Los Angeles County
Metropolitan Transportation Authority
California

Comprehensive Annual Financial Report

FY16

For the Fiscal Year Ended June 30, 2016

Metro

Los Angeles County
Metropolitan Transportation Authority
Los Angeles, California

FY16

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

PREPARED BY THE ACCOUNTING DEPARTMENT

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

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Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

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December 16, 2016

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, 2016 is submitted herewith. State law requires LACMTA to publish a complete set of audited financial statements 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 Uniform Guidance. Information related to the Single Audit, including the Schedule of Federal and State awards, findings, and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

Crowe Horwath LLP, a firm of licensed Certified Public Accountants, has audited the LACMTA's financial statements. The main goal of the independent audit is to provide reasonable assurance that the financial statements of LACMTA as of and for the fiscal year ended June 30, 2016, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion on LACMTA's financial statements as of and for the fiscal year ended June 30, 2016. The independent auditor's 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.

Management's Discussion and Analysis (MD&A), shown on pages 18 to 28, provides a narrative introduction, overview, and analysis of the 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 a planner, coordinator, designer, builder, operator and funding partner of the transportation network serving the most populous county in the nation. 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 within its 1,433-square-mile service area.

LACMTA's financial reports include the activities of the Public Transportation Service Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), the 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 FY17 Budget - Once the FY16 budget was adopted, LACMTA began to balance the FY17 budget by updating the Ten-Year Forecast using known parameters and future assumptions made by Executive Management. This Ten-Year Forecast includes revenue and expense/expenditure forecasts and trend analysis for all funds and major programs which identify potential situations where deficits might occur. It also highlights instances where expense/expenditure growth patterns may not be consistent with the related revenue growth. LACMTA's FY17 budget preparation process resolved the imbalances between revenues and expenses/expenditures for that year.

The $5.6 billion FY17 adopted budget is 3.4% less than the FY16 budget demonstrating LACMTA's management's resolve in controlling costs and ensuring long-term financial stability. A zero-based budgeting technique was used for FY17, requiring all departments to justify every expense from the ground up. Every single project included in the FY17 budget has been assessed with an emphasis on deliverables in an effort to increase efficiency while spending taxpayer dollars as responsibly as possible.

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 commitment does 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 a wide array of transportation projects.

LOCAL ECONOMY

According to the Los Angeles County Economic Development Corporation (LAEDC), Los Angeles County (the County) has over 10.1 million residents in 88 cities spread across 4,100 square miles, meaning that the County's population exceeds that of 43 states. If it were a country, it would be the twentieth largest economy in the world (having displaced Saudi Arabia to move up one spot from last year). In addition to its signature industries - entertainment, tourism, and fashion - its enormous diversified economy is home to the largest port complex in the Western Hemisphere and the largest number of manufacturing jobs of any county in the country. Other major industries include health care, education and knowledge creation, and business services.

According to the State of California Employment Development Department, the County added 80,700 jobs in 2016, equivalent to a 1.7% annual increase. A majority of the County's major industries added jobs last year, as broad-based growth pushed wage and salary jobs to a record high. According to UCLA's Anderson Forecast, the forecast for total employment growth is 1.6% in 2017 and 0.8% in 2018. Along with job growth, the unemployment rate fell to 5.2%, the lowest rate of the post-recession period.

Total personal income for the County increased by 4.8% in 2016 and is expected to maintain its trajectory in 2017 with anticipated gains of 5.3%. Now that the economy is back to full employment, upward pressure on wages, a strong dollar, and weak inflation may lead to significant household purchasing power in 2017. Per capita income growth, which held relatively steady with a 4.0% gain in 2016, should respond to accelerating wage growth to rebound to 4.9% in 2017.

Like most other parts of the state, the housing market in the County improved in 2016. According to the California Association of Realtors, the median sales price for a home was $531,500 a 9.4% increase over 2015's median price of $485,980. Moreover, according to LAEDC, home sales were up 2.5% compared with a year earlier. New home construction also accelerated in 2016 and should continue to grow, although at lower rates, both in 2017 and 2018.

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. Over 45% 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 2017.

