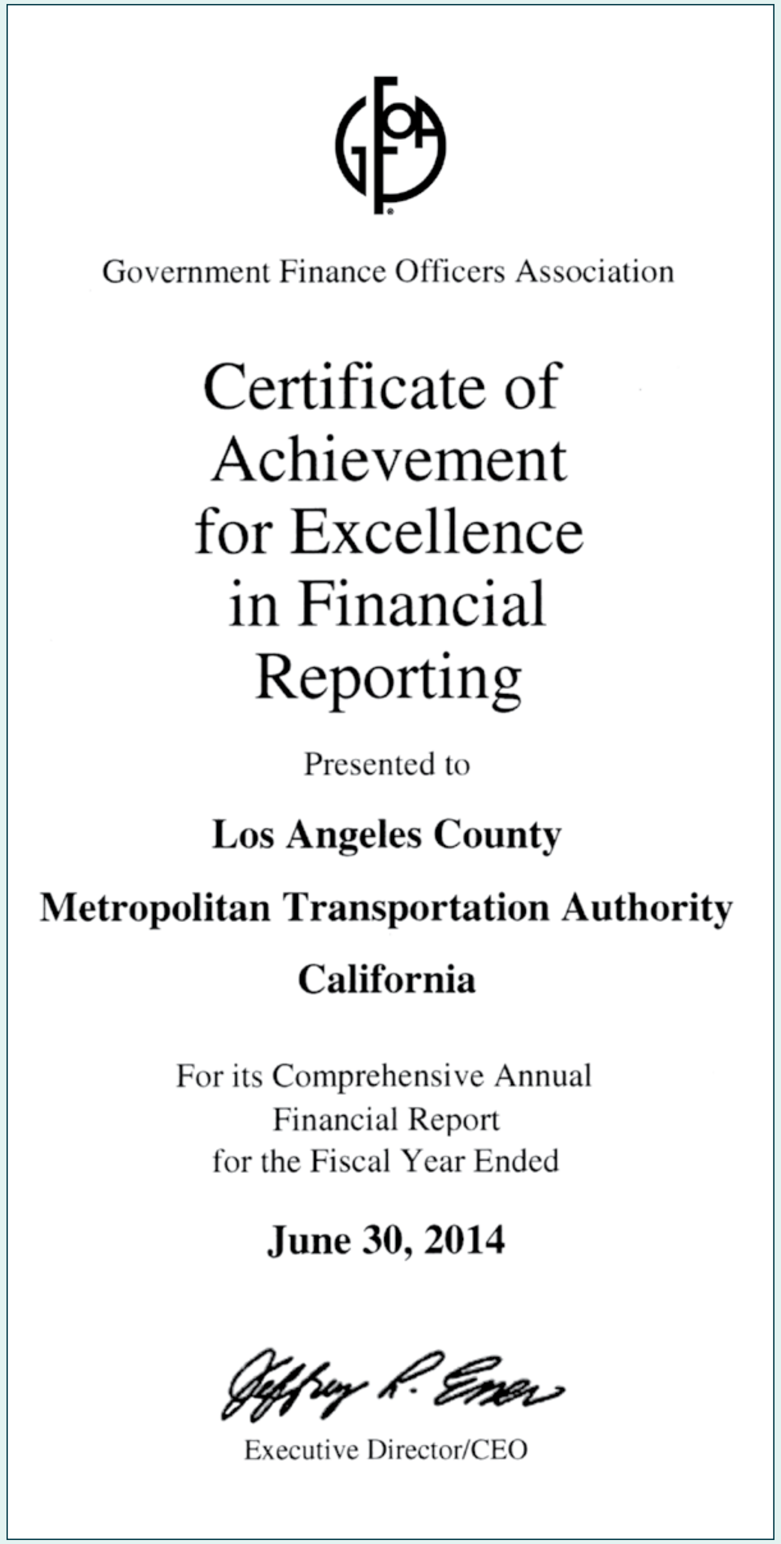
ACKNOWLEDGMENTS

We want to thank the Accounting Department who have worked diligently in the preparation of these financial statements and all other departments for their assistance in providing the data necessary to prepare the report. We would like to acknowledge the Board and the CEO for their continuous support in maintaining the highest standard of professionalism in the management of LACMTA's finances. Finally, we want to thank our independent auditors, Crowe Horwath LLP, for their efforts throughout this audit engagement.

Respectfully submitted,

Nalini Ahuja

Nalini Ahuja
Chief Financial Officer



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, 2014

Jeffrey R. Emer

Executive Director/CEO

Management Organizational Chart

Chief Executive Officer (CEO)

Chief Policy Officer
- Board Relations Policy & Research Service
- Civil Rights & EEO

Deputy CEO

Labor / Employee Relations
- Human Resources
- Labor / Employee Relations
- Workforce Services

Program Management Office
- Estimating
- Program Management

Corporate Safety & Risk Management
- Corporate Safety
- Risk Management
- Management Audit Services
- Emergency Preparedness

Los Angeles Metro Protective Services (LAMPS)
- Transit Security

Engineering & Construction
- Transit Project Delivery
- Highway Project Delivery
- Regional Rail

Planning & Development
- Countywide Planning & Development
- Planning/Strategic Financial Planning/Grant Management
- Strategic Initiatives & Real Property Management
- Transit Corridors & System-wide Planning

Operations
- Bus Operations
- Maintenance
- Service Development
- Rail Operations
- Rail Fleet Services Engineering & Maintenance
- Rail MOW & Engineering
- Transit Capital Projects

Finance & Budget
- Accounting
- Treasury
- OMB
- TAP Operations
- Local Programming

Information Technology
- Information Management
- Operations & Service Delivery
- Sys Architecture & Technology Integration
- ITS Administration
- Technology Strategy
- Research & Records Information Management

Vendor / Contract Management
- Procurement
- Supply Chain Management
- Diversity & Economic Opportunity
- Congestion Reduction

Communications
- Customer Programs & Services
- Customer Relations
- Government Relations
- Public Relations
- Community Relations
- Marketing

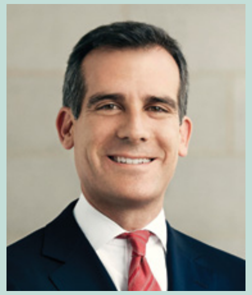
Board of Directors
(Updated as of July 2015)


1

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


2

John Fasana
1st Vice Chair
Council Member, City of Duarte


3

Eric Garcetti
2nd Vice Chair
Mayor, City of Los Angeles


4

Michael Antonovich
LA County Supervisor
5th Supervisorial District


5

Mike Bonin
Council Member, City of Los Angeles
Mayor Appointee


6

James Butts
Mayor, City of Inglewood


7

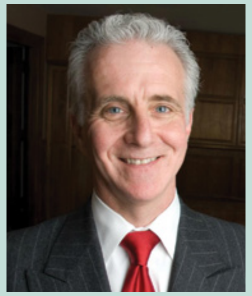
Diane DuBois
Council Member, City of Lakewood


8

Jacquelyn Dupont-Walker
City of Los Angeles
Mayor Appointee


9

Don Knabe
LA County Supervisor
4th Supervisorial District


10

Paul Krekorian
Council Member, City of Los Angeles
Mayor Appointee


11

Sheila Kuehl
LA County Supervisor
3rd Supervisorial District


12

Ara Najarian
Mayor, City of Glendale


13

Hilda L. Solis
LA County Supervisor
1st Supervisorial District


14

Carrie Bowen, ***Caltrans***
Ex-Officio Member
Governor Appointee

See map for area represented

Officials and Executive Staff

BOARD APPOINTED OFFICIALS

Phillip A. Washington, *Chief Executive Officer*

Charles Safer, *General Counsel*

Karen Gorman, *Ethics Officer*

Michele Jackson, *Board Secretary*

Karen Gorman, *Inspector General*

EXECUTIVE STAFF

Stephanie Wiggins, *Deputy Chief Executive Officer*

Elba Higueros, *Chief Policy Officer*

Nalini Ahuja, *Chief Financial Officer*

Richard Clarke, *Executive Director*
Program Management

Dave Edwards, *Chief Information Officer*

James Gallagher, *Chief Operations Officer*

Greg Kildare, *Executive Director*
Risk, Safety & Asset Management

Dr. Joshua L. Schank, *Chief Innovation Officer*

Pauletta Tonilas, *Chief Communications Officer*

Martha Welborne, *Chief Planning Officer*

Diana Estrada, *Chief Auditor*

Daniel Levy, *Executive Director*
Civil Rights Programs, Compliance & Paratransit

Don Ott, *Executive Director*
Employee & Labor Relations

Ivan Page, *(Interim) Executive Director*
Vendor/Contract Management

Alex Wiggins, *Executive Officer*
Systems Security & Law Enforcement


Metro
Metro
Metro
Metro San Gabriel Valley

This Page Intentionally Left Blank

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

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, 2015, and the related notes to the financial statements, which collectively comprise 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 accounting principles generally accepted in the United States of America; 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.

Auditor's 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 78%, 77%, and 69% 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 opinion, insofar as it relates to the amounts included for the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans', is 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. The financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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, 2015, and the respective changes in its financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note S, LACMTA restated its July 1, 2014 net position, liabilities, and deferred outflows of resources for the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

As discussed in Note S, LACMTA restated its July 1, 2014 net position and liabilities related to a prior period restatement of its Net OPEB obligation to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 26, the schedule of changes in the CalPERS net pension liability and related ratios on page 102, schedule of CalPERS contributions on page 103, the schedule of changes in Employee's Retirement Income Plans' Net Pension Liabilities and Related Ratios on page 104, the schedule of contributions to Employee's Retirement Income Plans' on page 105, schedule of funding progress – OPEB on page 106, and the budgetary comparison information on pages 107 to 113, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LACMTA's basic financial statements. The accompanying other supplementary information on pages 116 to 125 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 relates 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 2 to 9 and 130 to 156 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 22, 2015, on our consideration of LACMTA's internal control over financial reporting and our on 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 LACMTA's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 22, 2015

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2015

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, 2015. 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 2-4 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, 2015 by $9,241,589. Of this amount, ($363,078) is reported as unrestricted net position.

> LACMTA's total net position increased by $996,250, 11.25%, over the previous year. Business-type activities net position increased by $1,321,594, 22.02%, and governmental activities net position decreased by $325,344, 11.39%. The increase in the business-type activities net position is due to an increase in capital and operating grants. For governmental activities, the decrease in net position is primary due to the combined effect of the decrease in program revenues and an increase in transfers out to fund capital project construction activities of the Enterprise fund.

> At the close of the current fiscal year, the LACMTA's governmental funds reported combined fund balances totaling $1,658,876, a decrease of $295,745 in comparison to the prior year. Of this amount, $1,119,228 is restricted, $27,156 is committed and assigned, and $512,492 is unassigned and 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 $539,648 or approximately 496.43% of total General fund expenditures.

> During fiscal year 2015, long-term debt decreased by $494,482, 10.94%, compared to the previous fiscal year substantially due to the termination of the Phillip Morris capital lease obligations, the net decrease in bonds payable as a result of refunding, and a net decrease in commercial paper notes.

> LACMTA adopted GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date"* for the fiscal year ended June 30, 2015, and reported the prior period cumulative effect of applying GASB 68 as a restatement of beginning net position.

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 are comprised 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 and other 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 27, presents information on all of LACMTA's assets, liabilities, and deferred inflows/outflows of resources, and the difference is 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 28 and 29, presents information showing how LACMTA's net position changed during the most recent fiscal year. It reports these changes when the underlying event occurs regardless of the timing of related cash flows using the total economic resources measurement focus. 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.

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2015

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.

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 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 38-41.

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 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 the current fiscal year.

The basic governmental fund financial statements can be found on pages 30-31 and 34-35.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 32 and 36 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 fund on pages 107-113, for the non-major fund on page 118, and for the aggregate remaining Special Revenue funds on page 119.

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 Trust fund that are administered by LACMTA. The basic fiduciary fund statements can be found on pages 42-43.

Notes to the 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 45-99.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary, other required supplementary information, and statistical information beginning on page 102.

In the fiscal year 2014, financial statement information in the management's discussion and analysis has not been restated for the two prior period adjustments as disclosed in Note S.

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

LACMTA's net position at June 30, 2015 increased by $996,250, 11.25%, when compared with June 30, 2014. The change was due to a combination of higher capital grants and contributions and lower program expenses.

The following table is a summary of the statement of net position as of June 30, 2015 and 2014:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Current & other assets	$ 1,699,406	$ 2,303,744	$ 2,119,097	$ 2,483,660	$ 3,818,503	$ 4,787,404
Capital assets	10,703,357	9,189,325	769,942	772,794	11,473,299	9,962,119
Deferred outflows of resources	108,943	42,895	-	-	108,943	42,895
Total assets and deferred outflows of resources	12,511,706	11,535,964	2,889,039	3,256,454	15,400,745	14,792,418
Long-term liabilities	4,391,838	4,876,131	18,870	20,054	4,410,708	4,896,185
Other liabilities	1,284,311	656,985	340,364	381,251	1,624,675	1,038,236
Deferred inflows of resources	123,773	-	-	-	123,773	-
Total liabilities and deferred inflows of resources	5,799,922	5,533,116	359,234	401,305	6,159,156	5,934,421
Net investment in capital assets	7,313,244	5,587,514	769,942	772,794	8,083,186	6,360,308
Restricted for:						
Debt service	418,006	504,782	-	-	418,006	504,782
Proposition A ordinance projects	-	-	311,284	342,565	311,284	342,565
Proposition C ordinance projects	-	-	278,776	39,419	278,776	39,419
Measure R ordinance projects	-	-	255,516	664,954	255,516	664,954
PTMISEA projects	-	-	82,385	108,904	82,385	108,904
TDA and STA projects	-	-	107,393	203,463	107,393	203,463
Other non-major governmental projects	-	-	68,121	82,725	68,121	82,725
Unrestricted	(1,019,466)	(89,448)	656,388	640,325	(363,078)	550,877
Total Net Position	$ 6,711,784	$ 6,002,848	$ 2,529,805	$ 2,855,149	$ 9,241,589	$ 8,857,997

The decrease in current and other assets of $604,338, 26.23%, in the business-type activities was due primarily to the termination of the Phillip Morris lease resulting in a decrease of the lease accounts, and the ongoing construction of LACMTA's major capital projects temporarily funded by LACMTA's pooled cash and investments pending receipt of federal and state grants.

The increase in capital assets of $1,514,032, 16.48%, was primarily due to construction of LACMTA's major capital projects as described on pages 23-24.

The decrease in the business-type unrestricted net position of $930,018, 1,039.73%, was primarily due to the recognition of net pension and net OPEB obligations in compliance with GASB Statement No. 68 and No. 71, and the prior period adjustments to property reflect the net pension obligations.

The decrease in current and other assets of $364,563, 14.68%, in the government-type activities was mainly due to the funding of LACMTA's major capital projects.

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2015

Statement of Activities

The following table is a summary of the statement of activities for the years ended June 30, 2015 and 2014:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
REVENUES	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	$ 439,028	$ 400,832	$ 23,704	$ 5,899	$ 462,732	$ 406,731
Operating grants and contributions	263,838	241,808	345,206	410,545	609,044	652,353
Capital grants and contributions	486,793	298,199	-	-	486,793	298,199
General revenues:						
Sales tax	-	-	2,717,320	2,778,676	2,717,320	2,778,676
Investment income	17,241	13,273	10,163	8,554	27,404	21,827
Net appreciation (decline) in fair value of investment	54	(12)	1,335	6,165	1,389	6,153
Gain (loss) on disposition of capital assets	829	-	(1,681)	-	(852)	-
Miscellaneous	9,464	11,707	32,462	22,244	41,926	33,951
Total Program Revenues	1,217,247	965,807	3,128,509	3,232,083	4,345,756	4,197,890
Program expenses:						
Bus and rail operations	1,935,989	1,940,775	-	-	1,935,989	1,940,775
Union station operations	2,206	7,498	-	-	2,206	7,498
Toll operations	20,757	12,803	-	-	20,757	12,803
Transit operators programs	-	-	304,916	346,326	304,916	346,326
Local cities programs	-	-	549,302	541,736	549,302	541,736
Congestion relief operations	-	-	43,724	44,792	43,724	44,792
Highway project	-	-	196,158	521,755	196,158	521,755
Regional multimodal capital programs	-	-	42,844	29,080	42,844	29,080
Paratransit programs	-	-	83,602	92,745	83,602	92,745
Other transportation subsidies	-	-	72,088	62,861	72,088	62,861
General government	-	-	97,920	82,444	97,920	82,444
Total Program Expenses	1,958,952	1,961,076	1,390,554	1,721,739	3,349,506	3,682,815
Increase (decrease) in net position before transfers	(741,705)	(995,269)	1,737,955	1,510,344	996,250	515,075
Transfers	2,063,299	1,939,283	(2,063,299)	(1,939,283)	-	-
Increase (decrease) in net position	1,321,594	944,014	(325,344)	(428,939)	996,250	515,075
Net position – beginning of year	6,002,848	5,058,834	2,855,149	3,284,088	8,857,997	8,342,922
Prior period adjustment	(612,658)	-	-	-	(612,658)	-
Net position – beginning of year, as restated	5,390,190	5,058,834	2,855,149	3,284,088	8,245,339	8,342,922
Net position – end of year	$ 6,711,784	$ 6,002,848	$ 2,529,805	$ 2,855,149	$ 9,241,589	$ 8,857,997

Business-type activities recovered 31.36% of total operating expenses from operating revenues, excluding depreciation and interest, compared to 28.93% in the prior year. The remaining costs were covered by grants and transfers provided by LACMTA's governmental activities. Capital asset replacement costs have traditionally been funded as needed with governmental resources and grants.

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

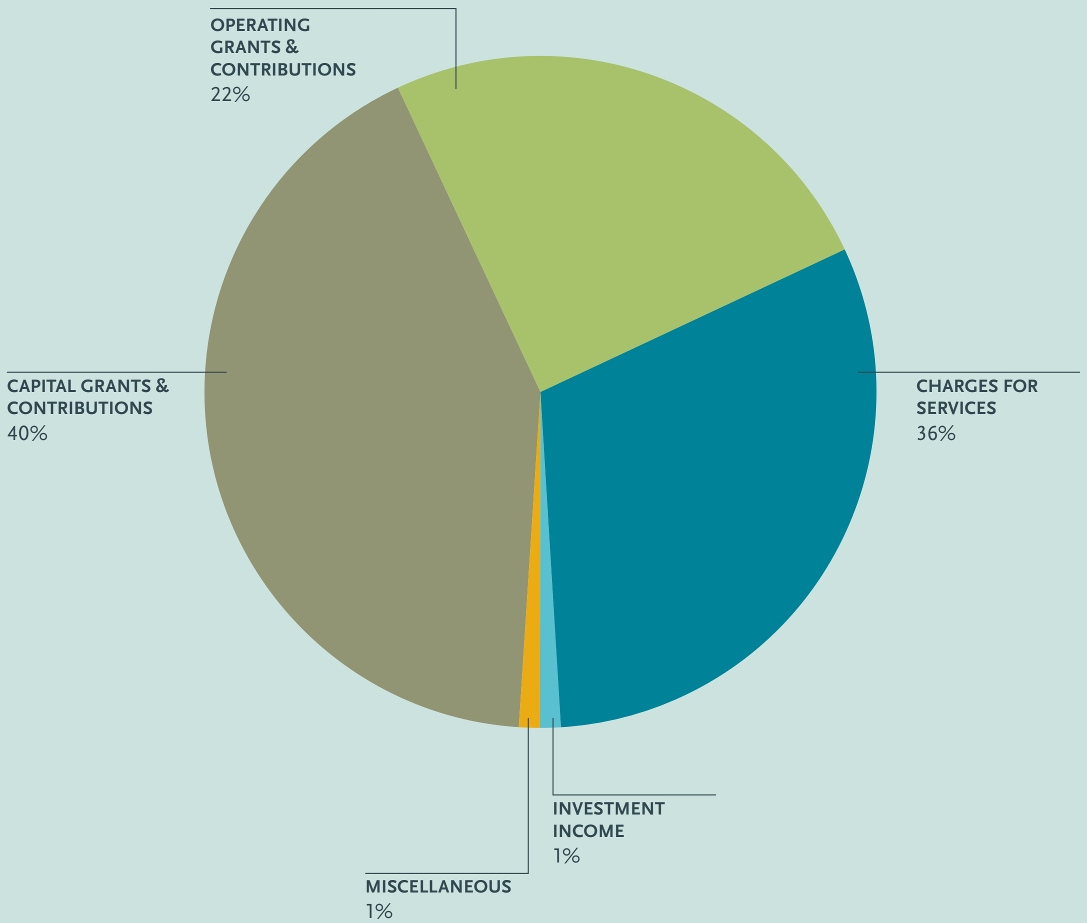
Operating grants and contributions in the governmental activities decreased by $65,339, 15.92%, compared to the previous year primarily due to a decrease in funding of highway construction projects resulting from the completion of the I-405 project.

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 $1,126,168 decreased by 14.36% 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 decreased by $325,597, 62.40%, compared to the previous year mainly due to the completion of the I-405 Project.

Below is a graphical depiction of the components of business-type revenues for the year ended June 30, 2015.

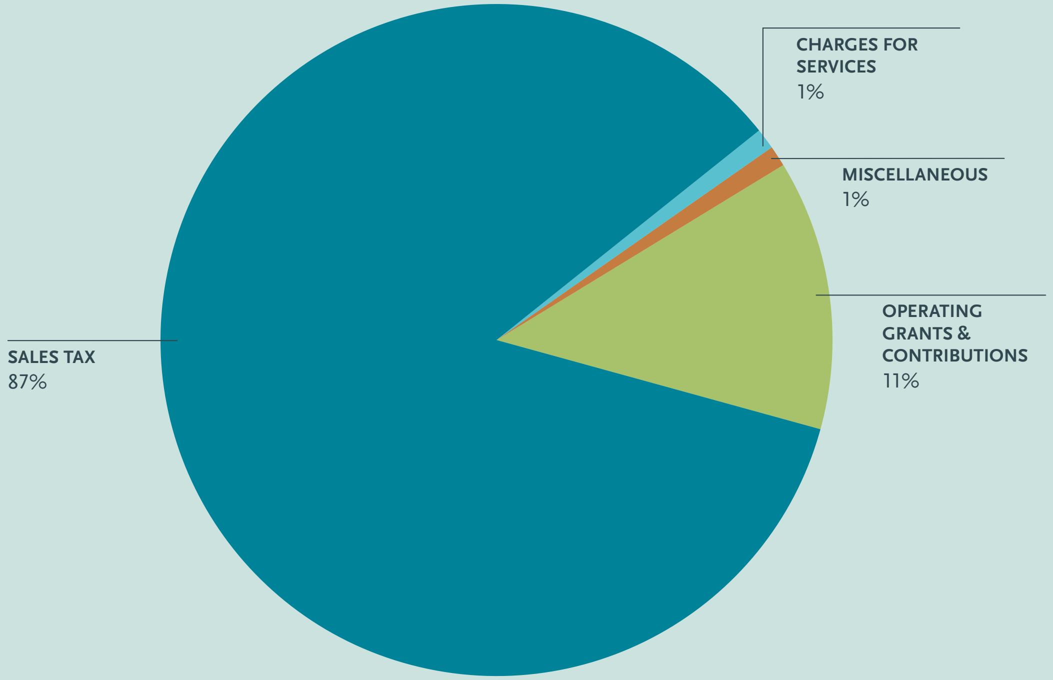
REVENUES BY SOURCE — BUSINESS-TYPE ACTIVITIES



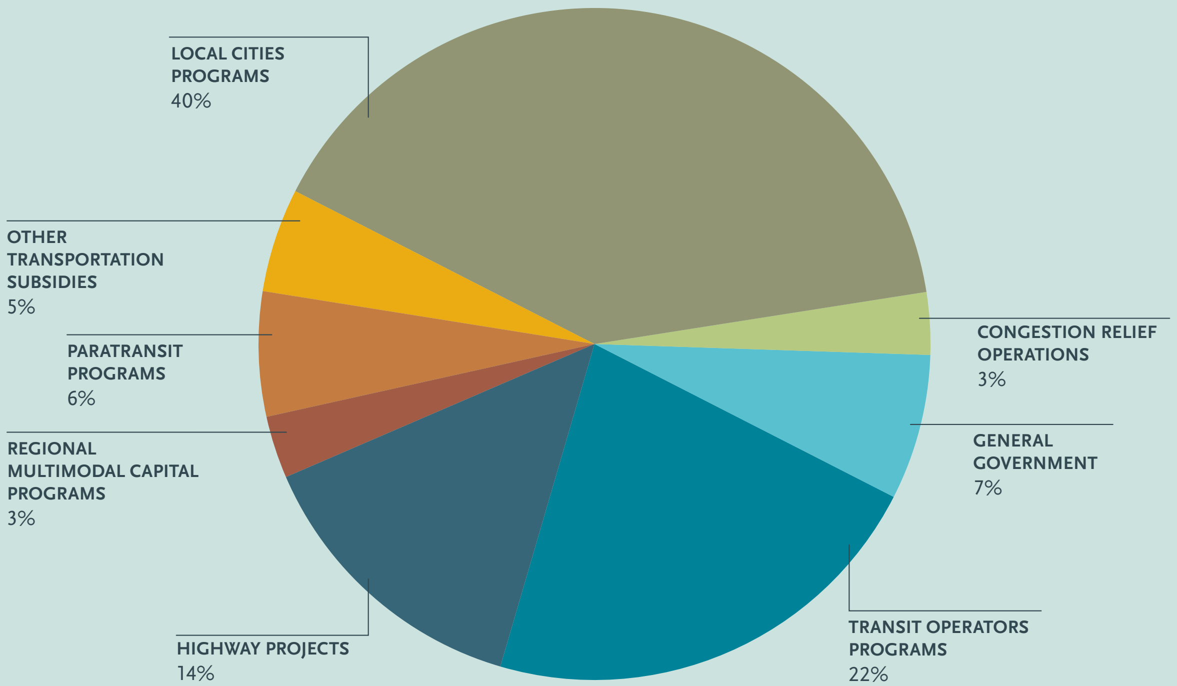
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Below are graphical depictions of the components of governmental revenues and expenses for the year ended June 30, 2015.