With the County's growing population, its transportation industry is undoubtedly extensive. LACMTA has established several projects intended to alleviate congestion problems in the County and to ease the use of the freeway system, especially during peak hours, by increasing access to bus and rail services. LACMTA's rail system is the third largest in the U.S., with more than 214 miles of track and more than 336,000 boardings per weekday. LACMTA's growth will continue with the ongoing major construction of one of the largest public works programs in the nation. 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 2017. The County's Board of Supervisors, together with the LAEDC, continues to formulate strategic plans to further promote economic development while gaining a competitive advantage as well as 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 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 Financial 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 in order to meet its future financial commitments.

Also included in the Policy are the 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

FY17 will see the operation of one full year for two new rail line segments, the Gold Line Foothill Phase 2A extension to Azusa and the Expo Line extension to Santa Monica. These extensions will add thirteen new rail stations and expand the Metro Rail System by 20%. At the same time, LACMTA will continue to oversee the construction of three major rail lines in FY17: 1) the Crenshaw/LAX Transit Corridor, 2) the Light Rail Regional Connector, and 3) the Westside Purple Line Extension Section 1 to La Cienega in Beverly Hills. As our transit network grows, LACMTA is still mindful of the need to improve options for first/last mile connections (accessibility to transit systems) and the cultivation of a more walkable and bikeable environment.

Also, in FY17, the top priority related to transit service will be to provide clean, safe, and on-time transit services to the public. Resources will be focused on inspecting, cleaning, maintaining and performing corrective maintenance on our vehicle fleets and transit stations to ensure our assets meet LACMTA and industry standards. New light rail vehicles are being procured to support the operation of our expanded Metro Rail system, and the final 75 buses to complete the 900 40-foot CNG bus buy are being purchased and delivered. With the completion of the most recent bus procurement, one third of the Metro bus fleet will be new.

The State of Good Repair (SGR) program will continue to be a top priority of the FY17 Capital Plan. Efforts will be focused on a wide array of asset improvement and maintenance projects, including bus and rail system reliability improvements and technology improvements. There will also be an emphasis on infrastructure improvements. Union Station renovations for fire and life safety improvements and ADA requirements are underway while various improvements will be made to LACMTA's headquarters at the Gateway Building.

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, 2015. 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's requirements and it will be submitted to the GFOA for consideration.

ACKNOWLEDGMENTS

We want to thank the Accounting Department, who has 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


Metro
Welcome Aboard
Bienvenidos

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County

Metropolitan Transportation Authority

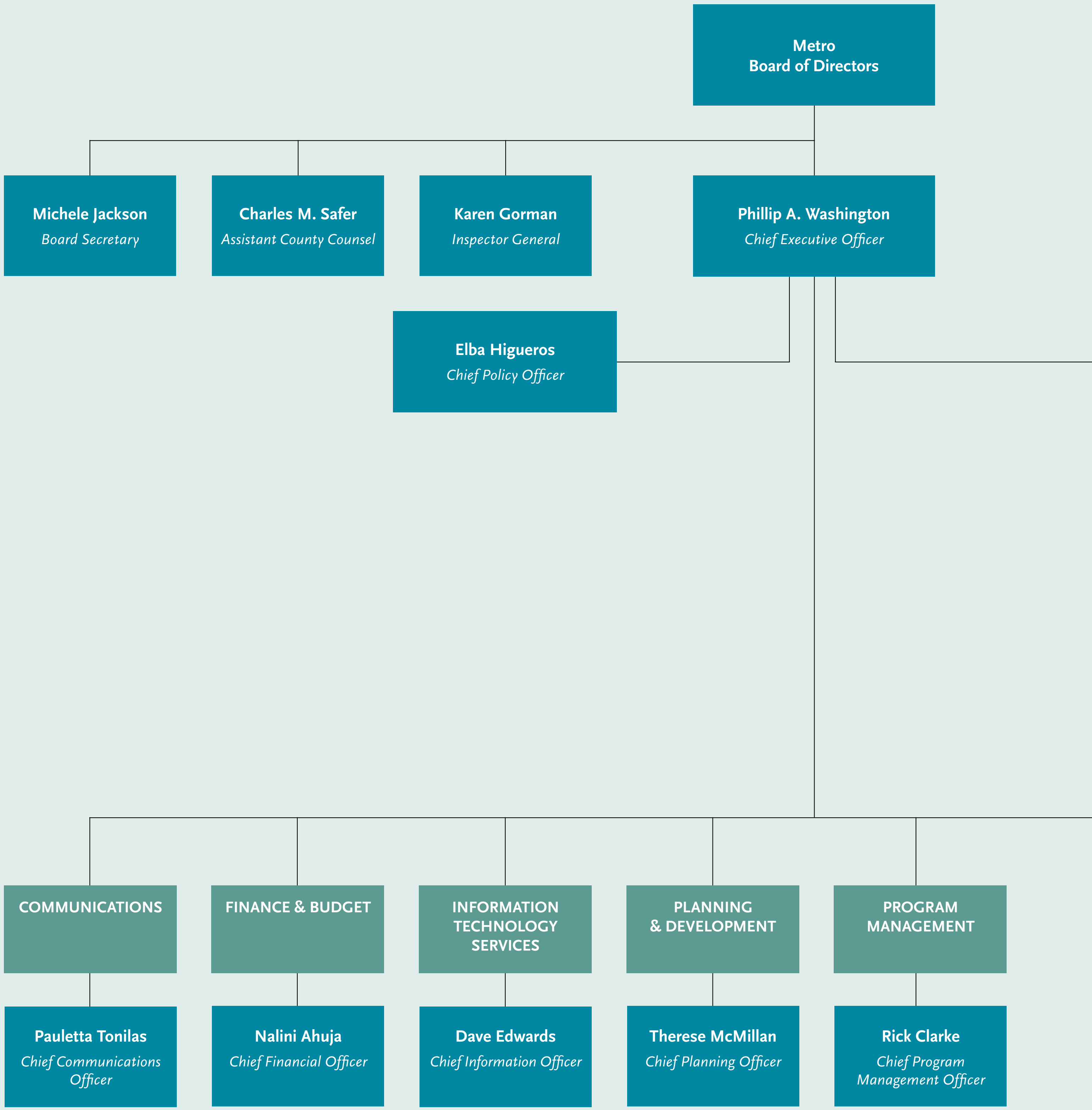