REVENUES BY SOURCE — GOVERNMENTAL ACTIVITIES



EXPENSES BY PROGRAM — GOVERNMENTAL ACTIVITIES



Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

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 $1,321,594, 22.02%, in net position was primarily due to higher capital grants contribution to fund increased construction activities for Crenshaw/LAX Transit Corridor, the Regional Connector, the Gold Line Foothill Extension and the Westside Purple Line Extension projects, offset by the two prior period adjustments which reduced the net position by $612,658.

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 $512,492 presents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with $1,658,876 in total fund balance.

The major governmental funds are discussed below:

The General fund balance increased by $42,810 mainly due to an increase in lease and rental receipts and in Federal Alternative Fuel Tax Credit receipts. In addition, Westside Subway projects previously billed to the General fund were replaced with other LACMTA' funding sources. Of the $555,401 fund balance, $42,909 is restricted, committed, and assigned for future expenditures.

The Proposition A fund balance decreased by $31,281 mainly due to higher subsidy payments to bus and rail operations, capital projects, and funding of debt service requirements. The entire amount of $311,284 fund balance is restricted as to use by the Proposition A ordinance.

The Proposition C fund balance increased by $239,357 due to receipt of revenue from the I-405 highway project. The Proposition C ordinance restricts the use of the fund balance of $278,776.

The Measure R fund balance decreased by $409,438 substantially due to the funding of major capital projects which exceeded current year sales tax revenues. The restricted fund balance of $255,516 will be used to fund future programs eligible under the Measure R ordinance.

The PTMISEA fund balance decreased by $26,519. The decrease was due to expenditures in fiscal year 2015 including the purchase of 550 units of 40-foot buses to replace the old fleet, and construction costs related to the EXPO Line Phase II project. The PTMISEA fund has a restricted fund balance of $82,385.

The Transportation Development Act fund balance decreased by $100,904 due to current year expenditures, including transportation subsidies and funding of LACMTA operations, exceeded current year revenues. The fund balance of $98,839 is restricted under the Transportation Development Act's regulation.

The State Transit Assistance fund balance increased by $4,834 due to the lower subsidy payments for bus and rail operations. The fund balance of $8,554 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 2.81% of LACMTA's total governmental fund revenues, while expenditures represent 7.81% of total governmental fund expenditures.

The original budget increased by $2,757 due to lower projected expenditures related to transit planning and owned property administration activities.

Revenues

The General fund's main sources of revenue are from lease and rental income from LACMTA's owned properties and receipts of Federal Alternative Fuel Tax credits. Total actual revenues are higher than budget by $46,324 because of an increase in revenues from federal funding under the Congestion Mitigation Air Quality (CMAQ) program, lease and rental activities, and the receipt of alternative fuel tax credits from the Federal Government.

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Expenditures

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

The favorable expenditure variance of $55,538 compared to final budget was mainly due to lesser payment of subsidies, and lower 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 $48,463 compared to budget was mainly because projects originally billed to the General Fund were funded by other funding sources.

CAPITAL ASSETS ADMINISTRATION

As of June 30, 2015, LACMTA had $11,473,299, net of accumulated depreciation, invested in capital assets, as shown below, a 15.17% increase from the previous fiscal year.

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Land	$ 961,549	$ 910,678	$ 769,942	$ 772,794	$ 1,731,491	$ 1,683,472
Buildings and improvement	4,849,740	5,096,278	-	-	4,849,740	5,096,278
Equipment	35,278	57,835	-	-	35,278	57,835
Vehicles	935,761	808,897	-	-	935,761	808,897
Construction in progress	3,921,029	2,315,637	-	-	3,921,029	2,315,637
Total Capital Assets	$ 10,703,357	$ 9,189,325	$ 769,942	$ 772,794	$ 11,473,299	$ 9,962,119

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, 2015, $929 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 will be less than 46 minutes. As of June 30, 2015, $945.7 million has been expended on Phase 2 project. The projected revenue operation 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, 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 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 for segment 2A is planned to start in March 2016. As of June 30, 2015, $575.3 million has been expended.

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

The Regional Connector Transit Corridor is a $1.4 billion project. The Board adopted Life-of-Project (LOP) budget 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, 2015, $408.2 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 Southwestern Yard Project LOP of $307.2 million was approved by the Board in May 2015. 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 2015 continued with the advanced relocation of major utilities by third parties, real estate acquisitions, and final design and construction by the design-builder. The design-builder efforts reached approximately 90% completion. These construction efforts were the completion of major pile driving to allow the three underground stations excavations to commence, the construction of various supports columns for several bridges, and the commencement of civil work throughout the alignment. As of June 30, 2015, $749 million has been expended.

The Westside Purple Line Extension Section 1 Project has an approved Life-of-Project budget of $2.8 billion. The Project has received the Full Funding Grant Agreement and the TIFIA Loan Agreement with the USDOT. 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 a procurement of 34 heavy rail vehicles. Two of the three Advanced Utility Relocations contracts were awarded. The Design/Build contract was awarded in the amount of $1.6 billion on November 4, 2014. As of June 30, 2015, $526 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 four executed Options is $972 million. In April 2012, the Board approved a contract with Kinkisharyo International, LLC (KI) to manufacture and to deliver 78 new light rail vehicles as base order vehicles. In August 2013, the Board executed Options 1 and 4 of the contract, which included 28 and 69 additional vehicles, respectively. In April 2015, the Board approved to execute Option 2, for additional 39 vehicles and Option 3, for another 21 vehicles. The 78 base order vehicles are intended for use on the Foothill Gold Line Extension and the EXPO light rail extensions and are scheduled for complete delivery by January 2017. A portion of Option 1 of the contract of 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. Options 2 and 3 of the contract are intended for the Regional Connector, future service improvements, and for replacement of existing P865 and P2020 fleets. As of June 30, 2015, $167.6 million has been expended.

The Division 13 Bus Maintenance and Operations facility is a $120.4 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. The project is expected to be completed in January 2016. As of June 30, 2015, $112.3 million has been expended.

Additional information on capital assets can be found on page 63.

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

LONG-TERM DEBT ADMINISTRATION

As of June 30, 2015, LACMTA had a total of $4,023,795 in long-term debt outstanding. Of this amount, $3,037,535 relates to bonds secured by sales tax revenue, $141,970 is secured by farebox and other general revenues and $467,895 relates to lease/leaseback obligations. The remaining balance consists of commercial paper notes, and other debt as shown below:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Sales tax revenue bonds and refunding bonds	$ 3,037,535	$ 3,237,260	$ -	$ -	$ 3,037,535	$ 3,237,260
Lease/leaseback and lease-to-service obligations	467,895	717,604	-	-	467,895	717,604
General revenue bonds	141,970	148,685	-	-	141,970	148,685
Commercial paper notes	83,626	139,419	-	-	83,626	139,419
Other debt	41,349	5,221	18,861	20,054	60,210	25,275
Total long-term debt	3,772,375	4,248,189	18,861	20,054	3,791,236	4,268,243
Unamortized bond premium	232,679	250,163	-	-	232,679	250,163
Unamortized bond discount	(120)	(129)	-	-	(120)	(129)
Total Long-Term Debt, Net	**$ 4,004,934**	**$ 4,498,223**	**$ 18,861**	**$ 20,054**	**$ 4,023,795**	**$ 4,518,277**

The decrease in long-term debt was mainly due to the termination of the capital lease with Philip Morris which decreased the lease/leaseback to service obligations by $264,928, and the refunding of Prop A 2005-A Sales Tax Revenue Bonds resulting in a net decrease of $29,760 in debt. Additionally, the scheduled bond principal payments and the unscheduled principal payment of commercial paper also contributed to the decrease in long-term debt.

During the fiscal year 2015, LACMTA issued Proposition A Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A, and Series 2015-A in the principal amounts of $135,715 and $26,480, respectively, to refund and defease $191,955 of the outstanding principal balance of Proposition A Sales Tax Revenue Bonds, Senior Bonds, Series 2005-A. The refundings generated an aggregate net present value of net cash flow savings of $31,157 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.

In January 2015, LACMTA terminated, at no additional cost, its lease/leaseback to service agreement with Phillip Morris through the exercise of its purchase option on the remaining two lots of buses, thereby reducing its lease/leaseback obligation by $264,928 by the end of fiscal year 2015. The outstanding balance of $37,930 as of June 30, 2015 represents the unpaid portion of the Equity Payment Undertaking Agreement (EPUA) payable in September and December 2015 as a result of the buyout.

BOND RATINGS

LACMTA's bonds are rated by Standard & Poor's, Moody's, and Fitch. As of June 30, 2015, the ratings are as follows:

BOND ISSUE TYPE	S&P	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

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2015

Moody's upgraded its ratings to Aa1 for Proposition A and Measure R Sales Tax Revenue Bonds, and to Aa2 for Proposition C Senior Sales Tax Revenue Bonds and General Revenue Bonds in November 2015. Standard & Poor's upgraded its rating of the General Revenue Bonds to A+ in September 2015.

Additional information on LACMTA's long-term debt can be found on pages 81-91.

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 FY16 budget includes many programs and projects to improve transportation throughout Los Angeles County as well as address safety improvements beneficial to passengers. The budget assumes the following major resources and expenditures:

Resources

- Sales tax and TDA revenues are expected to grow at 3.2% over the FY15 levels.
- STA revenues for bus and rail operations and capital are expected to be $105.7 million region wide representing a 1% increase over the FY15 budget.
- Fare revenues are expected to increase by 7.1% over the FY15 budget reflecting the Gold Line Foothill extension to Asuza, the Expo Line extension to Santa Monica and a full year of the Board approved fare restructuring.
- Capital financing, including grant reimbursements, sales tax carryover and TIFIA loan drawdowns will contribute 41% of revenues in FY16 in line with planned expenditure activity.

Expenditures

- The FY16 budget assumes no increase in bus revenue service hours; however, improvements on selected lines will be implemented to continue enhancing the trip experience of the customers.
- Two new operation and maintenance facilities will be opened to ensure that infrastructure is in place to support growing rail operations.
- Capital program assumptions include continued progress of Measure R transit and highway activities, increased emphasis on safety and security projects, and enhanced bus and rail vehicle midlife maintenance projects.

Local sales tax, TDA and STA are the largest revenue sources for LACMTA and comprise 50% of LACMTA's total FY16 estimated revenues. From this revenue base, LACMTA constructs a budget that balances anticipated revenues with area transportation needs. For details of LACMTA's FY16 budget, please visit LACMTA's website at www.metro.net.

FURTHER INFORMATION

This report has been designed to provide our stakeholders with a general overview of LACMTA's financial condition and related issues. Additional information can be obtained from the Accounting Department, One Gateway Plaza, Mail Stop 99-24-7, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

Statement of Net Position

June 30, 2015 (Amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents - unrestricted	$ 126,431	$ 563,710	$ 690,141
Cash and cash equivalents - restricted	533,934	917	534,851
Investments – unrestricted	255,608	498,978	754,586
Investments – restricted	122,203	-	122,203
Receivables (net of allowance for doubtful accounts)	469,469	705,277	1,174,746
Internal balances	(349,907)	349,907	-
Inventories	65,882	-	65,882
Prepaid and other current assets	7,891	308	8,199
Lease accounts	467,895	-	467,895
Capital assets:			
Land and construction in progress	4,882,578	769,942	5,652,520
Other capital assets, net of depreciation	5,820,779	-	5,820,779
TOTAL ASSETS	12,402,763	2,889,039	15,291,802
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on derivatives - commodity swap	963	-	963
Deferred outflows on debt refunding	22,856	-	22,856
Deferred outflows from pension	85,124	-	85,124
TOTAL DEFERRED OUTFLOWS OF RESOURCES	108,943	-	108,943
LIABILITIES			
Accounts payable and accrued liabilities	366,204	298,289	664,493
Accrued interest payable	62,309	-	62,309
Net pension liability	318,224	-	318,224
Net OPEB obligation	409,158	-	409,158
Pollution remediation obligation	7,500	-	7,500
Derivative instrument liability – commodity swap	963	-	963
Derivative instrument liability – interest rate swap	20	-	20
Unearned revenues	19,895	23,629	43,524
Other liabilities	100,038	18,446	118,484
Long-term liabilities:			
Due within 1 year	387,797	1,241	389,038
Due in more than 1 year	4,004,041	17,629	4,021,670
TOTAL LIABILITIES	5,676,149	359,234	6,035,383
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on derivatives - interest rate swap	3,533	-	3,533
Deferred inflows from pension	120,240	-	120,240
TOTAL DEFERRED INFLOWS OF RESOURCES	123,773	-	123,773
NET POSITION			
Net investment in capital assets	7,313,244	769,942	8,083,186
Restricted for:			
Debt Service	418,006	-	418,006
Proposition A ordinance projects	-	311,284	311,284
Proposition C ordinance projects	-	278,776	278,776
Measure R ordinance projects	-	255,516	255,516
PTMISEA projects	-	82,385	82,385
TDA and STA projects	-	107,393	107,393
Other non-major governmental projects	-	68,121	68,121
Unrestricted	(1,019,466)	656,388	(363,078)
TOTAL NET POSITION	$ 6,711,784	$ 2,529,805	$ 9,241,589

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

Statement of Activities

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

		PROGRAM REVENUES			NET (EXPENSE) REVENUE & CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
FUNCTIONS / PROGRAMS							
Business-type activities:							
Bus and rail operations	$ 1,935,989	$ 373,254	$ 263,838	$ 486,793	$ (812,104)	$ -	$ (812,104)
Union Station operations	2,206	7,691	-	-	5,485	-	5,485
Toll operations	20,757	58,083	-	-	37,326	-	37,326
Total Business-Type Activities	1,958,952	439,028	263,838	486,793	(769,293)	-	(769,293)
Governmental activities:							
Transit operators programs	304,916	-	-	-	-	(304,916)	(304,916)
Local cities programs	549,302	-	-	-	-	(549,302)	(549,302)
Congestion relief operations	43,724	-	-	-	-	(43,724)	(43,724)
Highway project	196,158	-	59,916	-	-	(136,242)	(136,242)
Regional multimodal capital programs	42,844	-	5,041	-	-	(37,803)	(37,803)
Paratransit programs	83,602	-	-	-	-	(83,602)	(83,602)
Other transportation subsidies	72,088	-	1,192	-	-	(70,896)	(70,896)
General government	97,920	23,704	279,057	-	-	204,841	204,841
Total Governmental Activities	1,390,554	23,704	345,206	-	-	(1,021,644)	(1,021,644)
Total	$ 3,349,506	$ 462,732	$ 609,044	$ 486,793	(769,293)	(1,021,644)	(1,790,937)
General revenues:							
Sales tax					-	2,717,320	2,717,320
Investment income					17,241	10,163	27,404
Net appreciation in fair value of investments					54	1,335	1,389
Gain (loss) on disposition of capital assets					829	(1,681)	(852)
Miscellaneous					9,464	32,462	41,926
Transfers					2,063,299	(2,063,299)	-
Total General Revenues					2,090,887	696,300	2,787,187
Change in net position					1,321,594	(325,344)	996,250
Net position – beginning of year					6,002,848	2,855,149	8,857,997
Prior period adjustments (Note S)					(612,658)	-	(612,658)
Net position – beginning of year, as restated					5,390,190	2,855,149	8,245,339
Net Position – end of year					$ 6,711,784	$ 2,529,805	$ 9,241,589

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

Balance Sheet
Governmental Funds

June 30, 2015 (Amounts expressed in thousands)

	MAJOR FUNDS							NON-MAJOR FUNDS	
			SPECIAL REVENUE FUNDS						
	GENERAL FUND	PROPOSITION A	PROPOSITION C	MEASURE R	PTMISEA	TDA	STA	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS									
Cash and cash equivalents – unrestricted	$ 55,185	$ 77,626	$ 79,914	$ 54,718	$ 139,457	$ 95,101	$ 23,490	$ 38,219	$ 563,710
Investments - unrestricted	90,085	135,162	139,146	95,276	-	-	-	39,309	498,978
Receivables:									
Accounts	3,320	-	1,306	3,500	-	-	-	-	8,126
Interest	1,974	165	529	2,113	-	250	28	107	5,166
Intergovernmental	20,794	-	133,092	3,094	-	-	-	2,584	159,564
Sales taxes	-	139,057	138,815	138,348	-	69,533	24,668	-	510,421
Notes	4,000	-	-	18,000	-	-	-	-	22,000
Due from other funds	420,946	3,077	87,709	17,084	56,788	-	-	12,384	597,988
Prepaid items and other assets	-	-	-	-	-	-	-	308	308
Restricted assets:									
Cash and cash equivalents	917	-	-	-	-	-	-	-	917
TOTAL ASSETS	$ 597,221	$ 355,087	$ 580,511	$ 332,133	$ 196,245	$ 164,884	$ 48,186	$ 92,911	$ 2,367,178
LIABILITIES									
Accounts payable and accrued liabilities	$ 16,052	$ 43,053	$ 165,956	$ 67,991	$ -	$ 958	$ 1,857	$ 2,422	$ 298,289
Due to other funds	9,196	750	9,819	6,943	113,860	65,087	37,775	4,651	248,081
Unearned revenues	10,967	-	2,317	-	-	-	-	89	13,373
Other liabilities	1,535	-	-	-	-	-	-	16,911	18,446
TOTAL LIABILITIES	37,750	43,803	178,092	74,934	113,860	66,045	39,632	24,073	578,189
DEFERRED INFLOWS OF RESOURCES									
Deferred revenues	4,070	-	123,643	1,683	-	-	-	717	130,113
TOTAL DEFERRED INFLOWS OF RESOURCES	4,070	-	123,643	1,683	-	-	-	717	130,113
FUND BALANCES									
Restricted	15,753	311,284	278,776	255,516	82,385	98,839	8,554	68,121	1,119,228
Committed	10,994	-	-	-	-	-	-	-	10,994
Assigned	16,162	-	-	-	-	-	-	-	16,162
Unassigned	512,492	-	-	-	-	-	-	-	512,492
TOTAL FUND BALANCES	555,401	311,284	278,776	255,516	82,385	98,839	8,554	68,121	1,658,876
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 597,221	$ 355,087	$ 580,511	$ 332,133	$ 196,245	$ 164,884	$ 48,186	$ 92,911	$ 2,367,178

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

Reconciliation of the Balance Sheet to the Statement of Net Position — Governmental Activities

June 30, 2015 (Amounts expressed in thousands)

Fund balance – total governmental funds (page 31)	$ 1,658,876
Government capital assets are not financial resources and, therefore, are not reported in the funds.	769,942
Deferred revenues recognized in the Balance Sheet but not reported in the Statement of Net Position – Governmental Activities. These are not available in the current period.	130,113
Bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds.	(18,870)
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.	(10,256)
Net position of governmental activities (page 27)	**$ 2,529,805**

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

This Page Intentionally Left Blank

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	MAJOR FUNDS							NON-MAJOR FUNDS	
	SPECIAL REVENUE FUNDS								
	GENERAL FUND	PROPOSITION A	PROPOSITION C	MEASURE R	PTMISEA	TDA	STA	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES									
Sales tax	$ -	$ 745,655	$ 745,632	$ 745,919	$ -	$ 373,991	$ 106,123	$ -	$ 2,717,320
Intergovernmental	37,920	-	111,944	6,953	217,475	-	-	58	374,350
Investment income	2,089	820	781	4,484	103	1,540	164	182	10,163
Net appreciation (decline) in fair value of investment	503	138	(251)	893	8	-	-	44	1,335
Lease and rental	23,641	-	-	-	-	-	-	-	23,641
Licenses and fines	520	-	-	-	-	-	-	7,834	8,354
Other	24,129	-	-	-	-	-	-	-	24,129
TOTAL REVENUES	88,802	746,613	858,106	758,249	217,586	375,531	106,287	8,118	3,159,292
EXPENDITURES									
Current:									
Administration and other transportation projects	88,716	-	103,970	60,297	-	-	-	10,393	263,376
Transportation subsidies	17,795	286,600	437,544	239,756	-	133,960	10,513	-	1,126,168
Debt and interest expenditures:									
Principal	1,183	-	-	-	-	-	-	-	1,183
Interest and fiscal charges	1,011	-	-	-	-	-	-	-	1,011
TOTAL EXPENDITURES	108,705	286,600	541,514	300,053	-	133,960	10,513	10,393	1,391,738
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,903)	460,013	316,592	458,196	217,586	241,571	95,774	(2,275)	1,767,554
OTHER FINANCING SOURCES (USES)									
Transfers in	98,806	5,000	186,036	3,904	-	-	-	-	293,746
Transfers out	(36,093)	(496,294)	(263,271)	(871,538)	(244,105)	(342,475)	(90,940)	(12,329)	(2,357,045)
TOTAL OTHER FINANCING SOURCES (USES)	62,713	(491,294)	(77,235)	(867,634)	(244,105)	(342,475)	(90,940)	(12,329)	(2,063,299)
NET CHANGE IN FUND BALANCES	42,810	(31,281)	239,357	(409,438)	(26,519)	(100,904)	4,834	(14,604)	(295,745)
Fund balances – beginning of year	512,591	342,565	39,419	664,954	108,904	199,743	3,720	82,725	1,954,621
FUND BALANCES – END OF YEAR	$ 555,401	$ 311,284	$ 278,776	$ 255,516	$ 82,385	$ 98,839	$ 8,554	$ 68,121	$ 1,658,876

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

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, 2015 (Amounts expressed in thousands)

Net change in fund balances – total governmental funds (page 35)	$ (295,745)
Governmental funds account for principal payment as expenditure. The payment of principal on long-term debt consumes current financial resources but has no effect on net position. Principal payments are included in the fund financials.	1,183
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.	785
Capital outlays are reported as expenditures in governmental funds and the sale of capital assets is recorded as revenue in governmental funds. However, in the Statement of Activities, the gain or loss is recognized.	(1,681)
The sale of capital assets is recorded as revenue in the governmental funds. However, in the Statement of Activities, the proceed is recognized as a reduction on the cost of the asset sold	(1,170)
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 available in the current period.	130,113
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	(158,829)
Change in net position of governmental activities (page 29)	**$ (325,344)**