California

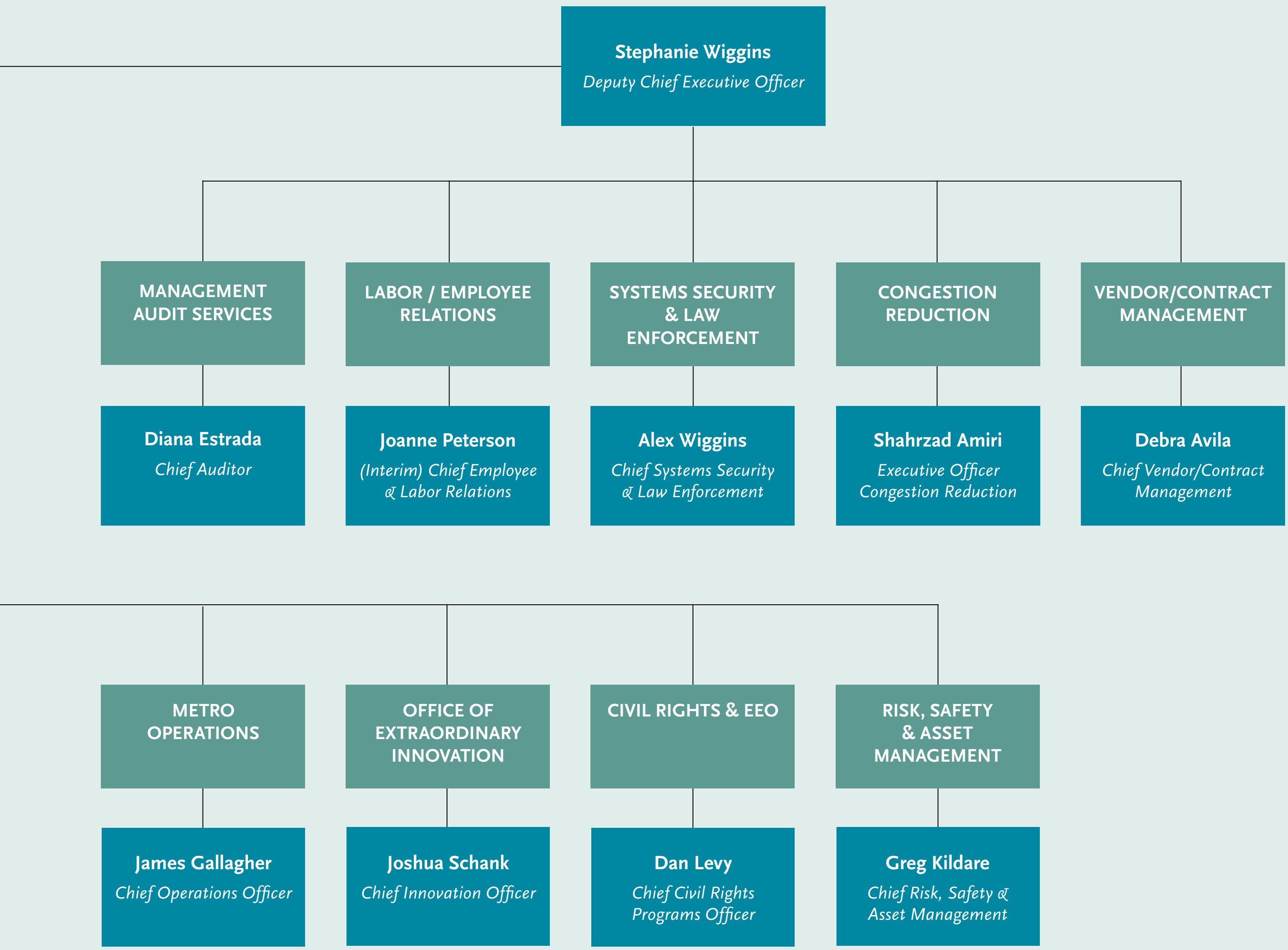
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Metro Organizational Chart




Stephanie Wiggins
Deputy Chief Executive Officer
MANAGEMENT AUDIT SERVICES
Diana Estrada
Chief Auditor
LABOR / EMPLOYEE RELATIONS
Joanne Peterson
(Interim) Chief Employee & Labor Relations
SYSTEMS SECURITY & LAW ENFORCEMENT
Alex Wiggins
Chief Systems Security & Law Enforcement
CONGESTION REDUCTION
Shahrzad Amiri
Executive Officer Congestion Reduction
VENDOR/CONTRACT MANAGEMENT
Debra Avila
Chief Vendor/Contract Management
METRO OPERATIONS
James Gallagher
Chief Operations Officer
OFFICE OF EXTRAORDINARY INNOVATION
Joshua Schank
Chief Innovation Officer
CIVIL RIGHTS & EEO
Dan Levy
Chief Civil Rights Programs Officer
RISK, SAFETY & ASSET MANAGEMENT
Greg Kildare
Chief Risk, Safety & Asset Management

Board of Directors

(Updated as of July 2016)

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Council Member, City of Duarte

2

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First Vice Chair
Mayor, City of Los Angeles

3

Sheila Kuehl
Second Vice Chair
Los Angeles County Supervisor
3rd Supervisorial District

4

Michael Antonovich
Los Angeles County Supervisor
5th Supervisorial District

5

Mike Bonin
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6

James Butts
Mayor, City of Inglewood

7

Diane DuBois
Council Member, City of Lakewood

8

Jacquelyn Dupont-Walker
City of Los Angeles Appointee

9

Don Knabe
Los Angeles County Supervisor
4th Supervisorial District

10

Paul Krekorian
Council Member, City of Los Angeles

11

Ara Najarian
Council Member, City of Glendale

12

Mark Ridley-Thomas
Los Angeles County Supervisor
2nd Supervisorial District

13

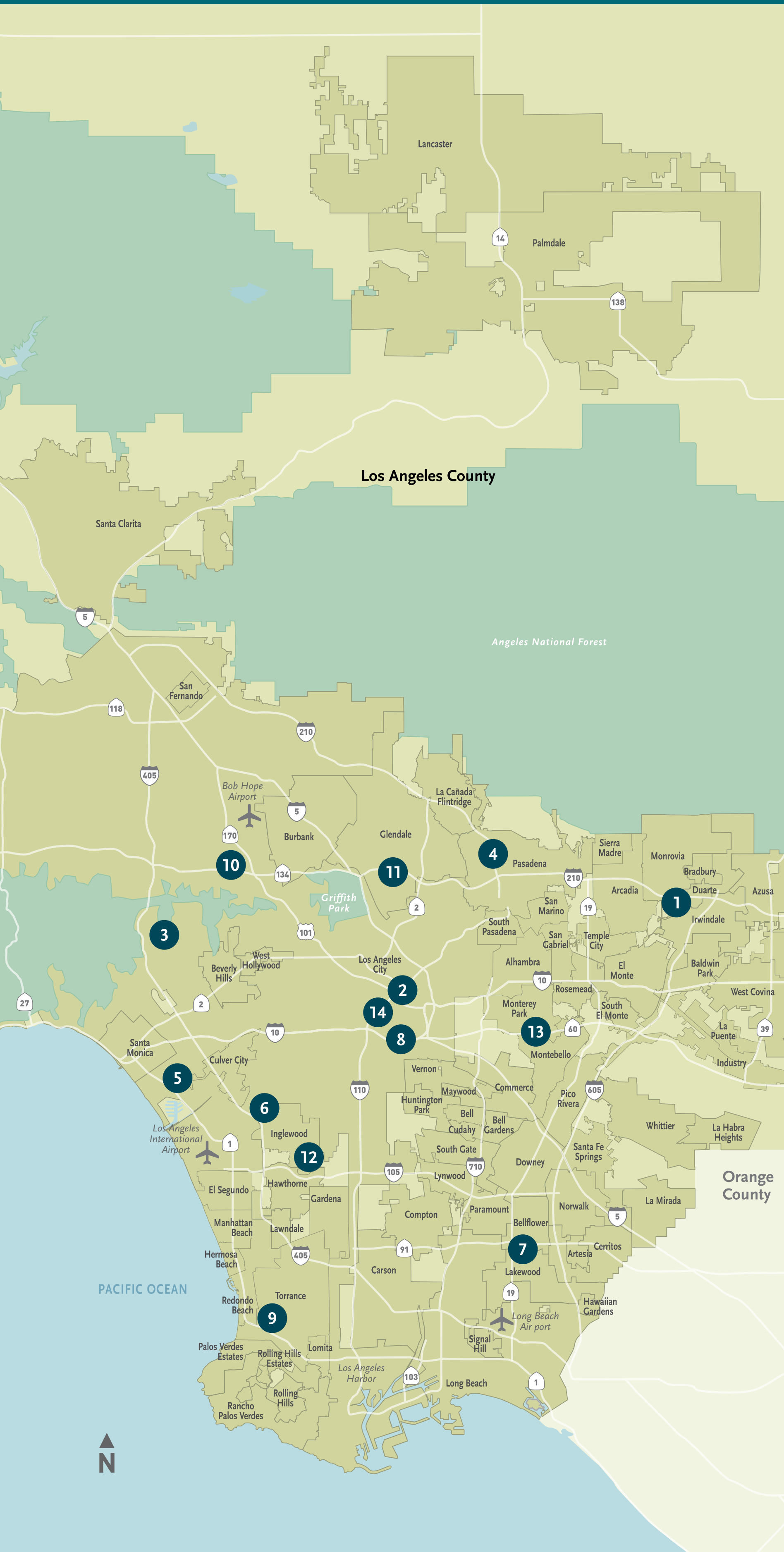
Hilda L. Solis
Los Angeles County Supervisor
1st Supervisorial District

14

Carrie Bowen
Appointed by the Governor
of California

See map for area represented

Officials and Executive Staff



BOARD APPOINTED OFFICIALS

Phillip A. Washington, *Chief Executive Officer*

Michele Jackson, *Board Secretary*

Karen Gorman, *Ethics Officer*

Charles Safer, *General Counsel*

Karen Gorman, *Inspector General*

EXECUTIVE STAFF

Stephanie Wiggins, *Deputy Chief Executive Officer*

Pauletta Tonilas, *Chief Communications Officer*

Nalini Ahuja, *Chief Financial Officer*

Richard Clarke, *Chief Program Management Officer*

David Edwards, *Chief Information Officer*

Greg Kildare, *Chief Risk, Safety & Asset Management Officer*

Diana Estrada, *Chief Auditor*

Daniel Levy, *Chief Civil Rights Program*

James Gallagher, *Chief Operations Officer*

Ivan Page, *Chief Vendor/Contract Management (Interim)*

Elba Higueros, *Chief Policy Officer*

Joanne Peterson, *Chief Employee & Labor Relations Officer (Interim)*

Therese McMillan, *Chief Planning Officer*

Alex Wiggins, *Chief Systems Security & Law Enforcement*

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

Financial Section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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, 2016, 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 75%, 74%, and 46% 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 LACMTA as of June 30, 2016, 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.