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

This Page Intentionally Left Blank

Statement of Net Position
Proprietary Fund — Enterprise Fund
June 30, 2015 (Amounts expressed in thousands)

ASSETS	
Current assets:	
Cash and cash equivalents – unrestricted	$ 126,431
Cash and cash equivalents – restricted	229,774
Investments – unrestricted	255,608
Investments – restricted	7,908
Receivables (net of allowance for doubtful accounts)	466,972
Inventories	65,882
Prepaid and other current assets	7,891
Total current assets	1,160,466
Noncurrent assets:	
Cash and cash equivalents – restricted	304,160
Investments – restricted	114,295
Notes receivable	2,497
Lease accounts	467,895
Capital assets:	
Land and construction in progress	4,882,578
Other capital assets, net of depreciation	5,820,779
Total noncurrent assets	11,592,204
Total Assets	12,752,670
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on derivatives – commodity swap	963
Deferred outflows on debt refunding	22,856
Deferred outflows from pension	85,124
Total deferred outflows of resources	$ 108,943

LIABILTIES	
Current liabilities:	
Accounts payable and accrued liabilities	$ 366,204
Accrued interest payable	62,309
Due to other funds	349,907
Claims payable	87,604
Compensated absences payable	69,297
Bonds and notes payable	230,896
Other current liabilities	100,038
Total current liabilities	1,266,255
Noncurrent liabilities:	
Claims payable	207,696
Compensated absences payable	22,309
Net pension liability	318,224
Net OPEB obligation	409,158
Pollution remediation obligation	7,500
Bonds and notes payable	3,774,036
Derivative instrument liability – commodity swap	963
Derivative instrument liability – interest rate swap	20
Unearned revenues and unamortized credits	19,895
Total noncurrent liabilities	4,759,801
Total liabilities	6,026,056
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on derivatives-interest rate swap	3,533
Deferred inflows from pension	120,240
Total deferred inflows of resources	123,773
NET POSITION	
Net investment in capital assets	7,313,244
Restricted for debt service	418,006
Unrestricted	(1,019,466)
Total net position	$ 6,711,784

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund — Enterprise Fund
For the Year Ended June 30, 2015 (Amounts expressed in thousands)

OPERATING REVENUES	
Passenger fares	$ 351,648
Auxiliary transportation	21,606
Lease and rental	7,691
Toll revenues	58,083
Total operating revenues	439,028
OPERATING EXPENSES	
Salaries and wages	484,252
Fringe benefits	377,357
Professional and technical services	202,034
Material and supplies	95,426
Casualty and liability	39,000
Fuel, lubricants, and propulsion power	81,486
Purchased transportation	40,205
Depreciation	485,809
Other	80,356
Total operating expenses	1,885,925
OPERATING LOSS	(1,446,897)
NON-OPERATING REVENUES (EXPENSES)	
Local grants	10,325
State grants	91
Federal grants	253,422
Investment income	17,241
Net appreciation in fair value of investments	54
Interest expense	(73,027)
Gain on disposition of capital assets	829
Other revenue	9,464
Total net non-operating revenues	218,399
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,228,498)
CAPITAL GRANTS AND CONTRIBUTIONS	
Local grants	26,179
State grants	124,725
Federal grants	335,889
Transfers in – capital	1,397,301
Total capital grants and contributions	1,884,094
TRANSFERS	
Transfers in	767,666
Transfers out	(101,668)
Total transfers - operating	665,998
CHANGE IN NET POSITION	1,321,594
Net position – beginning of year	6,002,848
Prior period adjustments (Note S)	(612,658)
Net Position - beginning of year, as restated	5,390,190
NET POSITION – END OF YEAR	$ 6,711,784

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

Statement of Cash Flows
Proprietary Fund — Enterprise Fund

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 431,394
Payments to suppliers	(546,388)
Payments to employees	(869,782)
Net cash used for operating activities	(984,776)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal operating grants received	223,840
State and local operating grants received	12,595
Transfers from other funds	767,666
Transfer to other funds	(101,668)
Receipts from General fund for non-capital financing activities	400,000
Net cash flows from non-capital financing activities	1,302,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	221,103
Proceeds from disposition of capital assets	856
Federal grants received for capital projects	319,622
State and local grants received for capital projects	143,923
Transfers from other funds for capital projects reimbursements	1,371,432
Payments for matured bonds and notes payable	(425,778)
Acquisition and construction of capital assets	(1,923,187)
Interest paid on bonds payable	(97,321)
Net cash used for capital and related financing activities	(389,350)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturity of investments	17,475,490
Purchase of investments	(17,349,551)
Investment earnings	19,318
Net cash flows from investing activities	145,257
Net increase in cash and cash equivalents	73,564
Cash and cash equivalents - beginning of year	586,801
Cash and cash equivalents - end of year	$ 660,365

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	$ (1,446,897)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	485,809
Other non-operating revenue	9,465
Deferred outflows from pension	(46,681)
Amortization of prepaid expenses and deferred outflows	(626)
Increase in receivables	(21,519)
Decrease in prepaid and other current assets	2,916
Increase in inventories	(4,647)
Increase in accounts payable and accrued liabilities	(42,934)
Decrease in pollution remediation obligations	(50)
Increase in compensated absences payable	4,759
Increase in claims payable	4,240
Increase in post-employment benefit payable	33,750
Increase in other current liabilities	33,219
Increase in unearned revenues and unamortized credits	4,420
Total adjustments	462,121
Net cash used for operating activities	$ (984,776)
Non-cash investing, capital and financing transactions:	
Interest accretion on lease/leaseback obligations	$ 26,613
Bond premium/discount amortization	(27,678)
Capital assets included in accounts payable and accrued liabilities	76,679
Gain on disposition of capital assets	829
Net appreciation in fair value of investments	54

Statement of Fiduciary Net Position — Employee Retirement and OPEB Trust Funds

June 30, 2015 (Amounts expressed in thousands)

ASSETS	
Cash and cash equivalents	$ 94,942
Investments:	
Bonds	303,475
Domestic stocks	229,945
Derivatives	2,291
Non-domestic stocks	28,058
Pooled investments	898,725
Receivables:	
Member contributions	1,130
Inter-plan contribution transfer	1,558
Securities sold	83,522
Interest and dividends	2,122
Receivable from sponsor	744
Prepaid items and other assets	43
Total assets	1,646,555
LIABILITIES	
Accounts payable and other liabilities	2,589
Inter-plan contribution transfer	1,558
Securities purchased	127,900
Total liabilities	132,047
NET POSITION	
Held in trust for pension and OPEB benefits	$ 1,514,508

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

Statement of Changes in Fiduciary Net Position — Employee Retirement and OPEB Trust Funds

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

ADDITIONS	
Contributions:	
Employer	$ 79,433
Member	28,243
Total Contributions	107,676
From investing activities:	
Net increase in fair value of investments	5,090
Investment income	19,066
Investment expense	(5,159)
Other income	530
Total investing activities income	19,527
Total additions	127,203
DEDUCTIONS	
Retiree benefits	107,235
Administrative expenses	1,774
Total deductions	109,009
Net increase	18,194
NET POSITION – BEGINNING OF YEAR	1,496,314
NET POSITION – END OF YEAR	$ 1,514,508

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

Notes to the Financial Statements
June 30, 2015

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.

INDEX

Notes to the Financial Statements
June 30, 2015

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 accountable 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, and the management of LACMTA has operational responsibility for both 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 by visiting 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.

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 operation 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 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.

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 is 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.
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, 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 is reported as a liability 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 began as 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 of LACMTA. In April 2014, LAMCTA's Board of Directors authorized the conversion of Metro Expresslanes to a permanent program.

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
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 stop
  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
  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
  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 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 Transit 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 pension and other employee benefit trust funds:

- **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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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 investments. Investments are stated at fair value based on quoted market prices.

The net appreciation (decline) in fair value of investments is 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 an 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 STA and TDA cash 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 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 is an existing 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, for disbursement in the acquisition or construction of non-current assets, or for the liquidation of long-term debt.

Receivables

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experiences. Most of the receivables from the Federal Transit Administration are amounts funding projects for major bus and rail, planning, capital acquisition, construction and operating assistance. Other state receivables involve funding for construction of various highways in partnership with California Department of Transportations. Other local receivables arise from certain local cities and municipalities who partnered with LACMTA for certain projects that affect their local corridors.

Internal Balances

All outstanding balances between funds at the end of the period of the fiscal year are referred to as "due to/from other funds" on the fund financial statements. Generally, the effect of the interfund activity within the governmental funds has been removed. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

Employee Retirement Plans
LACMTA provides pension benefits that cover substantially all full-time employees through five self-administered single-employer defined benefit pension plans, and an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS). Four of the self-administered single-employer defined benefit pension plans are restricted to specific union members, while the fifth provides benefits to Non-Represented employees and Teamsters.

In fiscal year 2015, LACMTA implemented GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27,"* as amended by GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date."* Prior to the implementation of GASB 68, LACMTA reported only the cumulative amount of unfunded actuarially required contributions, consistent with prior accounting standards. With the implementation of GASB 68, the entire unfunded pension liability is required to be recognized and reported as an obligation in the business-type activities of government-wide financial statement.

As permitted by GASB 68, LACMTA reported the prior periods' cumulative effect of applying GASB 68 as a restatement of the beginning balance for the period in which GASB 68 is first implemented. A prior period adjustment of $397,658 was recorded to decrease the business-type activities' net position at July 1, 2014. Additionally, net pension liability increased by $467,169 and deferred outflows of resources increased by $69,511, to reflect the implementation of GASB 68.

These amounts have been determined on the same basis as they are reported by CalPERS for the Miscellaneous Plan, and by the five LACMTA self-administered Retirement Plans for the union plans. Generally, for this purpose, contributions to the plans are recognized in the period in which the contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Assets and liabilities are recorded using the accrual basis of accounting. Investments are reported at fair value using a variety of different techniques.

GASB 68 allows the use of a measurement date of up to twelve months before the employer's fiscal year end. For financial reporting purposes, the CalPERS administered Miscellaneous Plan and five LACMTA self-administered Retirement Plans net

pension liability at June 30, 2014 was rolled forward from information based on the actuarial valuation reports dated June 30, 2013, December 31, 2013, and January 1, 2014. This became the basis for measuring LACMTA's net pension liability at June 30, 2015.

Additional detailed information on LACMTA's Pensions can be found on pages 68-75.

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. 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 losses are recognized as current period expenditures.

Deferred Outflows/Inflows of Resources on Employee Retirement Plans
Most changes in net pension liability are required to be included in pension expense in the period of the change such as service cost, interest on the total pension liability and changes in benefit terms. The following changes in net pension liability are not included in pension expense as of the beginning of the measurement period and are required to be reported as deferred outflows of resources or deferred inflows of resources related to employee retirement plans:

1) Changes in total pension liability arising from differences between expected and actual experience with regard to economic or demographic factors
2) The effects of changes in assumptions about future economic or demographic factors or of other inputs
3) Differences between projected and actual investment earnings on pension plan investments

The amounts in items 1 and 2 are recognized as pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period. Item 3 is recognized as pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report LACMTA's contributions to CalPERS and the Retirement Plans subsequent to the measurement date of the net pension liability. They will be recognized as a reduction of the net pension liability in the next fiscal year.

Deferred Outflows/Inflows of Resources on Derivative Instruments
Derivative instruments used by LACMTA are swap contracts that have a variable or fixed payment based on the price of an underlying interest rate or index. Hedging derivative instruments are used to reduce financial risks such as interest rates and commodity price fluctuations related to variable rate bonds and compressed natural gas such as by offsetting increases in interest or commodity costs, or offsetting changes in cash flows of the debt or commodity, the hedgeable items. These derivative instruments are evaluated annually to determine their effectiveness in reducing the identified financial risk at year end.

If a derivative instrument is determined to be an effective hedge, its fair value is reported as either an asset or a liability with a corresponding deferred inflows or deferred outflows on the Statement of Net Position. Deferred outflows or inflows of resources represent the cumulative changes in fair value of effectively hedged derivative instruments. These accounts are neither assets nor liabilities. If the instrument is determined to be an ineffective hedge or when there is no hedgeable item, the derivative instrument is considered to be an investment derivative, its fair value is reported as an asset or a liability in the Statement of Net Position and the change in fair value is recognized as investment revenue in the Statement of Activities. As of June 30, 2015, all derivative instruments of LACMTA are determined to be effective hedges.

Deferred Outflows/Inflows of Resources on Debt Refunding
LACMTA issues sales tax revenue refunding bonds by refinancing previously issued sales tax revenue bonds and/or commercial paper notes, generally to achieve debt service costs savings, to restructure the repayment of a debt, to change the type of instruments being used or to retire an indenture in order to remove undesirable covenants when more favorable interest rates or financing terms become available. In refunding a debt resulting in the legal defeasance of the old debt, the difference in the carrying value of the refunded debt and its reacquisition price is reported as a deferred outflows or deferred inflows in the Statement of Net Position and amortized over the life of the old or the new debt whichever is shorter.

Deferred Revenue
NGCA Statement 1 provides that revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available. GASB 65 provides that when an asset is recorded in

the governmental fund financial statements but the revenue is not available, a deferred inflow of resources should be reported until it becomes available. LACMTA considers receivables that are not collected within 90 days from the close of the fiscal year as revenues that are not available in the current year, and therefore, not susceptible to accrual. These represent governmental revenues for grants receivable from federal, state, and local sources that are reported as deferred revenue in the governmental fund financial statements in the current year and recognized as revenue in the subsequent periods as 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, the 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. The unamortized credits represent unamortized bond premiums.

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 Officer 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 an expenditure is made for a purpose for which amounts are available in 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 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 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 implemented the new reporting requirements of GASB 68 for the fiscal year ended June 30, 2015, and as a result, a prior period adjustment was recorded to reduce net position at July 1, 2014 by $397,658.

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" includes 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 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. The implementation of the new reporting requirements of GASB 69 did not have any impact on LACMTA.

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 GASB Statement No. 68 which requires that, at transition, a government recognize a beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 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 GASB Statement No. 68, GASB Statement No. 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 GASB Statement No. 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 GASB Statement No. 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2014. LACMTA implemented the new reporting requirements of GASB 71 for fiscal year ended June 30, 2015.

In February 2015, GASB issued Statement No. 72 *"Fair Value Measurement and Application."* This standard is applicable primarily to investments made by state and local governments and defines fair value and describes how fair value should be measured, identifies the assets and liabilities that should be measured at fair value, and requires specific information about fair value to be disclosed in the financial statement. This new standard also expands note disclosures to categorize fair values according to their relative reliability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. LACMTA plans to implement the new reporting requirement for the fiscal year ending June 30, 2016.

In June 2015, GASB issued Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68"* and an *"Amendments to Certain Provisions of GASB Statements 67 and 68."* GASB Statement No. 73 which establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements No. 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2016.

In June 2015, GASB issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* which replaces GASB Statement No. 43,*"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* Statement 74 addresses the financial reports of retiree benefit plans by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires additional disclosures and RSI related to the measurement of the retiree benefit plan liabilities with accumulated assets, including information about the annual money-weighted rates of return on plan investments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Statement No. 75 directs governments to report a liability on their financial statements for their retiree benefits. It requires governments in all types of retiree benefit plans to present additional disclosures and supplementary information (RSI) about their retiree benefit liabilities. The requirements of Statement 75 are effective for fiscal years beginning after June 15, 2017. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2018.

In June 2015, GASB issued Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,"* which reduces the GAAP hierarchy from four categories under GASB Statement No. 55 to two categories. The first category consists of GASB Statements of the Governmental Accounting Standard Board; the second category comprises GASB Technical Bulletins, Implementation Guides, and guidance from the AICPA. The most significant change is the raising of the level of authority of the Implementation Guides. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions, assessing accountability, and enhancing the comparability of financial statement information among governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2016.

In August 2015, GASB issued Statement No. 77 *"Tax Abatement Disclosures."* This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by abatement recipients, 2) the gross dollar amount of taxes abated during the period, and 3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for fiscal years beginning after December 15, 2015. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017, if applicable.

In December 2015, GASB issued Statement No. 78 *"Pension Provided Through Certain Multiple-employer Defined Benefit Pension Plan."* This statement amends the scope and applicability of GASB 68 to exclude pensions provided to benefit pension plan that; 1) is not a state or local governmental pension plan, 2) is used to provide define benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and 3) has no predominant state or local governmental employer (either individual or collectively with other states or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for fiscal years beginning after December 15, 2015. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017.

II. STEWARDSHIP, COMPLIANCES 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. 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, 2015, the following are LACMTA's cash deposits and investments:

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
CASH DEPOSITS AND INVESTMENTS			
Cash deposits	$ 29,254	$ 9,645	$ 38,899
Asset-backed securities	19,489	36,517	56,006
Commercial paper	17,119	67,738	84,857
Medium-term notes	23,253	39,003	62,256
Mortgage-backed securities	2,258	12,754	15,012
Pooled funds and mutual funds	509,770	220,306	730,076
State/County investment pools	47,771	161,212	208,983
U.S. Agency securities	215,027	319,681	534,708
U.S. Treasury obligations	174,235	196,749	370,984
Total fair value	$ 1,038,176	$ 1,063,605	$ 2,101,781
REPORTED IN THE STATEMENT OF NET POSITION AND BALANCE SHEET			
Cash and cash equivalents - unrestricted	$ 126,431	$ 563,710	$ 690,141
Cash and cash equivalents – restricted	229,774	-	229,774
Investments – unrestricted	255,608	498,978	754,586
Investment - restricted current	7,908	-	7,908
Cash and cash equivalents – restricted noncurrent	304,160	917	305,077
Investments – restricted noncurrent	114,295	-	114,295
Total	$ 1,038,176	$ 1,063,605	$ 2,101,781

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

All investments are stated at their fair 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, 2015, 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

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, 2015, LACMTA's carrying amount of cash comprises $1,004 in cash on hand and $37,895 in checking accounts for a combined total of $38,899. LACMTA's total bank balance was $49,765 with the difference representing primarily 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) per financial institution and uninsured amounts are collateralized by securities held by the bank's trust department or its agent in LACMTA's name.

Notes to the Financial Statements
June 30, 2015

Short-term Investments
As of June 30, 2015, 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	$	56,006	0.0459	3.96%	Not Rated to AAA
Commercial paper		84,857	0.0051	6.00%	Not Rated
State/County investment pools		208,983	n/a	14.77%	Not Rated
Medium-term notes		62,256	0.1049	4.40%	Not Rated to AA+
Mortgage-backed securities		15,012	0.0300	1.06%	Not Rated
Pooled funds and mutual funds		294,278	0.3231	20.80%	Not Rated to AAA
U.S. Agency securities		421,127	0.3655	29.77%	Not Rated to AAA
U.S. Treasury obligations		272,296	0.4563	19.25%	Not Rated to AAA
Total	**$**	**1,414,815**		**100.00%**	
Portfolio weighted average duration			**1.3308**		

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

LACMTA is a voluntary participant in California Local Agency Investment Fund (LAIF) where its investments totaled $90,244 as of June 30, 2015. The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for LAIF.

The investments in the Los Angeles County Investment Pool (LACIP) totaled $118,739 as of June 30, 2015. The County Board of Supervisors provides regulatory oversight for LACIP.

Bond Proceeds and Debt Service Investments
The following table shows the investments held by the bond trustees for the benefit of LACMTA in accordance with the provisions of the various bond trust agreements as of June 30, 2015:

INVESTMENT TYPE		FAIR VALUE	WEIGHTED AVERAGE MATURITIES (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Pooled funds and mutual funds	$	435,798	0.69463	67.35%	Not Rated
U.S. Agency securities		113,581	0.09403	17.55%	Not Rated
U.S. Treasury obligations		98,688	0.40775	15.23%	Not Rated
Total	**$**	**648,067**		**100.00%**	
Portfolio weighted average maturities			**1.19640**		

Notes to the Financial Statements
June 30, 2015

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 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 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, 2015, 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 rates will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA maintains 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, 2015, there is no exposure to currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

Notes to the Financial Statements

June 30, 2015

B. RECEIVABLES

Receivables as of June 30, 2015, 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	$ 64,906	$ 8,126	$ 73,032
Interest	1,136	5,166	6,302
Intergovernmental	401,856	159,564	561,420
Sales Tax	-	510,421	510,421
Notes	2,497	22,000	24,497
Leases and other	65	-	65
Gross Receivables	470,460	705,277	1,175,737
Less: Allowance for doubtful accounts	(991)	-	(991)
Net Receivables	**$ 469,469**	**$ 705,277**	**$ 1,174,746**

Receivables as of June 30, 2015 for governmental activities by individual major funds and non-major funds are as follows:

FUND NAME	RECEIVABLES					
	ACCOUNTS	INTEREST	INTER-GOVERNMENTAL	SALES TAX	NOTES	TOTAL
General Fund	$ 3,320	$ 1,974	$ 20,794	$ -	$ 4,000	$ 30,088
Prop A	-	165	-	139,057	-	139,222
Prop C	1,306	529	133,092	138,815	-	273,742
Measure R	3,500	2,113	3,094	138,348	18,000	165,055
TDA	-	250	-	69,533	-	69,783
STA	-	28	-	24,668	-	24,696
Other Governmental	-	107	2,584	-	-	2,691
Total	**$ 8,126**	**$ 5,166**	**$ 159,564**	**$ 510,421**	**$ 22,000**	**$ 705,277**

Notes to the Financial Statements

June 30, 2015

C. INTERNAL BALANCES

The following is a summary of the amounts due to other funds and due from other funds at June 30, 2015:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS							
	ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	MEAURE R	PTMISEA	OTHER	TOTAL
General Fund	$ 4,480	$ -	$ 614	$ 4,102	$ -	$ -	$ -	$ 9,196
Prop A	750	-	-	-	-	-	-	750
Prop C	-	-	2,463	-	7,356	-	-	9,819
Measure R	6,943	-	-	-	-	-	-	6,943
PTMISEA	113,860	-	-	-	-	-	-	113,860
TDA	65,087	-	-	-	-	-	-	65,087
STA	37,775	-	-	-	-	-	-	37,775
Other Governmental	4,651	-	-				-	4,651
Enterprise Fund	(233,546)	420,946	-	83,607	9,728	56,788	12,384	349,907
Total	**$ -**	**$ 420,946**	**$ 3,077**	**$ 87,709**	**$ 17,084**	**$ 56,788**	**$ 12,384**	**$ 597,988**

Due to/from other funds includes loans among funds in order to meet their operating needs. The loans will be repaid when there is sufficient cash available. Any outstanding balances between the governmental funds and business-type activities are reported in the government-wide statement of net position.

Transfers in and out by fund for the fiscal year ended June 30, 2015 are as follows:

TRANSFERS OUT	TRANSFERS IN					
	ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	MEASURE R	GRAND TOTAL
General Fund	$ 28,090	$ -	$ -	$ 6,651	$ 1,352	$ 36,093
Prop A	445,564	36,058	-	14,672	-	496,294
Prop C	241,155	21,943	-	-	173	263,271
Measure R	775,278	14,860	-	81,400	-	871,538
PTMISEA	244,105	-	-	-	-	244,105
TDA	337,037	5,438	-	-	-	342,475
STA	85,940	-	5,000	-	-	90,940
Others	7,798	-	-	4,531	-	12,329
Enterprise Fund	(101,668)[1]	20,507	-	78,782	2,379	-
Grand Total	**$ 2,063,299**	**$ 98,806**	**$ 5,000**	**$ 186,036**	**$ 3,904**	**$ 2,357,045**

Funds are transferred out from funds receiving revenues to the funds that expend them.

A major transfer from the General fund to the Enterprise fund represents expenditures on bus and rail capital projects, most of which are for the Regional Connector Transit Corridor project that is non-federally funded; transfers to the Proposition C fund are for the freeway services and Caltrans planning maintenance projects; and transfers to the Measure R fund are for planning projects related to the Regional Connector Transit Corridor and Metro Gold Line Eastside Extension Phase II project.

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

Notes to the Financial Statements

June 30, 2015

Proposition A funds transferred to the Enterprise fund are for bus and rail operating subsidies, long term debt interest payments, and various bus and rail capital projects; transfers to the General fund represents the actual 5% share for administration of the Proposition A sales revenues collected; and transfers to Proposition C fund represents fiscal year 2014 growth over inflation.

The bulk of transfers from Proposition C fund to the Enterprise fund are for bus and rail operating subsidy, long term debt interest payments, and for various bus and rail capital projects; transfers to the General fund represents the actual 1.50% share for administration of Proposition C sales tax revenues collected and other planning projects majority of which was devoted to the rideshare services; and transfers to Measure R fund for various planning projects.

Transfers from the Measure R fund to the Enterprise fund are for bus and rail operating subsidy, long-term debt interest payments and various bus and rail capital projects; most of the transfers to the General fund are for planning the Westside subway construction. The transfers to the Proposition C fund are for freeway planning projects and for the soundwall planning project.

PTMISEA fund transfers to the Enterprise fund are for major construction projects for Division 13, the Regional Connector Transit Corridor project, the Crenshaw/LAX Transit Project and the Exposition Line Phase 2 projects together with Metro's bus acquisitions.

TDA fund transfers to the Enterprise fund comprised of bus and rail operating subsidy and various bus and rail capital projects. The transfers to the General fund are for the budgeted administrative portion of TDA allocable to the General fund.

Transfers from the STA fund to the Enterprise fund are mainly for bus and rail operating subsidy. The transfer to the Proposition A fund is a return of a prior year temporary borrowings.

Most of the other transfers to the Enterprise fund are for capital projects from the Proposition 1B Transit Security and Systems fund. The reimbursement to the Proposition C fund by the Service Authority Freeway Emergencies (SAFE) is a subsidy for the operation of the Freeway Service Patrol.

The transfers from the Enterprise fund's bond proceeds are used to fund 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. As of June 30, 2015, these lease/leaseback agreements totaled $467,895.

Notes to the Financial Statements

June 30, 2015

E. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

	BALANCE JULY 1, 2014	INCREASES	DECREASES	BALANCE JUNE 30, 2015
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 910,678	$ 50,871	$ -	$ 961,549
Construction in progress	2,315,637	1,700,396	(95,004)	3,921,029
Total capital assets, not being depreciated	3,226,315	1,751,267	(95,004)	4,882,578
Capital assets, being depreciated:				
Buildings and improvements	8,740,565	45,546	-	8,786,111
Equipment	714,715	270	(86)	714,899
Vehicles	2,160,170	297,787	(130,613)	2,327,344
Total capital assets, being depreciated	11,615,450	343,603	(130,699)	11,828,354
Less accumulated depreciation for:				
Buildings and improvements	(3,644,287)	(292,084)	-	(3,936,371)
Equipment	(656,880)	(22,802)	61	(679,621)
Vehicles	(1,351,273)	(170,923)	130,613	(1,391,583)
Total accumulated depreciation	(5,652,440)	(485,809)	130,674	(6,007,575)
Total capital assets, being depreciated, net	5,963,010	(142,206)	(25)	5,820,779
Business-type activities capital assets	9,189,325	1,609,061	(95,029)	10,703,357
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	772,794	-	(2,852)	769,942
Governmental activities capital assets	772,794	-	(2,852)	769,942
Total capital assets	$ 9,962,119	$ 1,609,061	$ (97,881)	$ 11,473,299

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

BUSINESS-TYPE ACTIVITIES	
Bus operations	$ 170,903
Rail operations	310,351
Union Station operations	767
Metro ExpressLanes	3,788
Total depreciation expense – Business-type activities	$ 485,809

During the fiscal year, the total interest cost incurred amounted to $158,048, of which $62,987 has been capitalized and reported in the construction in progress account.

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, 2015.

	BALANCE JULY 1, 2014	ADDITION	REDUCTION	BALANCE JUNE 30, 2015	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Long-term debt	$ 4,498,223	$ 247,714	$ 741,005	$ 4,004,932	$ 230,896
Claims payable	291,061	91,843	87,604	295,300	87,604
Compensated absences payable	86,847	74,375	69,616	91,606	69,297
Total business-type activities	$ 4,876,131	$ 413,932	$ 898,225	$ 4,391,838	$ 387,797
GOVERNMENTAL ACTIVITIES					
Bonds payable	20,054	-	1,184	18,870	1,241
Total long-term liabilities	$ 4,896,185	$ 413,932	$ 899,409	$ 4,410,708	$ 389,038

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.

LACMTA purchased a construction project umbrella liability insurance program (super excess general liability policies) that provides additional coverage limits on LACMTA's five major capital projects currently underway. The program provides up to $550 million in additional coverage over the dedicated limits of insurance provided by each of the Design Build contractors. The Design Build contract values for these projects are approximately $5.2 billion.

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, 2015 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.

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

Notes to the Financial Statements
June 30, 2015

does not set aside funds to cover potential gaps in property insurance coverage in case of losses. As of June 30, 2015, a designated investment has been set aside in the amount of $100,359 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2015, a designated investment has been set aside in the amount of $194,941 equal to the workers' compensation liabilities.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year.

The following table summarizes changes in the claims and judgments reserves for the years ended June 30, 2015 and 2014:

	PROPERTY & CASUALTY		WORKERS' COMPENSATION		TOTAL	
	2015	2014	2015	2014	2015	2014
Unpaid claims and claim adjustment reserves – beginning of year	$ 100,772	$ 90,140	$ 190,289	$ 187,696	$ 291,061	$ 277,836
Provisions for insured events	30,777	32,286	58,428	49,954	89,205	82,240
Interest income	1,560	718	1,078	1,434	2,638	2,152
Total incurred claims and claims adjustment expense	133,109	123,144	249,795	239,084	382,904	362,228
Payment attributable to insured events	(32,750)	(22,372)	(54,854)	(48,795)	(87,604)	(71,167)
Total unpaid claims and claim adjustment reserves – end of year	$ 100,359	$ 100,772	$ 194,941	$ 190,289	$ 295,300	$ 291,061

As of June 30, 2015, $87,604 of the total claims liability is considered current. Claims Payable is reported in the Statement of Net Position in the Proprietary 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, 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, 2015:

	BALANCE JULY 1, 2014	EARNED	USED	BALANCE JUNE 30, 2015	DUE WITHIN ONE YEAR
UNION EMPLOYEES					
Vacation leave	$ 25,820	$ 28,191	$ (26,813)	$ 27,198	$ 26,813
Sick leave	31,982	15,972	(14,343)	33,611	14,347
TOWP	7,685	9,913	(9,255)	8,343	8,391
Sub-total	$ 65,487	$ 54,076	$ (50,411)	$ 69,152	$ 49,551
NON-UNION EMPLOYEES					
Vacation leave	587	32	(57)	562	57
Sick leave	2,379	285	(262)	2,402	261
TOWP	18,394	19,982	(18,886)	19,490	19,428
Sub-total	$ 21,360	$ 20,299	$ (19,205)	$ 22,454	$ 19,746
Total	$ 86,847	$ 74,375	$ (69,616)	$ 91,606	$ 69,297

As of June 30, 2015, $69,297 of the compensated absences payable is considered current. The compensated absences payable is reported in the Statement of Net Position in the Enterprise fund.

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 $18,000 (not in thousands) or 100% of their earnings, in calendar year 2015. A special provision in the law allows an additional $6,000 (not in thousands) if an employee is 50 years old or older by December 31, 2015, and employees eligible for retirement within three years can avail of the "catch-up provision" totaling $36,000 (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 the 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, 2015, the deferred compensation plans had assets stated at fair value of $308,844.

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 $18,000 (not in thousands) or 100% of their earnings in calendar year 2015. A special provision in the law allows an additional $6,000 (not in thousands) if an employee is 50 years old or older by December 31, 2015.

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 plan, 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, 2015, the 401(k) savings plan had assets at fair value totaling $388,707.

Employees may participate in both deferred compensation and 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is $48,000 (not in thousands). Also, the maximum annual combined contribution per calendar year using both plans is $54,000 (not in thousands) if an employee falls within the catch up provision and less than 50 years of age, or $60,000 (not in thousands) if an employee falls within the catch up provision and is 50 years old or older.

Notes to the Financial Statements

June 30, 2015

J. EMPLOYEES' RETIREMENT PLANS

LACMTA provides pension benefits through CalPERS and five self-administered defined–benefit pension plans that cover substantially all full-time employees.

California Public Employees' Retirement System (CalPERS)

General Information about the Pension Plan

> **Plan Description**

Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, provides defined benefit pension plan through the Miscellaneous Plan (the Plan), an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS acts as common investment and administrative agent for participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of the multiple employers are pooled together for investment purposes, but separate accounts are maintained for each individual employer.

> **Benefits Provided**

Most full-time employees of PTSC are covered under the Plan. There are two classes of retirement plan members. Those hired before the Public Employees' Pension Reform act of 2013 (PEPRA) took effect on January 1, 2013 are known as Classic Members. Members hired after that date are known as PEPRA members. Classic members are eligible for retirement at age 50 while PEPRA members must be 52 years of age. In both cases, at least 5 years of service credit is needed to retire. Benefits for the defined benefit plan are based on member's year of service, age, final compensation, and benefit formula. The benefit factor is actuarially reduced or increased prior to or after age 60 for Classic members and for PEPRA members prior to or after age 62. The Plan also provides optional benefits 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 issues an annual audited stand-alone financial report and a copy can be obtained by submitting a written request to CalPERS, at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

> **Employees covered by benefit terms**

The following employees (not in thousands) were covered based on CalPERS actuarial valuation report dated June 30, 2013:

Active employees	1,732
Inactive employees	587
Terminated employees	410
Retired members and beneficiaries	742
Total	**3,471**

> **Contributions**

All employer contribution rates are actuarially determined annually and become effective July 1 following the notice of a change in the rate in accordance with Section 20814(C) of the California Public Employees' Retirement Law (PERL). The employer and employee contributions are a percentage of the covered-employee payroll, which is based on pensionable earnings. 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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For FY15, the contribution rate was 15.93% of covered payroll and contributions totaled $25,270. This rate includes the mandatory employee contribution rate of 7.00% that is currently paid by PTSC for all Classic employees. PEPRA employees pay 6.25% of covered payroll which is 50% of the total normal cost of 12.50%.

Notes to the Financial Statements

June 30, 2015

> **Net Pension Liability**

The Plan's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The total pension liability was then rolled forward to June 30, 2014.

> **Actuarial Assumptions**

The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5% net of pension plan investment and administrative expenses; includes inflation
Mortality rate table [1]	Derived using CALPERS' membership data for all funds
Post retirement benefit	Contract COLA up to 2.75% until purchasing power
Increase	Protection allowance floor on purchasing power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation report were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates.

The long-term expected rate of return on the Plan investments was determined using a building-blocked method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The table below shows the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

ASSET CLASS	NEW STRATEGIC ALLOCATIONS	REAL RETURN YEARS 1 - 10 [2]	REAL RETURN YEARS 11 + [3]
Global equity	47.00%	5.25%	5.71%
Global fixed income	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	12.00%	6.83%	6.95%
Real estate	11.00%	4.50%	5.13%
Infrastructure and forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(0.55)%	(1.05)%

> **Discount Rate**

The Plan used the long-term actuarially determined discount rate of 7.50% to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the LACMTA contributions will be made at the rates equal to the difference between actuarially determined contribution rates and the employee rate. The discount rate did not incorporate a municipal bond rate as it was determined by CalPERS's stress test that the plan did not run out of assets using the discount rate of 7.50%. The discount rate is net of administrative expenses. Statement No. 68, paragraph 30 requires that the long-term discount rate be determined without reduction for pension plan administrative expenses. The difference between the effects on the net pension liability, whether including or excluding the administrative expenses was minimal, and therefore, it's deemed immaterial to the agent multiple-employer plan and the LACMTA.

1. Mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
2. An expected inflation rate of 2.5% was used for this period.
3. An expected inflation rate of 3.0% was used for this period.

Notes to the Financial Statements

June 30, 2015

> **Changes in the Net Pension Liability**

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET POSITION LIABILITY (a) - (b)
Balances at 6/30/2013 (Valuation Date)	$ 496,365	$ 405,047	$ 91,318
Changes for the year:			
Service cost	21,905	-	21,905
Interest on the total pension liability	37,546	-	37,546
Contribution – employer	-	13,313	(13,313)
Contribution – employee	-	10,565	(10,565)
Net investment income [1]	-	72,179	(72,179)
Benefit payments, including refunds of employee contributions	(13,399)	(13,399)	-
Net changes during 2014	46,052	82,658	(36,606)
Balances at 6/30/2014 (measurement date)	$ 542,417	$ 487,705	$ 54,712

There were no significant changes between the measurement date at June 30, 2014 and the reporting date at June 30, 2015 that were known to the management to have significant effect on the net pension liability.

> **Sensitivity of the net pension liability to changes in discount rate**

The table below shows the sensitivity of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50%, and the changes of 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.50%):

	DISCOUNT RATE - 1% 6.50%	CURRENT DISCOUNT RATE 7.50%	DISCOUNT RATE + 1% 8.50%
CalPERS net pension liability (asset)	$ 127,001	$ 54,712	$ (5,741)

> **Pension Plan Fiduciary Net Position**

Detail information about pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. A copy of the CalPERS Annual Comprehensive Financial Report can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at www.CalPERS.ca.gov.

> **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

For FY15, PTSC recognized pension expense of $9,889. Pension expense represents the change in net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of change in investment gain/loss.

Deferred outflows of resources and deferred inflows of resources represent unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

For FY15, PTSC expensed a portion of FY14 deferred outflows and deferred inflows of resources related to pension from the following source:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Net difference between projected and actual earnings on pension plan investments	$ -	$ 33,182
Total	$ -	$ 33,182

1. Net of administrative expenses.

Notes to the Financial Statements

June 30, 2015

The deferred outflows of resources related to pension resulting from PTSC contributions subsequent to the measurement date of June 30, 2014 totaled $25,270 will be recognized as a reduction of the net pension liability in FY16.

The following amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized over five years as pension expense:

MEASUREMENT PERIOD ENDED JUNE 30	DEFERRED OUTFLOWS / INFLOWS OF RESOURCES
2015	$ 8,295
2016	8,295
2017	8,296
2018	8,296
Thereafter	-
Total	$ 33,182

LACMTA-ADMINISTERED PENSION PLANS

General Information about the Retirement Plans

> **Plan Description**

LACMTA established and administered five single-employer defined benefit plans ("the Plans") providing pension, disability, and death benefits to full-time employees in a work classification covered under collective bargaining agreements with the United Transportation Union (the "UTU"), the Transportation Communication Union (the "TCU"), the Amalgamated Transit Union (the "ATU"), the Non-Contract (the "NC"), and the American Federation of State, County and Municipal Employees (the "AFSCME"). The assets of the five Retirement Plans are pooled together for investment purposes, but separate accounts are maintained for each individual retirement plan to pay for its benefits and other liabilities.

An annual audited stand-alone financial report for the plans can be obtained by requesting a copy from the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at www.metro.net.

> **Benefits Provided**

LACMTA provides retirement, disability, and death benefits. UTU employees with 10 years of service and age 55, or 23 years of service, or 5 years of service and age 65 are eligible to retire. TCU and ATU employees with 10 years of service and age 55 or 23 years of service are eligible to retire. NC and AFSCME employees with 5 years of service and age 50 or 30 years of service ("Old Plan" only) or age 50 and active on April 1, 1993 are eligible to retire. Retirement benefits for UTU, TCU, NC, and AFSCME employees are calculated as 1.67% of the employee's adjusted final compensation, which is computed as the average of highest 36 consecutive months of compensation less $133.33 (not in thousands). For the NC and AFSCME employees, "New Plan" participants are not eligible for the 30 and out benefit, but receive an 8% higher benefit. For the ATU employees, the benefit increases beginning with 23 years of service and increases from there.

All UTU, TCU, and ATU employees are eligible for disability benefits after 10 years of service and the retirement benefits are 2% of final compensation for each year of service. NC and AFSCME employees are eligible after 10 years of service and age 50 and the retirement benefits are the same as normal retirement benefits. Death benefits for UTU, TCU, and ATU employees equal member contributions with 5.5% interest and if vested, spouse will receive instead receive benefit payable under 100% J&S option had the employee retired before his or her death. For NC and AFSCME employees, the death benefits equal member contributions with 5.5% interest plus an amount equal to the member's monthly compensation earnable at the date of death multiplied by years of service not to exceed six years and if eligible with 10 years of service, spouse will receive instead benefit payable under 100% J&S option had the employee retired before his or her death. If no surviving spouse, 50% of life annuity that member would have received if he had retired on date of death goes to surviving children.

Notes to the Financial Statements

June 30, 2015

> Employees Covered by Benefit Terms

The table below provides the current employees accruing benefits and retirees and beneficiaries receiving benefits based on the actuarial valuations as of December 31, 2013, and January 1, 2014 for ATU (not in thousands):

	UTU	TCU	ATU	NC	AFSCME	TOTAL
Retirees and beneficiaries currently receiving benefits	2,447	477	1,074	1,162	156	5,316
Active employees accruing benefits under CalPERS	N/A	N/A	N/A	259	55	314
Active employees:						
Vested	1,413	351	1,010	42	46	2,862
Non-vested	2,103	304	1,016	-	-	3,423
Total	5,963	1,132	3,100	1,463	257	11,915

> Contributions

LACMTA's funding policy is to make annual contributions to the Plans in amounts that, when combined with employees' contributions, fund the actuarially computed costs as they accrue. Actuarially computed costs are determined using the Projected Unit Credit Method except with the ATU Plan which changed the actuarial cost method from Projected Unit Credit Method to Entry Age Normal effective January 1, 2013.

The employee and employer contributions are required by the plan agreement to be expressed as either a percentage of annual earnings applicable only to the ATU Plan, or as the dollar amount recommended by the Actuary to finance the benefits (as provided in the UTU, TCU, NC, and AFSCME plans). This formula for making contributions to the Plans has been set by the respective Plans' collective bargaining agreements and could be changed in future collective bargaining negotiations between LACMTA and the Plans.

The required contributions of LACMTA and its employees for FY15 were actuarially determined by the funding valuation reports dated December 31, 2013 for the UTU, TCU, AFSME, and Non-contract retirement plans, and January 1, 2014 for the ATU retirement plan. The required contribution rate of employees ranged from 0% to 6.96%.

LACMTA's required contributions for the ATU Plan was 17.96% of covered payroll while for the plans covering TCU, UTU, Non-Contract, and AFSCME, the contributions were determined to be $4,741, $19,780, $4,186, and $1,455, respectively. LACMTA's actual contributions for all plans covering ATU, TCU, UTU, Non-Contract, and AFSCME were $21,257, $4,741, $19,780, $4,186, and $1,455, respectively.

> Net Pension Liability

Net pension liabilities for UTU, TCU, AFSCME and Non-contract pension plans were measured as of June 30, 2014 and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2013 based on an actuarial experience study for the period from January 1, 2008 to December 31, 2011.

The ATU pension plan net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 based on the results of an actuarial experience study for the period from January 1, 2007 to December 31, 2013.

All plans projected total pension liabilities were rolled forward to June 30, 2014 measurement date taking into consideration adjustments for benefit payments, expected growth in benefit obligations, changes in key assumptions, plan provisions and any significant changes in plan demographics events.

Notes to the Financial Statements

June 30, 2015

> Actuarial Assumptions

The table below summarizes the actuarial methods and assumptions applied to all periods included in the measurements as of June 30, 2013 and June 30, 2014 as applicable to the plans:

ACTUARIAL ASSUMPTION	UTU / TCU / AFSCME / NC	ATU
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumption:		
Discount rate	7.00%	7.50%
Inflation	3.00%	2.75%
Salary growth rate	Varies by age	2.25% - 12.00%
Investment rate of return	7.00% net of investment expense and gross of administrative expense	7.50% net of investment expense and gross of administrative expense
Mortality	RP20000 Blue Collar with projected improvements to 2025 using scale AA	Healthy: RP-2014 Blue collar mortality tables for healthy employees and annuitants, projected to 2022 using scale BB disabled: RP-2014 disability table

> Discount Rate

The UTU, TCU, AFSCME, and Non-Contract plans used the long-term actuarially determined discount rate of 7.00% while the ATU plan used 7.50% to measure the total pension liabilities. The discount rate for all plans did not incorporate a municipal bond rate. The projection of cash flows to determine the discount rate assumed that the contributions from the employer and employee will be equal to the actuarially determined contribution rates or dollar amounts for the applicable fiscal years. In the event that the assumptions are not realized, then the contributions will be adjusted accordingly to match the change in liability.

The UTU, TCU, AFSCME, and Non-Contract retirement plans long-term expected rate of return on pension plan investments was based on the actuary's capital market simulation model.

The ATU plan long-term expected rate of return on pension plan investments was determined using a building-block method using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Summarized below were the long term real rates of return by asset class where each return represents a 30-year horizon arithmetic real rate of return.

ASSET CLASS	TCU / AFSCME / UTU / NC LONG-TERM EXPECTED REAL RATE OF RETURN	ATU LONG-TERM EXPECTED REAL RATE OF RETURN
Domestic equity	5.30%	7.90%
International equity	5.90%	11.40%
Fixed income	0.60%	4.04%
Real estate	3.50%	8.05%
Alternative investment	3.90%	6.65%
Cash equivalents	0.30%	2.50%

> Changes in the Net Pension Liability

Presented below are the aggregate changes in the pension plans' net pension liabilities for measurement period of July 1, 2013 to June 30, 2014.

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITIES	FIDUCIARY NET POSITION	NET POSITION LIABILITIES
Balances at June 30, 2013	$ 1,418,221	$ 1,040,009	$ 378,212
Changes for the year:			
Service cost	35,843	-	35,843
Interest on total pension liabilities	100,939	-	100,939
Demographic (gains) losses	2,388	-	2,388
Difference between expected & actual experience	(1,823)	-	(1,823)
Assumption changes	8,999		8,999
Employer contributions	-	56,198	(56,198)
Employee contributions	-	25,337	(25,337)
Net investment income	-	180,910	(180,910)
Benefit payments, including refunds of employee contributions	(83,558)	(83,558)	-
Administrative expense	-	(1,398)	1,398
Net changes	**62,788**	**177,489**	**(114,701)**
Balances at June 30, 2014	**$ 1,481,009**	**$ 1,217,498**	**$ 263,511**

There are no subsequent events or significant changes in population covered or assumptions or methods that the management is aware of that would impact the results between the measurement date of the net pension liabilities and LACMTA reporting date for the year ended June 30, 2015.

> Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the net pension liability of the Plans, calculated using the discount rate as well as what the Plans net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

PLAN'S NET PENSION LIABILITY	1% DECREASE (6.00%)	CURRENT DISCOUNT RATE (7.00%)	1% INCREASE (8.00%)
UTU	$ 210,826	$ 142,758	$ 88,552
TCU	41,784	28,569	17,668
Non-contract	33,439	21,207	10,639
AFSCME	9,258	4,299	17
PLAN'S NET PENSION LIABILITY	**1% DECREASE (6.50%)**	**CURRENT DISCOUNT RATE (7.50%)**	**1% INCREASE (8.50%)**
ATU	$ 111,346	$ 66,678	$ 28,776

> Pension Plan's Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued financial reports. A copy of the financial reports can be obtained by submitting a written request to the Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

> Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

For FY15, LACMTA recognized pension expenses of $20,120, which represents the change in net pension liability during the measurement period, adjusted for actual contributions and deferred recognition of change in investment gain/loss.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

In FY15, LACMTA expensed a portion of FY14 deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOURCE	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Net difference between projected and actual earnings on pension plan investments	$ -	$ (85,298)
Demographics (gains)/losses	1,043	(263)
Difference between expected and actual experience	-	(1,497)
Changes in assumptions	7,392	-
Total	**$ 8,435**	**$ (87,058)**

LACMTA reported $51,419 as deferred outflows of resources resulting from contributions subsequent to the measurement date of June 30, 2014 and this will be recognized as a reduction of the net pension liability in FY16.

Deferred inflows of resources resulting from net difference between projected and actual earnings on investments are amortized over five years all other deferred outflows or inflows will be amortized over their service lives.