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 18 through 28, the schedule of changes in the CalPERS net pension liability and related ratios on page 108, schedule of CalPERS contributions on page 109, the schedule of changes in Employee's Retirement Income Plans' Net Pension Liabilities and Related Ratios on pages 110 through 115, the schedule of contributions to Employee's Retirement Income Plans on page 116, schedule of funding progress – OPEB on page 117, and the budgetary comparison information on pages 118 to 124, 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 128 to 137 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 1 to 11 and 142 to 170 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 16, 2016, 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 16, 2016

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

As management of the Los Angeles County Metropolitan Transportation Authority (LACMTA), we offer our readers of LACMTA's financial statements this narrative overview and analysis of the financial activities of LACMTA for the fiscal year ended June 30, 2016. 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 2-5 of this report. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- LACMTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2016 by $9,260,492. Of this, a negative amount of $705,783 is reported as unrestricted net position.

- LACMTA's total net position increased by $18,903, 0.20%, over the previous year. Business-type activities net position increased by $528,075, 7.87% and governmental activities net position decreased by $509,172, 20.13%. The increase in the business-type activities net position was primarily due to increase in net capital assets mainly related to the Crenshaw/LAX Transit Corridor, the Gold Line Foothill Extension, the Regional Connector, the Westside Purple Line Extension, and the Expo Line - Phase II funded by sales tax revenues from the governmental funds. The decrease in the governmental activities net position was due to the increase in subsidies provided by Proposition A and Proposition C funds for the transit operators and paratransit programs, as well as additional project expenditures for capacity enhancements and highway improvements on the I-5 North and South funded by Measure R. Additionally, state grants revenue, including STA and Prop 1B-PTMISEA, also decreased.

- At the close of fiscal year 2016, the LACMTA's governmental funds reported combined fund balances totaling $1,524,250, a decrease of $134,626 in comparison to the prior year. Of this amount, $1,049,235 was restricted, $13,862 was committed, $23,653 was assigned, and $437,500 was unassigned and available for spending at LACMTA's discretion.

- At the end of fiscal year 2016, the unrestricted fund balance, the total of the committed, assigned and unassigned components of fund balance, for the general fund was $488,109 or approximately 423.71% of total General fund expenditures.

- During fiscal year 2016, long-term debt increased by $487,994, 12.13%, compared to the previous fiscal year due to the issuance of commercial paper notes, additional drawdowns from TIFIA loans and new borrowings from revolving lines of credit to finance immediate cash flow requirements for the payment of capital project expenditures until long-term financing is secured.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to LACMTA's financial statements. LACMTA's financial statements are comprised of three components: 1) the government-wide financial statements; 2) the fund financial statements; and 3) the notes to the financial statements. This report also includes required supplementary information and other supplementary information intended to furnish additional detail to support the 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 on page 29 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 on pages 30-31 presents information showing how LACMTA's net position changed during the most recent fiscal year. It reports these changes when the underlying event occurs 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 the Statement of Net Position and the Statement of Activities distinguish between the functions that are intended to recover a significant portion of their costs from user fees and charges for business-type activities, and the functions that are principally supported by governmental revenues for governmental activities.

The government-wide financial statements include LACMTA and its legally separate entities that are financially accountable to LACMTA. Since they are in substance part of LACMTA's operations, their information has been blended with LACMTA's information. These entities include the Public Transportation Services Corporation (PTSC), the PTSC-MTA Risk Management Authority (PRMA), the Exposition Metro Line Construction Authority (EXPO), the 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 40-42.

Governmental Funds
Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near term inflows and outflows of spendable resources, as well as balances of available spendable resources at the end of the fiscal year.

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

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 34 and 38 are shown to facilitate the comparison between the governmental funds and the government-wide financials.