The following amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in future periods as pension expense:

MEASUREMENT PERIOD ENDED JUNE 30	DEFERRED OUTFLOWS / INFLOWS OF RESOURCES
2015	$ (19,893)
2016	(19,893)
2017	(19,894)
2018	(19,894)
2019	926
2020	25
Thereafter	-
Total	**$ (78,623)**

> Payable to the Pension Plan

At June 30, 2015, LACMTA reported a payable of $744, for the outstanding amount of Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2015.

> Aggregate Pension Expense

For FY15, LACMTA recognized aggregate pension expenses of $30,009 across all five LACMTA administered pension plans and the CalPERS plan.

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 for Non-contract employees and employees represented by AFSCME and the Teamsters and for 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 the employee's service and age.

An annual unaudited 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 measured on the basis of average cost.

Funding Policy

> **Member Contribution**

The contributions made by Non-Contract, AFSCME, and Teamsters retirees are established and approved by the Board. Generally, the contribution is calculated as a percent of the premium cost based on service of 25 years or more is required in order 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. ATU retirees' contributions are $80 per month for employees less than 65 years of age and $60 per month for employees more than 65 years of age. TCU retiree contributions are $45 per month with an additional contributions of $15 per month 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. All amounts are not in thousands.

> **LACMTA Contribution**

LACMTA's funding policy is to contribute the ARC as determined by GASB 45 ,*"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,"* unless budgetary constraints require a 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 but less than the investment policy rate of the trust of 7.5%. LACMTA's general assets support a return on assets of 3.5%. The ARC calculation uses an open 20-year rolling amortization that meets the requirements of GASB Statement No. 45.

> **Actuarial Methods and Assumptions**

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

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 3.50% 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%
e) included an inflation rate of 2.50%

The healthcare cost trend assumptions are comprised of three elements:

1) initial trend rate
2) ultimate trend rate
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 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 are 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.

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."* Thus, 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	$ 61,565
Percentage of total payroll	9.87%
Amortization of unfunded actuarial accrued liability	$ 59,132
Percentage of total payroll	9.48%
ARC with 20-year level percent of payroll amortization	$ 124,507
Percentage of total payroll	19.97%

> **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 to 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, 2015 are as follows:

Annual required contribution	$ 124,507
Interest on net OPEB obligation	6,929
Adjustment to ARC	(47,303)
Total annual OPEB cost	84,133
Less contributions made	50,384
Increase in net OPEB obligation	33,749
Net OPEB obligation – beginning of year	160,409
Prior period adjustment	215,000
Net OPEB olbligation - beginning of year, as restated	375,409
Net OPEB obligation – end of year	**$ 409,158**

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, 2015, 2014, and 2013 are as follows:

YEAR ENDED	OPEB COST	PERCENTAGE OF OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
2015	$ 84,133	59.89%	$ 409,158
2014	120,153	38.74%	375,409
2013	115,229	38.00%	301,289

> **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, 2015 is illustrated as follows:

ACTUARIAL VALUATION DATE	ACTUARIAL 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	773,556	103,010	670,546	13.32%	160,829	416.93%
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.

Notes to the Financial Statements
June 30, 2015

L. 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, where each cost category 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 using a forecasted, year-by-year scope of the remaining project life cycles to the point of 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 on July 1, 2015.

Internal administration costs estimate labor using the full time equivalent (FTE) basis. An FTE value of $200,000 (amount not in thousands) per annum was multiplied by the annual FTE count 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 site 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, 2015 are subject to change over time. Costs 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, 2015, LACMTA has an estimated pollution remediation obligation of $7,500 related to soil and/or groundwater pollution cleanup activities. Currently, LACMTA does not have any liabilities for pollution remediation activities for possible liabilities which are not reasonably estimable.

Notes to the Financial Statements
June 30, 2015

M. LONG-TERM DEBT

LACMTA's bonds and notes payable activities for the year ended June 30, 2015 are summarized as follows:

	BALANCE JULY 1, 2014	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2015	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Sales tax revenue and refunding bonds	$ 3,237,260	$ 162,195	$ 361,920	$ 3,037,535	$ 173,665
Lease/leaseback to service obligations	717,604	26,612 [1]	276,321	467,895	20,200
General revenue bonds	148,685	-	6,715	141,970	7,160
Commercial paper	139,419	-	55,795	83,624	-
Notes payable	5,221	37,477	1,349	41,349	1,404
Total long-term debt	4,248,189	226,284	702,100	3,772,373	202,429
Add: Unamortized bond premium	250,163	21,430	38,914	232,679	28,476
Less: Unamortized bond discount	(129)	-	(9)	(120)	(9)
Net Business-type activities long-term debt	4,498,223	247,714	741,005	4,004,932	230,896
GOVERNMENTAL ACTIVITIES					
Redevelopment and housing bonds	20,054	-	1,184	18,870	1,241
Total long-term debt	$ 4,518,277	$ 247,714	$ 742,189	$ 4,023,802	$ 232,137

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

1. Represents lease/leaseback accretion.

Notes to the Financial Statements

June 30, 2015

Sales tax revenue and refunding bonds outstanding as of June 30, 2015 are as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	BALANCE JULY 1, 2014	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2015	DUE WITHIN ONE YEAR
PROPOSITION A									
2005A	$ 242,795	2005	2035	4.38 to 5.00%	$ 198,665	$ -	$ (198,665)	$ -	$ -
2007A	46,635	2007	2016	5.00%	35,600	-	(11,290)	24,310	11,860
2008A	263,075	2008	2031	VRDB [1]	255,350	-	(8,325)	247,025	8,625
2008B	26,075	2008	2028	3.50 to 5.00%	22,395	-	(875)	21,520	905
2009A	320,945	2009	2026	2.00 to 5.00%	211,750	-	(22,485)	189,265	23,520
2011A	144,000	2011	2018	.20 to 5.00%	104,630	-	(21,035)	83,595	21,870
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	-	(16,825)	51,380	-
2013A	262,195	2013	2021	5.00%	262,195	-	-	262,195	13,800
2014A	135,715	2014	2035	3.00 to 5.00%	-	135,715	-	135,715	-
2015A	26,480	2015	2035	3.00 to 5.00%	-	26,480	-	26,480	-
				Sub-total	**1,249,900**	**162,195**	**(279,500)**	**1,132,595**	**80,580**
PROPOSITION C									
2006A	129,385	2006	2030	4.00 to 5.00%	122,815	-	(4,915)	117,900	5,160
2008A	128,745	2008	2022	4.00 to 5.00%	70,765	-	(360)	70,405	370
2009B	245,825	2009	2020	3.00 to 5.00%	224,050	-	(28,925)	195,125	29,665
2009D	118,785	2009	2019	1.40 to 5.00%	77,480	-	(11,365)	66,115	11,960
2009E	118,940	2009	2029	3.25 to 5.00%	102,115	-	(5,425)	96,690	5,695
2010A	45,455	2010	2023	3.00 to 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	-	(11,070)	127,890	11,825
2013B	313,490	2013	2038	2.00 to 5.00%	313,490	-	(3,730)	309,760	7,030
2013C	63,785	2013	2026	4.00 to 5.00%	63,785	-	-	63,785	4,015
2014A	61,180	2014	2034	5.00%	61,180	-	-	61,180	-
				Sub-total	**1,301,310**	**-**	**(65,790)**	**1,235,520**	**75,720**
MEASURE R									
2010A	573,950	2010	2039	4.28 to 5.735%	573,950	-	-	573,950	-
2010B	158,460	2010	2020	.50 to 5.00%	112,100	-	(16,630)	95,470	17,365
				Sub-total	**686,050**	**-**	**(16,630)**	**669,420**	**17,365**
				Total	**$ 3,237,260**	**$ 162,195**	**$ (361,920)**	**$ 3,037,535**	**$ 173,665**

1. Include Variable Rate Demand Bonds (VRDB) and Index Interest Rate Bonds.

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 the construction of major capital projects. Sales tax revenue bonds are secured by 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 the Measure R bonds.

The Proposition A-Series 2008-A1 and Series–A2 bonds with outstanding balances of $61,675 and $61,750, respectively, as of June 30, 2015 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 bonds with an outstanding balance of $61,750 and the Proposition A Series 2008-A4 bonds with an outstanding balance of $61,850 as of June 30, 2015 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 London Interbank Offered Rate (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) 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 the 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 sublease. LACMTA agreed to indemnify the investors against increased costs, 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 $40.42 million, plus legal costs.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2015 are as follows:

LEASE	INTEREST RATE	BALANCE JULY 1, 2014	ADDITIONS [1]	REDUCTIONS	BALANCE JUNE 30, 2015	DUE WITHIN ONE YEAR
Comerica / CIBC / Norwest Lease	6.79% - 7.64%	$ 238,334	$ 7,728	$ -	$ 246,062	$ (8,264)
Comerica Lease	7.12%	64,306	4,316	(1,048)	67,574	(3,229)
First Hawaiian Lease	6.61%	55,929	3,353	(2,819)	56,463	(2,846)
Philip Morris Lease	5.0% - 5.13%	302,858	7,450	(272,378)	37,930	37,930
Fleet Lease	6.79% - 7.64%	56,177	3,765	(76)	59,866	(3,391)
Total		$ 717,604	$ 26,612	$ (276,321)	$ 467,895	$ 20,200

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 bearing interest at the current ARS (Auction Rate Securities) rate or a maximum of 12% per annum. The 2010 Bonds are fixed rate.

General Revenue Bonds outstanding as of June 30, 2015 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, 2015
2004 Bonds	$ 197,050	2004	2027	ARS to 12%	$ 86,175	$ -	$ 86,175
2010A Bonds	79,620	2010	2021	3.00 to 5.00 %	55,795	4,474	60,269
Total					$ 141,970	$ 4,474	$ 146,444

Commercial Paper Notes

LACMTA issues Commercial Paper Notes (CPN) to provide interim financing for construction and acquisition activities, including the 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, 2015, LACMTA's Proposition A CPN program has a $150,000 letter of credit while the Proposition C CPN program has $150,000 of credit capacity that includes a $75,000 letter of credit and $75,000 revolving credit facility. Both of the credit facilities supporting the Proposition C CPN program will expire on April 22, 2016, while the letters of credit supporting the Proposition A CPN program will expire on March 11, 2016. As of June 30, 2015, LACMTA has a $65,000 outstanding principal balance under the Proposition A letter of credit, and $18,624 outstanding 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.

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

Notes to the Financial Statements

June 30, 2015

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 the 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 $20,000 from its taxable Proposition C revolving credit facility 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 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 after April 22, 2016.

Notes Payable

Notes payable principal amounts outstanding as of June 30, 2015 are as follows:

LENDER	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	OUTSTANDING BALANCE
Western Alliance	$ 16,407	2008	2018	4.04%	$ 3,872
TIFIA Loan	37,477	2015	2034	2.43%	37,477
Total					**$ 41,349**

The notes payable outstanding balance of $ 3,872 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.

Notes to the Financial Statements

June 30, 2015

In September 2012, Crenshaw Project Corporation (CPC), on behalf of LACMTA secured a loan amounting to $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 Transit 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 principal balance with a maturity date of June 1, 2034. As of December 2015, LACMTA has drawn $330,066 from the TIFIA loan which includes $37,477 outstanding principal balance as of June 30, 2015.

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 costs 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. The first drawdown is expected to be made in FY16. As of June 30, 2015, there is no balance on this loan.

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. 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. The first drawdown is expected to be made on December 25, 2017. There is no outstanding balance on this loan as of June 30, 2015.

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

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, 2015, 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 5.38%	$ 13,035
2007B Bonds	8,615	2007	2026	4.00% to 5.00%	5,835
Total					**$ 18,870**

The Redevelopment and Housing Bonds were issued by the Community Redevelopment Financing Authority of the City of Los Angeles (CRFA/LA), a Designated Local Authority, formerly Community Redevelopment Agency of the City of Los Angeles, and are 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 the Grand Central Square Housing Project, which relates to the rehabilitation of a portion of the Grand Central Market, and the Central Business District Area Redevelopment Project. Both projects are located in downtown Los Angeles, served by and accessible to a 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 FY27.

Annual Debt Service Requirement

LACMTA's annual debt requirement for long-term debt, lease and leaseback obligations, and notes payable as of June 30, 2015 are as follows:

Business-type Activities

> Sales tax revenue and refunding bonds

YEAR ENDING JUNE 30	PROPOSITION A PRINCIPAL	INTEREST [1]	TOTAL
2016	$ 80,580	$ 48,801	$ 129,381
2017	90,980	45,177	136,157
2018	95,880	40,902	136,782
2019	100,500	36,346	136,846
2020	108,025	31,477	139,502
2021-2025	438,215	85,150	523,365
2026-2030	164,420	26,671	191,091
2031-2035	53,995	5,101	59,096
Total	$ 1,132,595	$ 319,625	$ 1,452,220

YEAR ENDING JUNE 30	PROPOSITION C PRINCIPAL	INTEREST	TOTAL
2016	$ 75,720	$ 58,168	$ 133,888
2017	78,850	54,540	133,390
2018	82,210	50,654	132,864
2019	85,770	46,584	132,354
2020	89,570	42,311	131,881
2021-2025	416,640	145,377	562,017
2026-2030	228,210	82,437	310,647
2031-2035	117,535	28,450	145,985
2036-2040	61,015	4,213	65,228
Total	$ 1,235,520	$ 512,734	$ 1,748,254

YEAR ENDING JUNE 30	MEASURE R PRINCIPAL	INTEREST	TOTAL
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	20,920	32,749	53,669
2021-2025	116,220	148,567	264,787
2026-2030	137,340	116,078	253,418
2031-2035	164,915	73,648	238,563
2036-2040	155,475	22,699	178,174
Total	$ 669,420	$ 533,875	$ 1,203,295

1. Interest on Proposition A excludes Proposition A Series 2008-A which bears variable interest at 70% of LIBOR Index plus an interest rate spread. Proposition A Series 2008-A bonds has total outstanding principal balance of $247,025 at June 30, 2015.

> General revenue bonds and notes payable

YEAR ENDING JUNE 30	GENERAL REVENUE BONDS PRINCIPAL	INTEREST [1]	TOTAL
2016	$ 7,160	$ 2,351	$ 9,511
2017	7,655	2,060	9,715
2018	8,140	1,721	9,861
2019	8,700	1,344	10,044
2020	9,295	936	10,231
2021-2025	57,370	621	57,991
2026-2030	43,650	-	43,650
Total	$ 141,970	$ 9,033	$ 151,003

YEAR ENDING JUNE 30	NOTES PAYABLE PRINCIPAL [2]	INTEREST	TOTAL
2016	$ 547	$ 988	$ 1,535
2017	526	1,009	1,535
2018	47	993	1,040
2019	(984)	984	-
2020	(1,009)	1,009	-
2021-2025	2,892	5,044	7,936
2026-2030	16,961	4,054	21,015
2031-2035	22,369	1,460	23,829
Total	$ 41,349	$ 15,541	$ 56,890

> Lease/leaseback to Service Obligation

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2016	$ 20,200	$ 20,622	$ 40,822
2017	(15,369)	19,827	4,458
2018	(14,068)	15,129	1,061
2019	(23,419)	23,419	-
2020	(19,743)	24,204	4,461
2021-2025	127,438	112,064	239,502
2026-2030	245,174	51,623	296,797
2031-2040	147,682	4,951	152,633
Total	$ 467,895	$ 271,839	$ 739,734

1. Interest does not include variable interest on General Revenue Bonds Series 2004 with outstanding principal balance of $86,175. Variable interest is at current ARS (Auction Rate Securities) rate.
2. Principal includes interest accretion on TIFIA loan that are due and payable beginning June 1, 2021. The principal outstanding on this loan is $37,477 as of June 30, 2015.

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

> Redevelopment and Housing Bonds

YEAR ENDING JUNE 30		PRINCIPAL		INTEREST		TOTAL
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		874		650		1,524
2021-2025		8,570		2,219		10,789
2026-2030		4,086		215		4,301
Total	$	18,870	$	6,522	$	25,392

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. Farebox revenues and other general revenues reported in the Enterprise fund, including advertising and interest income, 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 maximum annual debt service limits as set forth in its Board-adopted Debt Policy of its bond indentures.

The table below presents LACMTA's pledged revenue, annual debt service, and debt service coverage for the fiscal year ended June 30, 2015:

SOURCE		GROSS RECEIPTS [1]	ALLOCATION RATE		LOCAL ALLOCATIONS		PLEDGED REVENUE		TOTAL DEBT SERVICE [2]	DEBT SERVICE COVERAGE
Prop A	$	745,655	25%	$	186,414	$	559,241	$	146,856	3.8
Prop C		745,632	20%		149,126		596,506		135,705	4.4
Measure R		745,919	15%		111,888		634,031		53,669	11.8
General revenue		408,535	-		-		408,535		9,978	40.9

1. Sales tax revenues are reported using the accrual basis of accounting. This is net of the State Board of Equalization administrative fees. Gross receipts 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.
2. Total debt service includes debt service on first tier senior, second tier bonds, and interest paid on third tier obligations of LACMTA, which constitutes outstanding commercial paper, reported under the accrual basis of accounting.

Significant Changes to Long-Term Bond and Note Obligations
The summary of changes in long-term debt is presented in the table on page 81 of this report.

During FY15, LACMTA issued a total of $162,195 of Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2014-A and Series 2015-A with interest rates from 3% to 5%. The net proceeds, net of bond premiums of $21,430 and after payment of $ 295 of underwriting fees, together with funds available from the refunded bond reserve accounts were used to (a) refund and defease $ 191,955 of Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2005-A and (b) pay associated bond issuance costs of the Series 2014-A and 2015-A Bonds. Principal amounts are due on July 1 of each year until final maturity on July 1, 2035 and interest due on outstanding principal balance is payable on July 1 and January 1 of each year.

The net carrying amount of the refunded Proposition A sales tax revenue refunding bonds exceeded the reacquisition price by $10,617. The difference between the net carrying amount and the reacquisition price is reported as deferred inflows 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:

REFUNDED DEBT		PRIOR NET CASH FLOW		REFUNDED DEBT SERVICE		NET CASH FLOW SAVINGS		NET PRESENT VALUE OF NET CASH FLOW SAVINGS
Prop A 2014-A refunding 2005-A	$	247,912	$	205,127	$	42,785	$	25,948
Prop A 2015-A refunding 2005-A		44,306		37,806		6,500		5,208
Total	$	292,218	$	242,933	$	49,285	$	31,156

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 the 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, 2015, classified by type, and the changes in fair value of such derivative instruments for the year ended June 30, 2015, 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	$ 7,099	$ (20)	Noncurrent Liability	$ 247,025
Commodity Swap	Deferred Outflows of Resources	963	(963)	Noncurrent Liability	2,520 MMBTU

These derivative instruments are evaluated to determine if they are effective at year end, which will significantly reduce the identified financial risk. 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, 2015, all of LACMTA's derivative instruments were determined to be effective hedges.

As of June 30, 2015, LACMTA had the following hedging derivative instruments within the business-type activities.

TYPE	OBJECTIVE	NATIONAL VALUE	EFFECTIVE DATE	MATURITY DATE	FAIR VALUE AT JUNE 30, 2015	TERMS
Interest Rate Swap:						
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	$ 123,425	8/23/2005	7/1/2031	$ (10)	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	123,600	8/23/2005	7/1/2031	(10)	Receives 63% of LIBOR; Pays 3.358%
Total		$ 247,025			$ (20)	

Interest Rate Swap

LACMTA entered into interest rate swap agreements to manage the exposure of changes in variable interest rates 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 to 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 amounts 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 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.

As of June 30, 2015, 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, 2014	CHANGE IN FAIR VALUE	FAIR VALUE JUNE 30, 2015	COUNTERPARTY	RATINGS		
					MOODY'S	S&P	FITCH
2004 Gateway	$ (8)	$ 8	$ -				
Prop A Series 2008-A1/A2	(3,560)	3,550	(10)	Bank of Montreal	Aa3	A+	AA-
Prop A Series 2008-A3/A4	(3,551)	3,541	(10)	Deutsche Bank AG	A3	BBB+ [1]	A
Total	$ (7,119)	$ 7,099	$ (20)				

The swap agreement on the 2004 Gateway Bonds with outstanding principal balance of $86,175 was terminated on July 1, 2014. The 2004 Gateway Bonds are auction rate bonds bearing interest at ARS (Auction Rate Securities) rate or a maximum rate of 12% per annum.

The swap agreement on the Prop A 2008-A Bonds with outstanding principal balance of $247,025 was terminated on July 1, 2015.

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, 2015, no collateral was required to be posted.

1. Deutsche Bank AG downgraded by S&P to BBB+ from A on June 9, 2015. Outlook stable.

> **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 will review the historical trading differentials between LACMTA's outstanding variable rate bonds and the proposed index. This allows LACMTA to structure its interest rate swaps to minimize basis risk.

> **Termination Risk –** Under certain conditions, the swap agreement could be terminated and depending on current market interest rates, either LACMTA or the counterparty could be required to make a termination payment. LACMTA's swap agreements only permit the counterparty to terminate if an Event of Default or a Termination Event has occurred. Events of Default include non-payment, false or misleading representations, or the bankruptcy of LACMTA or the counterparty. Termination Events include, a downgrade of LACMTA's rating to below "BBB," an event of taxability, or conversion of bonds to a 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, 2015, 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, 2015, 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, 2015, 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, 2015, LACMTA has sufficient liquidity support.

Commodity Swap

In April 2014, the Board approved the extension of the Compressed Natural Gas (CNG) Hedging Program that allows the use of commodity swaps, commodity options and cost stabilization reserves. The use of commodity swaps protect against price increases. Commodity swaps, in addition to commodity options and stabilization reserves, enhance the mix of tools for hedging under various market conditions. The objective of the Hedging Program is to improve budget certainty for fuel costs or reduce the effect of price volatility on the budget.

In FY15, LACMTA entered into commodity swaps where the index price used to value the swaps is based on Southern California Border Index price for natural gas as established and published by Natural Gas Intelligence (NGI) on a monthly basis. The swaps effectively "lock-in" the cost for the volume of the natural gas that is equivalent to the volume of the swap. If prices end up being higher than the swap price, LACMTA pays more to the natural gas supplier and receives payment from

the swap provider, which offsets the higher cost of natural gas. When prices are lower than the swap price, LACMTA pays less to the natural gas supplier and makes a payment to the swap provider, which offsets the lower cost of natural gas. As of June 30, 2015, LACMTA hedged approximately 9.13% of the natural gas volume for fiscal year 2015 and 53% of the planned natural gas volume for FY16.

As of June 30, 2015, the fair value of LACMTA's outstanding commodity swaps along with the changes in fair values for the year then ended and the associated counterparties and credit ratings are as follows:

FAIR VALUE JUNE 30, 2014	CHANGE IN FAIR VALUE	FAIR VALUE JUNE 30, 2015	COUNTERPARTY	RATINGS S&P	MOODY'S	FITCH
$ -	$ (696)	$ (696)	Citibank, N.A. NY	A	A1	A+
-	(257)	(257)	RBC Capital Markets	AA-	Aa3	AA
-	(10)	(10)	RBC Capital Markets	AA-	Aa3	AA
$ -	$ (963)	$ (963)				

The net changes in fair value of commodity swaps are reported under the Bus and Rail operations in the Business-type Activities of the Statement of Activities.

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

LACMTA is exposed to the following risks generally associated with commodity swap agreements:

> **Counterparty Risk –** the risk that the counterparty fails to make required payments or otherwise comply with the terms of the swap agreement. This non-performance would usually result from financial difficulty, but could also occur for physical, legal, or business reasons. This risk is mitigated by establishing minimum credit quality criteria, establishing maximum credit limits and requiring collateral on counterparty downgrade and when credit limits are exceeded, limiting the term of the agreement and employing credit rating surveillance. To mitigate credit risk, LACMTA monitors the credit ratings of the counterparties on a quarterly basis.

> **Basis Risk –** The risk that there is a mismatch between the variable rate payment received from the swap provider and the variable cost paid to the natural gas supplier. LACMTA mitigates this risk by conducting an extensive survey of relevant products and indices, and selecting one that has a strong correlation with the price changes of the cost to be hedged.

> **Termination Risk –** The risk that there will be a mandatory early termination of the commodity swap that would result in LACMTA either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty or LACMTA suffers degraded credit quality, illiquidity, bankruptcy, or failure to perform. LACMTA mitigates this risk by establishing minimum credit quality criteria, establishing maximum credit limits, and requiring collateral on counterparty downgrade and employing credit rating surveillance. LACMTA monitors the credit ratings of the counterparties on a quarterly basis. LACMTA calculates quarterly its termination exposure for all existing and proposed swaps at market value.

> **Timing Risk –** The risk that a hedge is priced unfavorably relative to the average cost in the market over the relevant term. LACMTA mitigates the risk by entering into a large number of smaller volume transactions over the term to improve the likelihood that the average rate paid for the hedges is not significantly above the average rate paid in the market over the term.

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, 2015, 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 63.

The following is a schedule by years of minimum future rentals to be received on non- cancelable operating leases as of June 30, 2015:

YEAR ENDING JUNE 30	AMOUNT
2016	$ 3,503
2017	3,618
2018	3,741
2019	3,815
2020	3,758
2021-2025	15,778
2026-2030	16,405
2031-2035	19,037
2036-2040	25,031
2041-2045	31,087
2046-2050	36,132
2051-2055	38,841
2056-2060	29,468
2061-2065	24,415
2066-2070	26,856
2071-2075	29,722
2076-2080	32,620
2081-2085	36,211
2086-2090	40,648
2091-2095	37,204
2096-2100	43,157
2101-2105	50,062
2106-2107	7,656
Total	$ 558,765

LACMTA is committed under various leases as the “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, 2015 totaled $6,904. Future minimum lease payments for these leases are as follows:

YEAR ENDING JUNE 30	AMOUNT
2016	$ 6,757
2017	6,929
2018	7,144
2019	7,332
2020	7,526
Total	$ 35,688

P. CAPITAL AND MOU COMMITMENTS

LACMTA’s commitments to vendors for capital projects which are in various phases of development as of June 30, 2015 are as follows:

	CONTRACT COMMITMENTS	
PROJECT	TOTAL	REMAINING
Rail projects	$ 6,308,569	$ 3,363,223
Bus rapid transit ways	87,295	2,369
Bus acquisition and others	1,634,421	768,780
Total	$ 8,030,285	$ 4,134,372

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 $875,865 as of June 30, 2015.

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, 2015, the total outstanding payables and commitments were $0 and $49,697, respectively.

A summary of financial information for the SCRRA for the year ended June 30, 2014 (most recent data available) is as follows:

Current Assets	$ 139,546
Noncurrent Assets	36,104
Capital Assets, net	1,354,221
Total Assets	1,529,871
Total Liabilities	166,991
Net Position	$ 1,362,880
Total Revenues	$ 314,736
Total Expenses	267,828
Increase in Net Position	$ 46,908

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

R. LITIGATION AND OTHER CONTINGENCIES

Litigation

Kiewit Infrastructure West Co., aka Kiewit Pacific Company, a Delaware corporation, claimed damages in the $650 million range in connection with the design/build contract for the I-405 Sepulveda Pass Widening Project. As a result of the recent settlement, a portion of the Kiewit claim was reduced and the outstanding claim amount is now approximately $520 million. The parties have entered into a binding arbitration agreement to resolve the disputes. LACMTA does not believe the outcome of the arbitration 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 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.

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. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of $397,658 was made to decrease the business-type activities' beginning net position, increase the net pension liability by $467,169 and increase the deferred outflows of resources by $69,511. The adjustment was made to reflect the prior period costs related to the implementation of GASB 68.

A prior period adjustment of $215,000 was made to decrease the business-type activities' beginning net position and increase the net OPEB obligation by $215,000. The impact on change in net position for the year ended June 30, 2014 was a reduction of $35,000. This adjustment was made to recognize the lifetime benefits for ATU employees that were not reflected in the previous valuations of the net OPEB obligation. With the addition of the OPEB benefit provision, the calculation of the prior Annual Required Contribution amounts were understated and resulted in the Net OPEB Obligation liability being understated. This adjustment did not affect any of the other plans.

The restatement of beginning net position of the business-type activities is summarized as follows:

BUSINESS-TYPE ACTIVITIES	
Net position at July 1, 2014	$ 6,002,848
Net pension liability adjustment	(397,658)
Net OPEB obligation adjustment	(215,000)
Net position at July 1, 2014, as restated	**$ 5,390,190**

Notes to the Financial Statements
June 30, 2015

T. SUBSEQUENT EVENTS

Long-Term Debt

In November 2015, an aggregate principal amount of $62,000 was drawn from the three credit facilities that include $26,000 from Bank of the West revolving line, $26,000 from State Street Public Lending Corporation revolving credit, and $10,000 from the Series C-1 Tax Exempt Bonds advanced by RBC Capital Markets, LLC. LACMTA entered into revolving credit agreements with State Street Public Lending Corporation and Bank of the West for a maximum principal amount not exceeding $100,000, and $50,000 respectively. These revolving credit lines are secured by a subordinate pledge of the Measure R sales tax revenues. Variable interest on the outstanding balance is based on LIBOR. Additionally, LACMTA entered into a Bond Purchase Agreement with RBC Capital Markets, LLC to purchase variable rate drawdown bonds, Measure R Sales Tax Revenue Bond, Series C-1 Tax-Exempt and Series C-2 Taxable Bonds for a total of $150,000. These bonds are secured by a subordinate pledge of Measure R sales tax revenues with a maximum aggregate principal amount of $150,000 on Tax-exempt Subseries C-1, and $100,000 on Taxable Subseries C-2, and the withdrawals total on both tax-exempt and taxable bonds should not exceed the commitment amount of $150,000. Variable interest on the outstanding tax-exempt bonds is based on the Securities Industry and Financial Markets Association (SIFMA) and variable interest on the taxable bonds is based on LIBOR.

In December 2015, LACMTA issued General Revenue Refunding Bonds, Series 2015 with an aggregate principal amount of $64,770 that bears interest at rates ranging from 3% to 5% with a final maturity of July 1, 2027. The bond proceeds, together with the bond premium of $13,584 and additional funds from the Series 2004 Bonds Debt Service Fund and Debt Service Reserve Fund, are to be used to refund General Revenue Refunding Bonds (Union Station Gateway Project), Series 2004 with an outstanding principal balance of $86,175 as of June 30, 2015, and to pay the costs of issuing the Series 2015 Bonds. The Series 2004 Bonds are variable rate bonds bearing interest at Auction Rate Securities (ARS) rate or a maximum of 12% per annum which matures on July 1, 2027. Interest on Series 2015 Bonds is due semi-annually on January 1 and July 1 of each year beginning on July 1, 2016.


College
Metro
Chinatown

Schedule of Changes in the Net Pension Liability and Related Ratios — CalPERS
Last 10 Fiscal Years [1]

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	2015
TOTAL PENSION LIABILITY	
Service Cost	$ 21,905
Interest	37,546
Benefit payments, including refunds of employee contributions	(13,399)
Net change in total pension liability	46,052
Total pension liability - beginning of year	496,365
Total pension liability – end of year	$ 542,417
PLAN FIDUCIARY NET POSITION	
Contributions – Employer	$ 13,313
Contributions – Employee	10,565
Net investment Income, net of administrative expense	72,179
Benefit payments, including refunds of employee contributions	(13,399)
Net change in fiduciary net position	82,658
Plan fiduciary net position – beginning of year	405,047
Plan fiduciary net position – end of year	$ 487,705
Plan net position liability - beginning of year	$ 91,318
Plan net pension liability – end of year	$ 54,712
Plan fiduciary net position as a percentage of the total pension liability	89.91%
Covered-employee payroll	$ 145,140
Plan net pension liability as a percentage of covered-employee payroll	37.70%

Notes to Schedule:

> **Benefit Changes**
The figures presented above do not include any liability that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of two years additional service credit (a.k.a. Golden Handshakes).

> **Changes of Assumptions**
There were no changes in assumptions.

1. The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.
See accompanying independent auditor's report.

Schedule of Contributions — CalPERS
Last 10 Fiscal Years [1]

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	2015
Actuarially determined contribution	$ 25,270
Contributions in relation to the actuarially determined contribution	(25,270)
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 158,633
Contributions as a percentage of covered-employee payroll	15.93%

Notes to Schedule

> **Valuation Date**
The actuarial methods and assumptions used to set the actuarially determined contributions for FY14 were taken from the June 30, 2011 actuarial valuation report:

Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% Net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CALPERS experience study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include five years of projected mortality improvement using scale AA published by the Society of Actuaries

1. Additional years will be presented as they become available.
See accompanying independent auditor's report.

Schedule of Changes in Net Pension Liabilities and Related Ratios — Employee Retirement Income Plans
Last 10 Fiscal Years [1]

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	TCU	UTU	NON-CONTRACT	AFSCME	ATU	TOTAL
Total Pension Liability, June 30, 2013	$ 128,421	$ 660,053	$ 147,574	$ 64,607	$ 417,566	$ 1,418,221
Service Cost	3,342	19,054	628	391	12,428	35,843
Interest	9,020	46,123	10,011	4,384	31,401	100,939
Demographic (gains)/losses	1,246	(317)	587	872	-	2,388
Assumption changes	-	-	-	-	8,999	8,999
Differences between expected and actual experience	-	-	-	-	(1,823)	(1,823)
Benefit payments paid from trust	(5,787)	(40,145)	(10,540)	(4,835)	(22,251)	(83,558)
Transfer (benefit payments originally paid by other plans)	(122)	(991)	675	807	(369)	-
Net change in total pension liability	7,699	23,724	1,361	1,619	28,836	63,239
Total pension liability, June 30, 2014	136,120	683,777	148,935	66,226	445,952	1,481,010
Fiduciary net position, June 30, 2013	90,413	462,402	113,454	54,938	318,802	1,040,009
Contributions - LACMTA	5,466	23,568	5,074	1,964	20,126	56,198
Contributions - Member	1,769	15,920	-	-	7,648	25,337
Net investment income	16,005	80,715	19,276	9,219	55,695	180,910
Benefit payments	(5,787)	(40,145)	(10,540)	(4,835)	(22,251)	(83,558)
Administrative expenses	(193)	(451)	(211)	(167)	(376)	(1,398)
Transfer (benefit payments originally paid by other plans)	(122)	(991)	675	807	(369)	-
Net change in Fiduciary Net Position	17,138	78,616	14,274	6,988	60,473	177,489
Fiduciary Net Position, June 30, 2014	$ 107,551	$ 541,018	$ 127,728	$ 61,926	$ 379,275	$ 1,217,498
Net pension liability, June 30, 2013	$ 38,008	$ 197,651	$ 34,120	$ 9,669	$ 78,764	$ 378,212
Net Pension Liability, June 30, 2014	$ 28,569	$ 142,759	$ 21,207	$ 4,300	$ 66,677	$ 263,512
Funded Ratio	79.00%	79.10%	85.76%	93.50%	85.05%	82.21%
Covered-employee payroll	$ 28,978	$ 173,322	$ 3,953	$ 3,822	$ 113,462	$ 323,537
Net pension liability as a percentage of payroll	98.60%	82.36%	536.48%	112.51%	58.77%	81.45%

1. The amounts presented for each fiscal year were determined as of year-end that occurred one year prior. Additional years will be presented as they become available.
See accompanying independent auditor's report.

Schedule of Contributions — Employee Retirement Income Plans
Last 10 Fiscal Years [1]

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	TCU	UTU	NON-CONTRACT	AFSCME	ATU	TOTAL
Actuarially determined contribution	$ 4,741	$ 19,780	$ 4,186	$ 1,455	$ 21,257	$ 51,419
Contributions in relation to the actuarially determined contribution	(4,741)	(19,780)	(4,186)	(1,455)	(21,257)	(51,419)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 28,978	$ 173,322	$ 3,953	$ 3,822	$ 113,462	$ 326,537
Contributions as a percentage of covered-employee payroll	16.36%	11.41%	105.89%	38.07%	18.73%	15.75%

1. Additional years will be presented as they become available.
See accompanying independent auditor's report.

Schedule of Funding Progress — OPEB

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

The Schedule of Funding Progress below shows the recent history of actuarial value of assets, the 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	773,556	103,010	670,546	13.32%	160,829	416.93%
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	$ 1,314,899	$ 209,700	$ 1,105,199	15.95%	$ 623,358	177.30%
January 1, 2011						
LACMTA	$ 172,997	$ 32,322	$ 140,675	18.68%	$ 159,974	87.94%
ATU	738,565	93,236	645,329	12.62%	154,401	417.96%
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	$ 1,243,584	$ 187,591	$ 1,055,993	15.08%	$ 609,537	173.25%
January 1, 2009						
LACMTA	$ 148,150	$ 22,934	$ 125,216	15.48%	$ 165,924	75.47%
ATU	683,922	71,537	612,385	10.46%	142,512	429.71%
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	$ 1,236,520	$ 157,082	$ 1,079,438	12.70%	$ 580,149	186.06%

The balances and percentages related to the ATU plan were modified due to the prior period adjustment related to the net OPEB obligation described in Note S of the financial statements.

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

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual General Fund

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 21,676	$ 21,676	$ 37,920	$ 16,244
Investment income	4,120	4,120	2,089	(2,031)
Net appreciation in fair value of investments	-	-	503	503
Lease and rental	13,579	13,579	23,641	10,062
Licenses and fines	500	500	520	20
Other	2,603	2,603	24,129	21,526
TOTAL REVENUES	42,478	42,478	88,802	46,324
EXPENDITURES				
Current:				
Administration and other	134,776	131,819	88,716	43,103
Transportation subsidies	30,050	30,250	17,795	12,455
Debt and interest expenditures:				
Principal	1,160	1,160	1,183	(23)
Interest and fiscal charges	1,014	1,014	1,011	3
TOTAL EXPENDITURES	167,000	164,243	108,705	55,538
DEFICIENCY OF REVENUES OVER EXPENDITURES	(124,522)	(121,765)	(19,903)	101,862
OTHER FINANCING SOURCES (USES)				
Transfers in	43,476	43,476	98,806	55,330
Transfers out	(29,226)	(29,226)	(36,093)	(6,867)
TOTAL OTHER FINANCING SOURCES (USES)	14,250	14,250	62,713	48,463
NET CHANGE IN FUND BALANCES	(110,272)	(107,515)	42,810	150,325
Fund balances – beginning of year	512,591	512,591	512,591	-
FUND BALANCES – END OF YEAR	$ 402,319	$ 405,076	$ 555,401	$ 150,325

1. Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Proposition A Fund

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	Budgeted Amounts [1] Original	Budgeted Amounts [1] Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales taxes	$ 734,200	$ 734,200	$ 745,655	$ 11,455
Investment income	-	-	820	820
Net appreciation in fair value of investments	-	-	138	138
TOTAL REVENUES	734,200	734,200	746,613	12,413
EXPENDITURES				
Current:				
Transportation subsidies	295,301	295,301	286,600	8,701
TOTAL EXPENDITURES	295,301	295,301	286,600	8,701
EXCESS OF REVENUES OVER EXPENDITURES	438,899	438,899	460,013	21,114
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,000	5,000
Transfers out	(661,210)	(458,585)	(496,294)	(37,709)
TOTAL OTHER FINANCING SOURCES (USES)	(661,210)	(458,585)	(491,294)	(32,709)
NET CHANGE IN FUND BALANCES	(222,311)	(19,686)	(31,281)	(11,595)
Fund balances – beginning of year	342,565	342,565	342,565	-
FUND BALANCES – END OF YEAR	$ 120,254	$ 322,879	$ 311,284	$ (11,595)

1. Budget prepared in accordance with GAAP.
See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Proposition C Fund

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	Budgeted Amounts [1] Original	Budgeted Amounts [1] Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 734,200	$ 734,200	$ 745,632	$ 11,432
Intergovernmental	142,827	142,827	111,944	(30,883)
Investment income	-	-	781	781
Net decline in fair value of investments	-	-	(251)	(251)
TOTAL REVENUES	877,027	877,027	858,106	(18,921)
EXPENDITURES				
Current:				
Administration and other	156,013	157,513	103,970	53,543
Transportation subsidies	532,227	538,682	437,544	101,138
TOTAL EXPENDITURES	688,240	696,195	541,514	154,681
EXCESS OF REVENUES OVER EXPENDITURES	188,787	180,832	316,592	135,760
OTHER FINANCING SOURCES (USES)				
Transfers in	80,089	190,400	186,036	(4,364)
Transfers out	(248,850)	(253,040)	(263,271)	(10,231)
TOTAL OTHER FINANCING SOURCES (USES)	(168,761)	(62,640)	(77,235)	(14,595)
NET CHANGE IN FUND BALANCES	20,026	118,192	239,357	121,165
Fund balances – beginning of year	39,419	39,419	39,419	-
FUND BALANCES – END OF YEAR	$ 59,445	$ 157,611	$ 278,776	$ 121,165

1. Budget prepared in accordance with GAAP.
See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Measure R Fund

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	Budgeted Amounts [1] Original	Budgeted Amounts [1] Final	Actual Amounts	Variance with Final Budget
REVENUES				
Sales tax	$ 734,199	$ 734,199	$ 745,919	$ 11,720
Intergovermental	-	-	6,953	6,953
Investment income	-	-	4,484	4,484
Net appreciation in fair value of investments	-	-	893	893
TOTAL REVENUES	734,199	734,199	758,249	24,050
EXPENDITURES				
Current:				
Administration and other	132,178	132,939	60,297	72,642
Transportation subsidies	251,408	260,898	239,756	21,142
TOTAL EXPENDITURES	383,586	393,837	300,053	93,784
EXCESS OF REVENUES OVER EXPENDITURES	350,613	340,362	458,196	117,834
OTHER FINANCING SOURCES (USES)				
Transfers in	31,778	17,684	3,904	(13,780)
Transfers out	(885,585)	(1,010,751)	(871,538)	139,213
TOTAL OTHER FINANCING SOURCES (USES)	(853,807)	(993,067)	(867,634)	125,433
NET CHANGE IN FUND BALANCES	(503,194)	(652,705)	(409,438)	243,267
Fund balances – beginning of year	664,954	664,954	664,954	-
FUND BALANCES – END OF YEAR	$ 161,760	$ 12,249	$ 255,516	$ 243,267

1. Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
PTMISEA Fund

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	Budgeted Amounts [1] Original	Budgeted Amounts [1] Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ -	$ -	$ 217,475	$ 217,475
Investment income	-	-	103	103
Net appreciation in fair value of investments	-	-	8	8
TOTAL REVENUES	-	-	217,586	217,586
OTHER FINANCING SOURCES (USES)				
Transfers out	(208,778)	(227,732)	(244,105)	(16,373)
TOTAL OTHER FINANCING SOURCES (USES)	(208,778)	(227,732)	(244,105)	(16,373)
NET CHANGE IN FUND BALANCES	(208,778)	(227,732)	(26,519)	201,213
Fund balances – beginning of year	108,904	108,904	108,904	-
FUND BALANCES – END OF YEAR	$ (99,874)	$ (118,828)	$ 82,385	$ 201,213

1. Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Transportation Development Act Fund

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 367,100	$ 367,100	$ 373,991	$ 6,891
Investment income	-	-	1,540	1,540
TOTAL REVENUES	367,100	367,100	375,531	8,431
EXPENDITURES				
Current:				
Transportation subsidies	136,205	136,205	133,960	2,245
TOTAL EXPENDITURES	136,205	136,205	133,960	2,245
EXCESS OF REVENUES OVER EXPENDITURES	230,895	230,895	241,571	10,676
OTHER FINANCING SOURCES (USES)				
Transfers out	(64,203)	(311,231)	(342,475)	(31,244)
TOTAL OTHER FINANCING SOURCES (USES)	(64,203)	(311,231)	(342,475)	(31,244)
NET CHANGE IN FUND BALANCES	166,692	(80,336)	(100,904)	(20,568)
Fund balances – beginning of year	199,743	199,743	199,743	-
FUND BALANCES – END OF YEAR	$ 366,435	$ 119,407	$ 98,839	$ (20,568)

1. Budget prepared in accordance with GAAP.
See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
State Transit Assistance Fund

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 104,699	$ 104,699	$ 106,123	$ 1,424
Investment income	-	-	164	164
TOTAL REVENUES	104,699	104,699	106,287	1,588
EXPENDITURES				
Current:				
Transportation subsidies	11,582	11,582	10,513	1,069
TOTAL EXPENDITURES	11,582	11,582	10,513	1,069
EXCESS OF REVENUES OVER EXPENDITURES	93,117	93,117	95,774	2,657
OTHER FINANCING SOURCES (USES)				
Transfers out	(83,601)	(85,745)	(90,940)	(5,195)
TOTAL OTHER FINANCING SOURCES (USES)	(83,601)	(85,745)	(90,940)	(5,195)
NET CHANGE IN FUND BALANCES	9,516	7,372	4,834	(2,538)
Fund balances – beginning of year	3,720	3,720	3,720	-
FUND BALANCES – END OF YEAR	$ 13,236	$ 11,092	$ 8,554	$ (2,538)

1. Budget prepared in accordance with GAAP.
See accompanying independent auditor's report.

Other Supplementary Information

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2015 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 9,122	$ 29,097	$ 38,219
Investments	15,796	23,513	39,309
Receivables:			
Interest	107	-	107
Intergovernmental	653	1,931	2,584
Due from other funds	-	12,384	12,384
Prepaid items and other assets	-	308	308
TOTAL ASSETS	$ 25,678	$ 67,233	$ 92,911
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,119	$ 1,303	$ 2,422
Due to other funds	-	4,651	4,651
Deferred revenues	-	89	89
Other liabilities	-	16,911	16,911
TOTAL LIABILITIES	1,119	22,954	24,073
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	-	717	717
TOTAL DEFERRED INFLOWS OF RESOURCES	-	717	717
FUND BALANCES			
Restricted	24,559	43,562	68,121
TOTAL FUND BALANCES	24,559	43,562	68,121
TOTAL LIABILITIES AND FUND BALANCES	$ 25,678	$ 67,233	$ 92,911

See accompanying independent auditor's report.

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES			
Intergovernmental	$ 2	$ 56	$ 58
Investment income	147	35	182
Net appreciation in fair value of investments	16	28	44
Licenses and fines	7,834	-	7,834
TOTAL REVENUES	7,999	119	8,118
EXPENDITURES			
Current:			
Administration and other	8,207	2,186	10,393
TOTAL EXPENDITURE	8,207	2,186	10,393
DEFICIENCY OF REVENUES OVER EXPENDITURES	(208)	(2,067)	(2,275)
OTHER FINANCING SOURCES (USES)			
Transfers out	(4,956)	(7,373)	(12,329)
TOTAL OTHER FINANCING SOURCES (USES)	(4,956)	(7,373)	(12,329)
NET CHANGE IN FUND BALANCES	(5,164)	(9,440)	(14,604)
Fund balances – beginning of year	29,723	53,002	82,725
FUND BALANCES – END OF YEAR	$ 24,559	$ 43,562	$ 68,121

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual
Service Authority for Freeway Emergencies Fund
For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovermental	$ -	$ -	$ 2	$ 2
Investment income	500	500	147	(353)
Net appreciation in fair value of investments	-	-	16	16
Licenses and fines	9,000	9,000	7,834	(1,166)
TOTAL REVENUES	9,500	9,500	7,999	(1,501)
EXPENDITURES				
Current:				
Administration and other	11,707	11,589	8,207	3,382
TOTAL EXPENDITURES	11,707	11,589	8,207	3,382
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,207)	(2,089)	(208)	1,881
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(5,000)	(4,956)	44
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	(5,000)	(4,956)	44
NET CHANGE IN FUND BALANCES	(7,207)	(7,089)	(5,164)	1,925
Fund balances – beginning of year	29,723	29,723	29,723	-
FUND BALANCES – END OF YEAR	$ 22,516	$ 22,634	$ 24,559	$ 1,925

1. Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Other Special Revenue Funds
For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 569	$ 569	$ 56	$ (513)
Investment income	-	-	35	35
Net appreciation in fair value of investments	-	-	28	28
TOTAL REVENUES	569	569	119	(450)
EXPENDITURES				
Current:				
Administration and other	569	569	2,186	(1,617)
TOTAL EXPENDITURES	569	569	2,186	(1,617)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(2,067)	(2,067)
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,850)	(6,850)	(7,373)	(523)
TOTAL OTHER FINANCING SOURCES (USES)	(6,850)	(6,850)	(7,373)	(523)
NET CHANGE IN FUND BALANCES	(6,850)	(6,850)	(9,440)	(2,590)
Fund balances – beginning of year	53,002	53,002	53,002	-
FUND BALANCES – END OF YEAR	$ 46,152	$ 46,152	$ 43,562	$ (2,590)

1. Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Combining Statement of Fiduciary Net Position

June 30, 2015 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ASSETS			
Cash and cash equivalents	$ 85,579	$ 9,363	$ 94,942
Investments:			
Bonds	243,713	59,762	303,475
Domestic stocks	177,401	52,544	229,945
Derivatives	2,291	-	2,291
Non-domestic stocks	9,842	18,216	28,058
Pooled investments	749,069	149,656	898,725
Receivables:			
Member contributions	855	275	1,130
Inter-plan contribution transfer	1,558	-	1,558
Securities sold	83,522	-	83,522
Interest and dividends	1,697	425	2,122
Receivable from sponsor	744	-	744
Prepaid items and other assets	43	-	43
Total assets	1,356,314	290,241	1,646,555
LIABILITIES			
Inter-plan contribution transfer	1,558	-	1,558
Accounts payable and other liabilities	1,615	974	2,589
Securities purchased	127,900	-	127,900
Total liabilities	131,073	974	132,047
NET POSITION			
Held in trust for pension and OPEB benefits	$ 1,225,241	$ 289,267	$ 1,514,508

See accompanying independent auditor's report.

Combining Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2015 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ADDITIONS			
Contributions:			
Employer	$ 51,419	$ 28,014	$ 79,433
Member	27,435	808	28,243
Total contributions	78,854	28,822	107,676
From investing activities:			
Net increase in fair value of investments	4,357	733	5,090
Investment income	14,133	4,933	19,066
Investment expense	(4,363)	(796)	(5,159)
Other income	530	-	530
Total investing activities income	14,657	4,870	19,527
Total additions	93,511	33,692	127,203
DEDUCTIONS			
Retiree benefits	84,151	23,084	107,235
Administrative expenses	1,617	157	1,774
Total deductions	85,768	23,241	109,009
Net increase	7,743	10,451	18,194
Net position – beginning of year	1,217,498	278,816	1,496,314
Net position – end of year	$ 1,225,241	$ 289,267	$ 1,514,508

See accompanying independent auditor's report.

Combining Statement of Fiduciary Net Position — Employee Retirement Trust Funds
Fiduciary Funds

June 30, 2015 (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	$ 37,742	$ 7,750	$ 27,599	$ 4,019	$ 8,469	$ 85,579
Investments:						
Bonds/Derivatives	108,493	22,280	79,336	11,551	24,344	246,004
Domestic stocks	78,238	16,067	57,211	8,330	17,555	177,401
Non-domestic stocks	4,341	891	3,174	462	974	9,842
Pooled investments	330,356	67,842	241,573	35,172	74,126	749,069
Receivables:						
Member Contribution	512	72	271	-	-	855
Contribution transfer from other plans	-	-	-	870	688	1,558
Securities sold	36,835	7,564	26,936	3,922	8,265	83,522
Interest and dividends	748	154	547	80	168	1,697
Receivable from sponsor	-	73	140	73	458	744
Prepaid items and other assets	19	4	13	2	5	43
Total assets	597,284	122,697	436,800	64,481	135,052	1,356,314
LIABILITIES						
Contribution transfer to other plans	959	141	458	-	-	1,558
Accounts payable and other liabilities	760	152	443	82	178	1,615
Securities purchased	56,406	11,583	41,247	6,006	12,658	127,900
Total liabilities	58,125	11,876	42,148	6,088	12,836	131,073
NET POSITION						
Held in trust for pension benefits	$ 539,159	$ 110,821	$ 394,652	$ 58,393	$ 122,216	$ 1,225,241

Note: Inter-plan receivable/payable between the Union Plans was eliminated in the Statement of Fiduciary Net Position found on page 39.

See accompanying independent auditor's report.

Combining Statement of Changes in Fiduciary Net Position — Employee Retirement Trust Funds
Fiduciary Funds

For the Year Ended June 30, 2015 (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	$ 19,779	$ 4,741	$ 21,257	$ 1,455	$ 4,187	$ 51,419
Member	16,528	2,300	8,607	-	-	27,435
Transfer between plans	(959)	(141)	(458)	870	688	-
Total contributions	**35,348**	**6,900**	**29,406**	**2,325**	**4,875**	**78,854**
From investing activities:						
Net appreciation in fair value of investments	1,911	395	1,429	189	433	4,357
Investment income	6,257	1,265	4,481	690	1,440	14,133
Investment expense	(1,928)	(395)	(1,398)	(208)	(434)	(4,363)
Other income	205	29	222	20	54	530
Total investing activities income	**6,445**	**1,294**	**4,734**	**691**	**1,493**	**14,657**
Total additions	**41,793**	**8,194**	**34,140**	**3,016**	**6,368**	**93,511**
DEDUCTIONS						
Retiree benefits	43,017	4,715	18,365	6,393	11,661	84,151
Administrative expenses	637	208	397	156	219	1,617
Total deductions	**43,654**	**4,923**	**18,762**	**6,549**	**11,880**	**85,768**
Increase in net position	(1,861)	3,271	15,378	(3,533)	(5,512)	7,743
Net Position – beginning of year	541,020	107,550	379,274	61,926	127,728	1,217,498
NET POSITION – END OF YEAR	**$ 539,159**	**$ 110,821**	**$ 394,652**	**$ 58,393**	**$ 122,216**	**$ 1,225,241**

See accompanying independent auditor's report.

Statistical Section

This Page Intentionally Left Blank

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.

Contents | Page

Note: The fiscal year 2014 financial statement information in the statistical section has not been restated for the two prior period adjustments as disclosed in Note S.

Net Position by Component
Last Ten Fiscal Years

Accrual Basis of Accounting (Amounts expressed in thousands)

Table 1

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	$ 778,972	$ 772,905	$ 772,838	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 769,942
Restricted for:										
Proposition A ordinance projects	166,588	304,706	196,639	114,615	80,536	69,049	161,158	191,111	342,565	311,284
Proposition C ordinance projects	358,111	388,235	578,028	478,474	116,013	116,912	134,652	40,057	39,419	278,776
Measure R ordinance projects	-	-	-	-	383,665	611,464	915,357	1,189,279	664,954	255,516
PTMISEA projects	-	-	52,624	118,614	56,696	-	32,182	158,943	108,904	82,385
TDA and STA projects	166,856	243,120	245,822	171,491	259,618	264,366	324,010	337,582	203,463	107,393
Other non-major governmental projects	99,074	353,299	369,610	384,875	348,327	49,968	74,742	79,759	82,725	68,121
Unrestricted	244,136	297,103	132,436	100,240	234,401	499,084	486,403	514,563	640,325	656,388
Total governmental activities net position	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	2,529,805
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	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	7,313,244
Restricted for debt service	313,622	289,669	321,823	419,282	446,878	440,892	431,009	469,027	504,782	418,006
Unrestricted	(24,924)	111,273	76,168	212,781	(1,909)	(130,868)	(30,488)	(318,227)	(702,106)	(1,019,466)
Total business-type activities net position	3,983,185	4,072,523	4,309,716	4,532,677	4,811,449	4,807,591	4,962,516	5,058,834	5,390,190	6,711,784
PRIMARY GOVERNMENT										
Net investment in capital assets	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	8,083,186
Restricted for debt service	313,622	289,669	321,823	419,282	446,878	440,892	431,009	469,027	504,782	418,006
Restricted for other purpose:										
Proposition A ordinance projects	166,588	304,706	196,639	114,615	80,536	69,049	161,158	191,111	342,565	311,284
Proposition C ordinance projects	358,111	388,235	578,028	478,474	116,013	116,912	134,652	40,057	39,419	278,776
Measure R ordinance projects	-	-	-	-	383,665	611,464	915,357	1,189,279	664,954	255,516
PTMISEA projects	-	-	52,624	118,614	56,696	-	32,182	158,943	108,904	82,385
TDA and STA projects	166,856	243,120	245,822	171,491	259,618	264,366	324,010	337,582	203,463	107,393
Other non-major governmental projects	99,074	353,299	369,610	384,875	348,327	49,968	74,742	79,759	82,725	68,121
Unrestricted	219,212	408,376	208,604	313,021	232,492	368,216	455,915	196,336	(61,781)	(363,078)
Total primary government net position	$ 5,796,922	$ 6,431,891	$ 6,657,713	$ 6,673,780	$ 7,063,499	$ 7,191,228	$ 7,863,814	$ 8,342,922	$ 8,245,339	$ 9,241,589

Source: Comprehensive Annual Financial Report.
See accompanying independent auditor's report.

Changes in Net Position
Last Ten Fiscal Years

Accrual Basis of Accounting (Amounts expressed in thousands)

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXPENSES										
Governmental activities:										
Transit operators programs	$ 202,964	$ 235,476	$ 209,299	$ 282,305	$ 201,354	$ 238,624	$ 220,782	$ 239,718	$ 346,326	$ 304,916
Local cities programs	-	-	-	-	370,177	401,957	442,409	431,470	541,736	549,302
Congestion relief operations	-	-	-	-	-	-	-	-	44,792	43,724
Highway projects	306,532	320,629	318,492	300,113	247,715	108,511	234,690	312,807	521,755	196,158
Regional multimodal capital programs	117,483	103,286	316,631	188,316	102,084	80,221	96,174	146,528	29,080	42,844
Paratransit programs	11,397	12,440	14,355	14,208	25,283	16,456	10,227	13,097	92,745	83,602
Other transportation subsidies	66,234	49,997	57,711	79,910	88,180	56,504	63,875	130,964	62,861	72,088
Debt service interest	1,505	1,456	1,408	1,444	1,249	1,205	1,161	1,114	1,064	1,011
General government	119,157	132,228	165,783	200,523	218,380	257,433	167,134	218,637	81,380	96,909
Total government activities	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	1,390,554
Business-type activities:										
Transit operations	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	1,935,989
Union Station operations	-	-	-	-	-	1,052	4,167	6,586	7,498	2,206
Toll operations	-	-	-	-	-	-	-	10,102	12,803	20,757
Total business-type activities expenses	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	1,958,952
Total expenses	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	3,349,506
PROGRAM REVENUES										
Governmental activities:										
Charges for services	12,742	13,311	10,915	10,101	15,713	16,302	15,740	23,770	5,899	23,704
Operating grants and contributions	30,477	343,003	191,046	162,387	267,306	169,261	401,651	502,374	410,545	345,206
Total governmental activities program	43,219	356,314	201,961	172,488	283,019	185,563	417,391	526,144	416,444	368,910
Business-type activities:										
Charges for services	299,966	313,000	357,857	357,895	342,087	375,168	375,917	382,003	400,832	439,028
Operating grants and contributions	207,683	186,003	198,443	214,285	239,835	261,068	289,517	272,951	241,808	263,838
Capital grants and contributions	467,665	302,613	200,575	424,732	411,392	182,378	207,509	135,653	298,199	486,793
Total business-type activities program	975,314	801,616	756,875	996,912	993,314	818,614	872,943	790,607	940,839	1,189,659
Total program revenues	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	1,558,569
Net (expense) / revenue:										
Governmental activities	(782,053)	(499,198)	(881,718)	(894,331)	(971,403)	(975,348)	(819,061)	(968,191)	(1,305,295)	(1,021,644)
Business-type activities	(592,155)	(890,033)	(990,368)	(810,125)	(814,943)	(1,092,904)	(966,959)	(1,142,122)	(1,020,237)	(769,293)
Total net expense	(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)	(1,790,973)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Sales tax	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	2,717,320
Investment income [1]	32,764	51,186	70,782	55,284	39,268	24,628	17,829	4,822	14,719	11,498
Miscellaneous	13,484	29,736	39,273	41,063	26,979	49,218	32,205	42,203	22,244	30,781
Transfers	(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)	(2,063,299)
Total government activities	948,025	1,045,078	870,347	687,437	1,082,350	1,106,935	1,336,722	1,350,981	876,356	696,300
Business-type activities:										
Investment income [1]	17,418	29,282	15,586	7,793	8,102	13,191	15,480	17,977	13,261	17,295
Miscellaneous	4,382	5,829	5,237	20,231	16,346	4,872	6,653	4,699	11,707	10,293
Transfers	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	2,063,299
Total business-type activities	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	2,090,887
Total primary government	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	2,787,187
CHANGE IN NET POSITION										
Governmental activities	165,972	545,880	(11,371)	(206,894)	110,947	131,587	517,661	382,790	(428,939)	(325,344)
Business-type activities	266,864	89,338	71,454	222,961	278,772	(3,858)	154,925	96,318	944,014	1,321,594
Total primary government	$ 432,836	$ 635,218	$ 60,083	$ 16,067	$ 389,719	$ 127,729	$ 672,586	$ 479,108	$ 515,075	$ 996,250

1. Includes net appreciation (decline) in fair value of investments.
Source: Comprehensive Annual Financial Report
See accompanying independent auditor's 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

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GENERAL FUND										
Reserved	$ 2,320	$ 3,047	$ 2,890	$ 1,780	$ 1,843	$ -	$ -	$ -	$ -	$ -
Unreserved	113,838	150,995	144,513	158,847	178,611	-	-	-	-	-
Restricted [1]	-	-	-	-	-	7,827	9,023	6,588	4,045	15,753
Committed [1]	-	-	-	-	-	46,564	3,492	8,877	8,779	10,994
Assigned [1]	-	-	-	-	-	986	6,818	11,403	10,624	16,162
Unassigned [1]	-	-	-	-	-	434,371	456,263	448,155	489,143	512,492
Total General Fund	116,158	154,042	147,403	160,627	80,454	489,748	475,596	475,023	512,591	555,401
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	473,013	542,896	56,807	25,140	1,201,151	-	-	-	-	-
Unreserved:										
Proposition A	130,428	250,696	120,077	(18,093)	23,741	-	-	-	-	-
Proposition C	85,824	75,753	239,583	(44,054)	(871,854)	-	-	-	-	-
Measure R	-	-	-	-	349,183	-	-	-	-	-
PTMISEA	-	-	52,624	118,614	56,696	-	-	-	-	-
TCRP	-	317,434	-	-	-	-	-	-	-	-
TDA	53,579	52,292	17,572	(8,529)	(1,107)	-	-	-	-	-
STA	32,756	36,505	7,684	33,613	160,797	-	-	-	-	-
Non-major Governmental	14,809	25,939	363,345	360,172	319,897	-	-	-	-	-
Restricted: [1]										
Proposition A	-	-	-	-	-	69,049	161,158	191,111	342,565	311,284
Proposition C	-	-	-	-	-	116,912	134,652	40,057	39,419	278,776
Measure R	-	-	-	-	-	611,464	915,357	1,189,279	664,954	255,516
PTMISEA	-	-	-	-	-	-	32,182	158,943	108,904	82,385
TDA	-	-	-	-	-	214,652	297,064	324,387	199,743	98,839
STA	-	-	-	-	-	49,714	26,946	13,195	3,720	8,554
Non-major Governmental	-	-	-	-	-	49,968	74,742	79,759	82,725	68,121
Total all other governmental funds	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	1,103,475
Total governmental funds	$ 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	$ 1,658,876

1. Reclassification of Fund Balances due to the implementation of GASB Statement No. 54 *"Fund Balance Reporting and Governmental Fund Type Definitions"*.
Source: Comprehensive Annual Financial Report.
See accompanying independent auditor's report.

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

Table 4

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Sales taxes	$ 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	$ 2,717,320
Intergovernmental	26,955	343,003	194,565	162,387	151,046	228,469	413,262	484,194	315,337	374,350
Investment income [1]	32,764	51,186	70,782	55,284	39,268	24,628	16,812	5,025	15,533	11,498
Lease and rental	12,741	11,293	10,915	10,101	15,713	16,206	15,740	15,509	14,162	23,641
Licenses and fines	8,157	8,246	8,407	8,091	7,962	8,023	8,065	8,115	8,366	8,354
Other	3,170	26,784	28,706	30,811	16,820	34,071	13,095	32,658	12,756	24,129
Total revenues	**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**	**3,159,292**
EXPENDITURES										
Current:										
Administration and other	93,912	98,720	130,090	161,504	377,193	295,139	356,480	431,967	405,554	263,376
Transportation subsidies	729,780	754,733	759,447	903,971	875,977	864,528	878,796	1,061,239	1,314,929	1,126,168
Principal, interest, and fiscal charges	2,283	2,226	2,217	2,269	2,274	2,270	2,196	2,194	2,197	2,194
Total expenditures	**825,975**	**855,679**	**891,754**	**1,067,744**	**1,255,444**	**1,161,937**	**1,237,472**	**1,495,400**	**1,722,680**	**1,391,738**
Excess of revenues over expenditures	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	1,767,554
Other financing sources (uses)										
Transfers out, net of transfers in	(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)	(2,063,299)
Total other financing sources (uses)	(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)	(2,063,299)
Net change in fund balances	**$ 159,587**	**$ 548,989**	**$ 149,538**	**$ (177,605)**	**$ (8,532)**	**$ 182,549**	**$ 516,190**	**$ 354,057**	**$ (517,133)**	**$ (295,745)**
Debt service expenditures expressed as a percentage of non-capital expenditures	0.28%	0.26%	0.25%	0.21%	0.18%	0.20%	0.18%	0.15%	0.13%	0.16%

1. Includes net appreciation (decline) in fair value of investments.
Source: Comprehensive Annual Financial Report.
See accompanying independent auditor's report.

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
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
2015	745,655	745,632	745,919	373,991	106,123	2,717,320

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 the State of California due to budget deficit.
4. The substantial increase was due to one-time accrual of sales tax revenues.

Source: Comprehensive Annual Financial Report.

See accompanying independent auditor's report.

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 TRANS / ROUTE SUBSIDIES	LEASE AND RENTAL [1]	TOLL REVENUES [2]	TOTAL
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 [3]	20,639	5,929	34,665	1,237,456
2015	351,648	253,422	665,998 [3]	21,606	7,691	58,083	1,358,448

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

Source: Comprehensive Annual Financial Report.

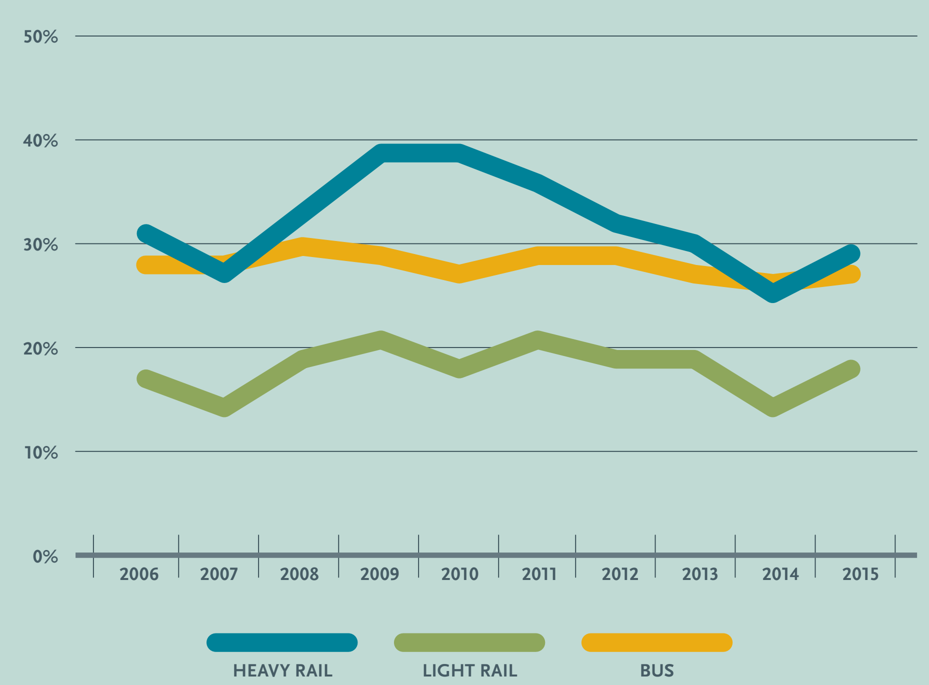
See accompanying independent auditor's report.

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
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%
2015	29%	18%	27%	25%

FAREBOX RECOVERY PERCENTAGE BY MODE



Source: National Transit Database Report.
See accompanying independent auditor's report.

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

(Amounts expressed in thousands)

Table 8

FISCAL YEAR	PRINCIPAL	INTEREST AND OTHERS	TOTAL DEBT SERVICE EXPENDITURES	TOTAL GENERAL EXPENDITURES	PERCENT OF DEBT SERVICE TO GENERAL EXPENDITURES
2006	$ 233,522	$ 174,312	$ 407,834	$ 2,112,185	19.31%
2007	195,023	156,680	351,703	2,574,205	13.66%
2008	244,887	161,976	406,863	2,716,469	14.98%
2009	293,606	169,737	463,343	3,168,395	14.62%
2010	262,992	137,187	400,179	3,326,242	12.03%
2011	325,173	148,131	473,304	3,397,117	13.93%
2012	215,522	157,942	373,464	3,292,896	11.34%
2013	180,432	134,724	315,156	3,608,561	8.73%
2014	316,781	136,318	453,099	4,000,992	11.32%
2015	510,144	73,027	583,171	3,860,834	15.10%

Source: Comprehensive Annual Financial Report.
See accompanying independent auditor's report.

Historical Debt Service Coverage Ratios — Proposition A, Proposition C, and Measure R
Last Ten Fiscal Years

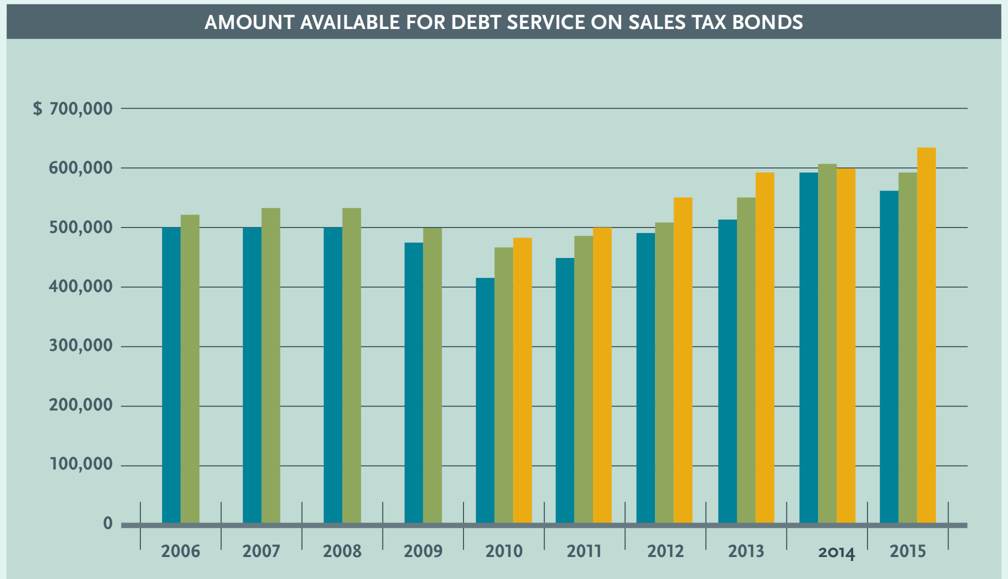
(Amounts expressed in thousands)

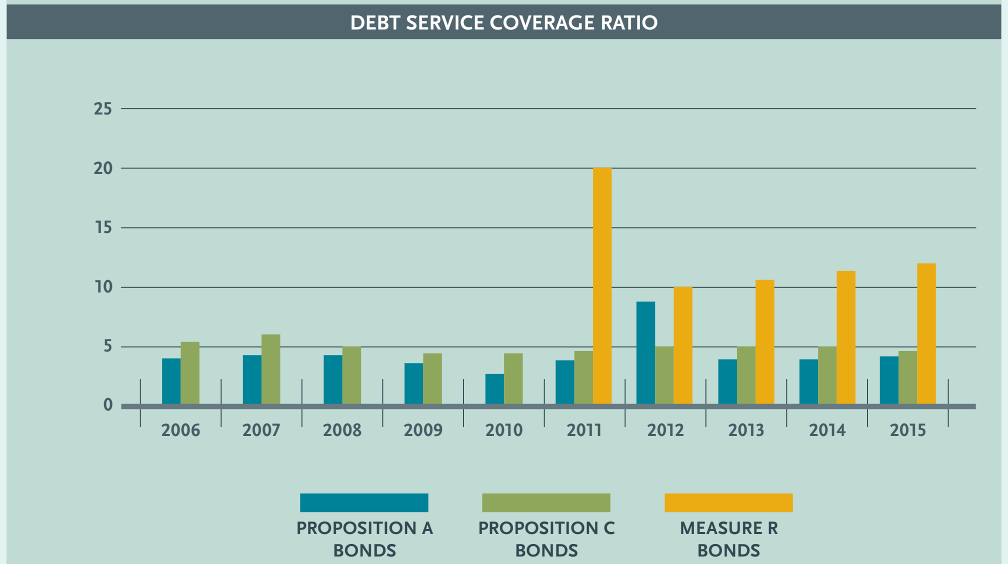
Table 9

SOURCE	FISCAL YEAR	NET SALES TAX REVENUE	LESS LOCAL RETURNS [1]	AMOUNT AVAILABLE FOR DEBT SERVICE ON SALES TAX BONDS	AGGREGATE DEBT SERVICE REQUIREMENT	DEBT SERVICE COVERAGE RATIO
Proposition A	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	154,697	3.77
	2015	745,655	186,414	559,241	140,849	3.97
Proposition C	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
	2015	745,632	149,126	596,506	135,092	4.42
Measure R [2]	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
	2015	745,919	111,888	634,031	53,658	11.82

1. % Local Return of net sales tax revenue - Proposition A 25%, Proposition C 20%, and Measure R 15%.
2. Measure R started in July 2010.
Source: Comprehensive Annual Financial Report.
See accompanying independent auditor's report.

GRAPHICAL PRESENTATION OF TABLE 9
PROPOSITION A, PROPOSITION C, AND MEASURE R DEBT SERVICE COVERAGE RATIOS
(Amounts expressed in thousands)





See accompanying independent auditor's report.

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

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Redevelopment and housing bonds	$ 28	$ 27	$ 26	$ 25	$ 24	$ 23	$ 22	$ 21	$ 20	$ 19
Total governmental activities	**28**	**27**	**26**	**25**	**24**	**23**	**22**	**21**	**20**	**19**
Business-type activities:										
Sales tax revenue and refunding bonds	3,160	3,062	2,951	2,873	2,834	3,448	3,361	3,107	3,237	3,037
Sales tax revenue bonds – local allocation	7	4	2	-	-	-	-	-	-	-
Lease revenue bonds	9	-	-	-	-	-	-	-	-	-
Lease/leaseback obligation	811	814	845	871	912	851	785	815	718	468
General revenue bonds	252	236	221	203	185	166	161	155	149	142
Commercial paper	188	189	184	279	144	144	34	148	139	84
Capitalized lease	17	13	27	19	5	2	1	-	-	-
Capital grant receipts revenue bonds	265	240	217	132	90	-	-	-	5	4
TIFIA loans	-	-	-	-	-	-	-	-	-	37
Total business-type activities	**4,709**	**4,558**	**4,447**	**4,377**	**4,170**	**4,611**	**4,342**	**4,225**	**4,248**	**3,772**
Total primary government	**$ 4,737**	**$ 4,585**	**$ 4,473**	**$ 4,402**	**$ 4,194**	**$ 4,634**	**$ 4,364**	**$ 4,246**	**$ 4,268**	**$ 3,791**
Percentage of Personal Income [1]	1.28%	1.23%	1.03%	1.14%	1.04%	1.10%	0.99%	0.93%	0.88%	0.74%
Per Capita [1]	$ 473.17	$ 441.66	$ 454.27	$ 421.80	$ 427.79	$ 470.74	$ 440.98	$ 436.43	$425.02	$ 373.99

1. See the Schedule of Demographic and Economic Statistics for population and personal income data.
Source: Comprehensive Annual Financial Report.
See accompanying independent auditor's report.

Demographic and Economic Statistics
Last Ten Fiscal Years

(Amounts and population expressed in thousands)

Table 11

FISCAL YEAR	POPULATION COUNTY OF LOS ANGELES [1]	POPULATION STATE OF CALIFORNIA [1]	TAXABLE SALES COUNTY OF LOS ANGELES [2]	PERSONAL INCOME COUNTY OF LOS ANGELES [3]	PER CAPITA PERSONAL INCOME COUNTY OF LOS ANGELES [3]	UNEMPLOYMENT RATE COUNTY OF LOS ANGELES [4]
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%
2015	10,137	38,715	155,783,680	510,668,496	50	5.9%

Sources: 1. California Department of Finance.
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 preliminary data.

See accompanying independent auditor's report.

Ten Largest Employers in Los Angeles County
Last Ten Fiscal Years

Table 12

	2006 [1]		2011 [2]		2014 [2]	
MAJOR EMPLOYERS	NUMBER OF EMPLOYEES	PERCENT OF TOTAL EMPLOYMENT	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%	96,500	2.10%
Los Angeles Unified School District	74,632	1.62%	73,300	1.70%	59,600	1.30%
Federal Government	53,200	1.15%	48,100	1.11%	43,400	0.95%
University of California, Los Angeles	35,543	0.77%	41,000	0.95%	44,000	0.96%
City of Los Angeles	53,471	1.16%	47,700	1.10%	46,900	1.02%
State of California (non-education)	30,200	0.65%	30,400	0.70%	29,200	0.64%
Kaiser Permanente	32,180	0.70%	36,500	0.84%	36,000	0.79%
Northrop Grumman Corp	21,000	0.46%	18,000	0.42%	17,000	0.37%
Boeing	15,825	0.34%	n/a	n/a	n/a	n/a
Kroger Co. (formerly Ralph's Grocery)	14,000	0.30%	n/a	n/a	13,500	0.29%
University of Southern California	n/a	n/a	16,600	0.38%	14,700	0.32%
Target Corp.	n/a	n/a	14,200	0.33%	15,000	0.33%
Providence Health & Services	n/a	n/a	n/a	n/a	15,000	0.33%
Total	**423,251**	**9.17%**	**421,500**	**9.75%**	**430,800**	**9.39%**
Total Employment in LA County [3]	**4,613,200**	-	**4,323,000**	-	**4,585,900**	-

Sources: 1. City-Data Los Angeles Economy Report.
2. Los Angeles Almanac research.
3. California Employment Development Department, Labor Market Information Division.
n/a Data not available.

Note: Information for 2007, 2008, 2009, 2010, 2012, 2013, and 2015 are not available.

See accompanying independent auditor's report.

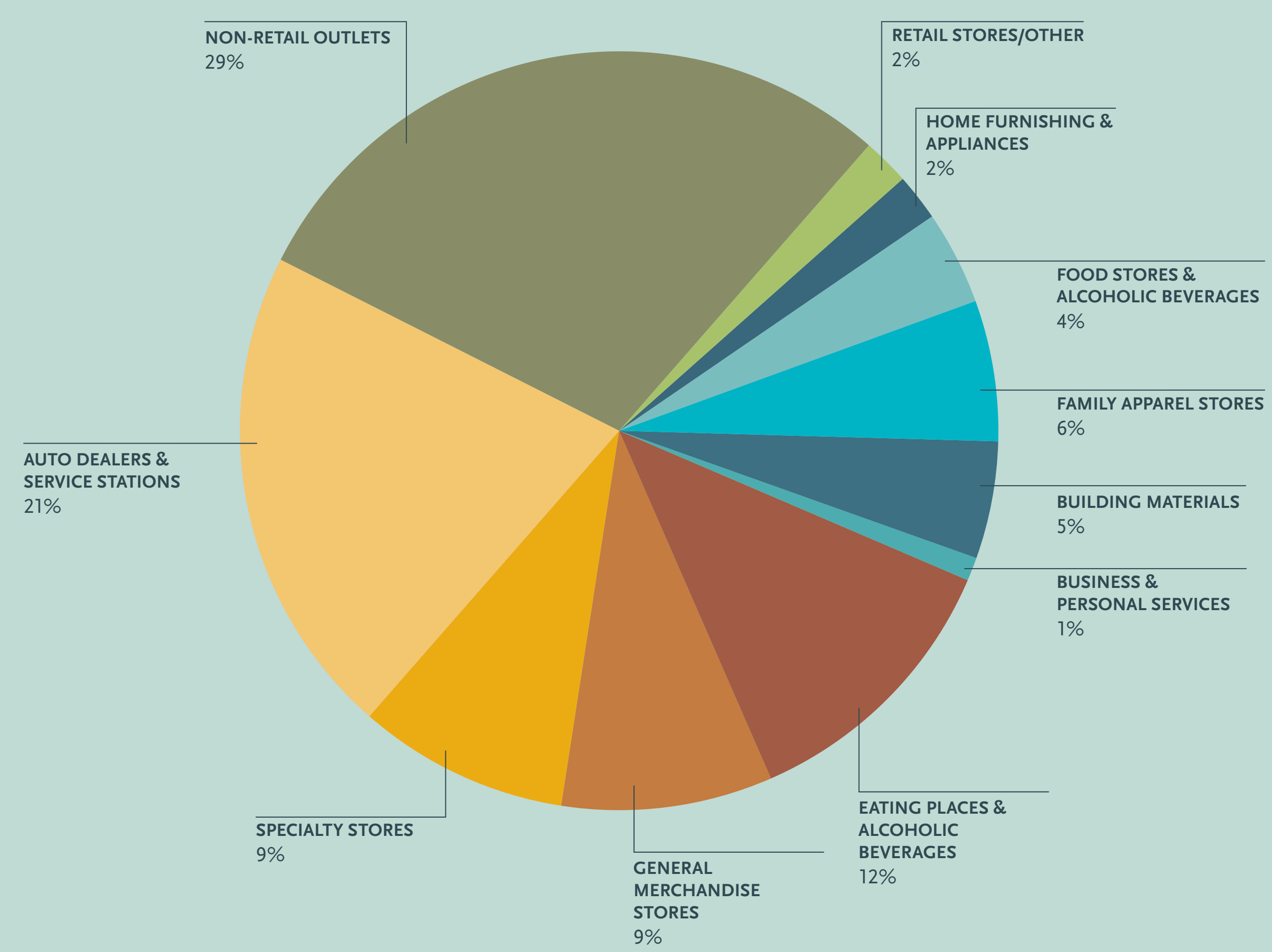
Los Angeles County Taxable Transactions by Type of Business
Last Ten Fiscal Years

(Amounts expressed in millions)

Table 13

	2006	2007	2008	2009	2010	2011	2012	2013 [1]	2014 [2]	2015 [3]
Non-retail outlets	$ 35,218	$ 36,316	$ 36,759	$ 34,301	$ 34,767	$ 37,189	$ 39,977	$ 37,633	$ 35,289	$ 45,957
Auto dealers and service stations	29,162	29,387	29,746	20,431	22,298	26,081	28,517	28,578	28,639	32,652
Specialty stores	14,333	14,703	14,882	12,896	13,125	13,543	13,987	13,374	12,761	15,056
General merchandise stores	13,729	13,825	13,994	10,059	10,369	10,866	11,158	10,463	9,768	10,505
Eating places and alcoholic beverages	13,751	14,473	14,650	13,877	14,291	15,287	16,512	16,735	16,958	21,003
Building materials	7,872	7,495	7,586	5,755	6,130	6,307	6,511	6,072	5,633	7,960
Business and personal services	5,391	5,409	5,475	-	-	-	-	-	-	-
Family apparel stores	5,527	5,829	5,901	7,146	7,608	8,357	9,167	8,942	8,717	10,604
Food stores and alcoholic beverages	4,680	4,912	4,972	5,411	5,405	5,591	5,825	5,769	5,713	6,936
Home furnishings and appliances	4,307	4,287	4,339	2,058	2,158	2,322	2,442	2,388	2,334	2,779
Retail stores – other	2,193	1,184	1,198	811	791	897	1,200	1,594	1,988	2,520
Total	**$ 136,163**	**$ 137,820**	**$ 139,502**	**$ 112,745**	**$ 116,942**	**$ 126,440**	**$ 135,296**	**$ 131,548**	**$ 127,800**	**$ 155,973**

TAXABLE TRANSACTIONS BY BUSINESS TYPE



1. Updated to reflect actual data.
2. Data not available, estimates only based on 2014 Quarter 2 data.
3. Data not available, estimates only based on % change from FY13 to FY14.

Source: California State Board of Equalization.

See accompanying independent auditor's report.

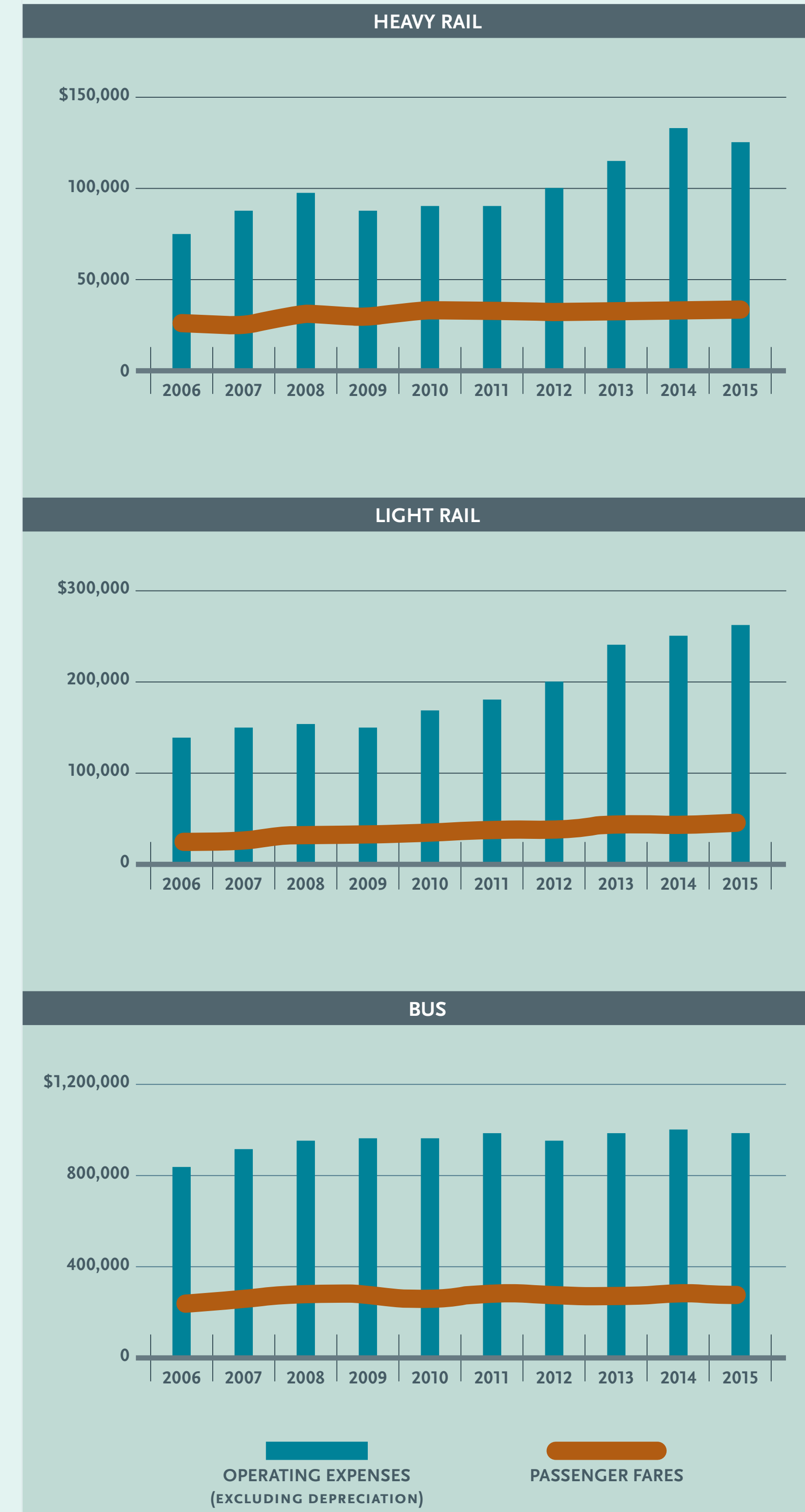
Business-type Activities — Transit Operations — Operating Indicators by Mode
Last Ten Fiscal Years

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

Table 14

	2006	2007 [1]	2008	2009	2010	2011	2012	2013	2014	2015
PASSENGER FARES										
Heavy Rail	$ 24,015	$ 23,739	$ 31,843	$ 29,402	$ 34,983	$ 34,789	$ 33,665	$ 34,753	$ 35,300	$ 36,338
Light Rail	22,657	20,752	29,690	28,682	30,725	36,627	37,778	44,565	44,412	47,902
Bus [2]	233,900	248,877	275,428	275,906	250,719	274,557	272,571	260,692	259,866	267,408
OPERATING EXPENSES (excluding depreciation)										
Heavy Rail	$ 77,541	$ 87,368	$ 95,930	$ 88,793	$ 90,320	$ 97,631	$ 105,620	$ 116,829	$ 132,142	$ 127,153
Light Rail	132,397	144,466	153,267	150,108	167,915	174,704	201,416	239,047	257,979	265,702
Bus [2]	841,210	892,512	919,541	939,248	945,990	956,784	924,512	962,155	980,176	994,171
PASSENGER MILES										
Heavy Rail	193,020	194,032	217,965	227,657	231,936	226,974	231,684	237,760	254,440	237,167
Light Rail	297,477	291,158	306,848	327,341	333,334	337,518	366,233	408,032	412,776	386,901
Bus [2]	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	1,371,338
REVENUE VEHICLE MILES										
Heavy Rail	5,867	5,986	6,003	6,078	5,885	5,908	6,156	6,865	7,067	6,977
Light Rail	8,047	8,688	8,812	9,051	9,646	10,155	11,153	13,239	13,863	13,702
Bus [2]	92,937	84,700	90,282	88,535	87,128	81,489	76,390	75,465	75,665	69,677
BUSES AND RAIL CARS										
Heavy Rail	104	104	104	104	104	104	104	104	104	104
Light Rail	121	121	121	145	158	167	169	171	171	171
Bus [2]	2,870	2,733	2,738	2,460	3,010	2,712	2,536	2,362	2,602	2,282
PASSENGER STATIONS										
Heavy Rail	16	16	16	16	16	16	16	16	16	16
Light Rail	49	49	49	49	53	53	66	66	66	66

GRAPHICAL PRESENTATION OF TABLE 14
PASSENGER FARES AND OPERATING EXPENSES BY MODE



1. More passenger stations added due to opening of new segment.
2. Includes Purchased Transportation and Orange Line.

Source: National Transit Database Report.

See accompanying independent auditor's report.

See accompanying independent auditor's report.

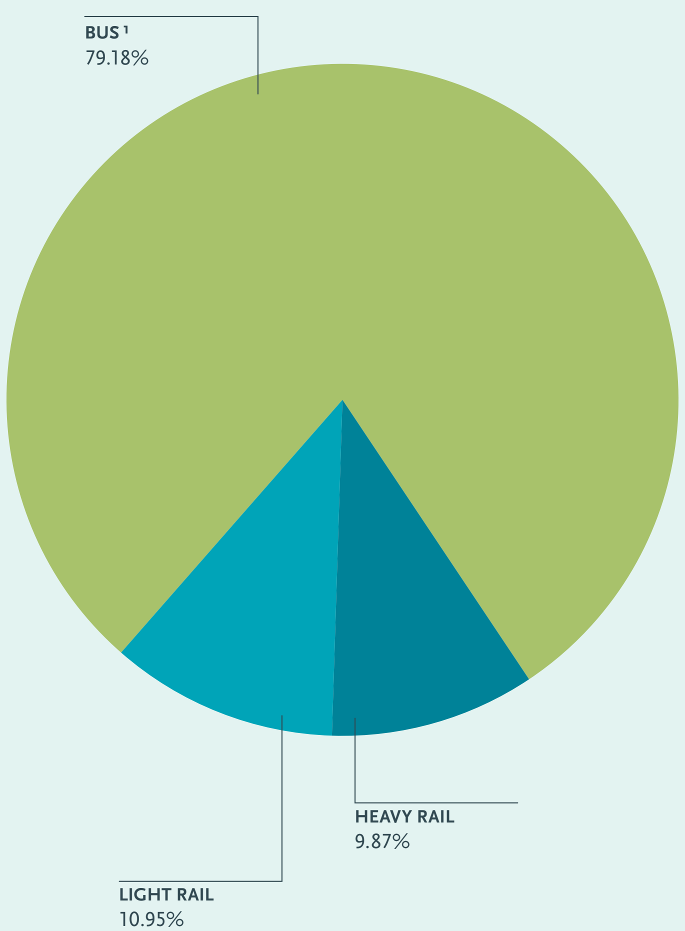
Business-type Activities — Transit Operations — Passenger Boardings by Mode
Last Ten Fiscal Years

(Boardings expressed in thousands)

Table 15

FISCAL YEAR	HEAVY RAIL	LIGHT RAIL	BUS [1]	TOTAL
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
2015	47,721	62,775	326,979	437,475

PASSENGER BOARDINGS FROM 2006 TO 2015



1. Includes Purchased Transportation.
Source: National Transit Database Report.
See accompanying independent auditor's report.

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
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
2015	732,694	291,972	114,359	265,746	490,590	1,895,361

Source: National Transit Database Report.
See accompanying independent auditor's report.

Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

(Not in thousands)

Table 17

FISCAL YEAR	LACMTA OPERATIONS	COUNTYWIDE PLANNING & DEVELOPMENT	CONSTRUCTION PROJECT MANAGEMENT	COMMUNICATIONS	SUPPORT SERVICES	CHIEF EXECUTIVE OFFICE	BOARD OF DIRECTORS	TOTAL
2006	7,641	104	88	215	757	67	46	8,918
2007	7,701	104	86	214	750	67	45	8,967
2008	7,789	116	86	216	755	75	45	9,082
2009	7,834	119	93	221	792	73	45	9,177
2010	7,678	124	118	228	831	179	43	9,201
2011	7,324	84	128	210	713	175	37	8,671
2012	7,344	103	171	196	722	209	38	8,783
2013	7,477	98	157	199	757	285	38	9,011
2014	7,571	101	180	194	765	314	37	9,162
2015	7,585	156	193	271	612	428	36	9,281

Source: Adopted Budget.
See accompanying independent auditor's report.

Business-type Activities — Transit Operations — Revenues and Operating Assistance
Comparison to Transit Industry Trend — Percent to Total
Last Ten Fiscal Years

Table 18

	OPERATIONS			OPERATING ASSISTANCE				
FISCAL YEAR	PASSENGER FARES	OTHER	SUBTOTAL	FEDERAL	STATE	LOCAL	SUBTOTAL	TOTAL
Transportation Industry [1]								
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	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA [2]								
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%	49%	73%	100%
2015	24%	6%	30%	16%	6%	48%	70%	100%

1. Source: APTA 2009 Public Transportation Fact Book.
2. Source: National Transit Database Report.

n/a Data not available.
See accompanying independent auditor's report.

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 [1]
Transportation Industry [2]						
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	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA [3]						
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%
2015	50%	20%	8%	18%	4%	100%

1. Excluding depreciation.
2. Source: APTA 2013 Public Transportation Fact Book.
3. Source: National Transit Database Report.

n/a Data not available.

See accompanying independent auditor's report.

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

213.922.6000

metro.net

@metrolosangeles

losangelesmetro

Metro®