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

LACMTA adopts a spending plan each year. Budgetary comparison schedules are provided for the General fund and for each major Special Revenue fund on pages 118-124, for the nonmajor funds on page 128, and for the aggregate remaining Special Revenue funds on page 131.

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 fiduciary fund statements can be found on pages 44 and 45.

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 46-105.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, other supplementary information, and statistical information beginning on page 108.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

LACMTA's net position at June 30, 2016 increased by $18,903, 0.20%, when compared with June 30, 2015. The change in net position was due to increase in capital assets funded by sales tax revenues.

The following table is a summary of the Statement of Net Position as of June 30, 2016 and 2015:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Current & other assets	$ 1,619,349	$ 1,699,406	$ 1,944,725	$ 2,119,097	$ 3,564,074	$ 3,818,503
Capital assets	11,783,581	10,703,357	769,834	769,942	12,553,415	11,473,299
Deferred outflows of resources	255,866	108,943	-	-	255,866	108,943
Total assets and deferred outflows of resouces	**13,658,796**	**12,511,706**	**2,714,559**	**2,889,039**	**16,373,355**	**15,400,745**
Long-term liabilities	4,891,603	4,391,838	17,629	18,870	4,909,232	4,410,708
Other liabilities	1,428,987	1,284,311	676,297	340,364	2,105,284	1,624,675
Deferred inflows of resources	98,347	123,773	-	-	98,347	123,773
Total liabilities and deferred inflows of resouces	**6,418,937**	**5,799,922**	**693,926**	**359,234**	**7,112,863**	**6,159,156**
Net investment in capital assets	7,762,367	7,313,244	769,834	769,942	8,532,201	8,083,186
Restricted for:						
Debt service	420,543	418,006	-	-	420,543	418,006
Proposition A ordinance projects	-	-	86,647	311,284	86,647	311,284
Proposition C ordinance projects	-	-	266,232	278,776	266,232	278,776
Measure R ordinance projects	-	-	369,215	255,516	369,215	255,516
PTMISEA projects	-	-	13,907	82,385	13,907	82,385
TDA and STA projects	-	-	165,757	107,393	165,757	107,393
Other nonmajor governmental projects	-	-	111,773	68,121	111,773	68,121
Unrestricted (deficit)	(943,051)	(1,019,466)	237,268	656,388	(705,783)	(363,078)
Total Net Position	**$ 7,239,859**	**$ 6,711,784**	**$ 2,020,633**	**$ 2,529,805**	**$ 9,260,492**	**$ 9,241,589**

The decrease in current and other assets of $80,057, 4.71%, in the business-type activities was primarily due to the termination of the Phillip Morris lease accounts and decrease in receivables due to collection of FY15 federal grants receivable for operating expenses.

The increase in capital assets of $1,080,224, 10.09%, in the business-type activities was mainly due to the on-going construction of the EXPO Line - Phase II, the Metro Gold Line - Phase II Foothill Extension, the Regional Connector Transit Corridor, the Crenshaw/LAX Transit Project, and the Westside Purple Line Extension - Section 1, as described in more detail on pages 25-27.

The increase in other liabilities of $144,676, 11.26%, in the business-type activities was primarily due to additional unfunded net pension obligation in compliance with GASB Statement No. 68 and GASB Statement No. 71, and net OPEB obligation.

The decrease in the business-type unrestricted net position of $76,415, 7.50%, was substantially due to the year-end adjustments in fiscal year 2015 related to the net pension liability in compliance with GASB Statement No. 68 and GASB Statement No. 71, and the net OPEB obligation.

The decrease in current and other assets of $174,372, 8.23%, in the governmental activities was mainly due to the funding of LACMTA's major capital projects as fully described on pages 25-27.

The increase in other liabilities of $335,933, 98.70%, in the governmental activities was primarily due to the accrual of the final settlement of the Kiewit case. Please refer to Note P on page 104 for additional information.

Statement of Activities

The following table is a summary of the statement of activities for the years ended June 30, 2016 and 2015:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
REVENUES	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	$ 443,856	$ 439,028	$ 9,009	$ 23,704	$ 452,865	$ 462,732
Operating grants and contributions	200,193	263,838	44,805	345,206	244,998	609,044
Capital grants and contributions	457,106	486,793	-	-	457,106	486,793
General revenues:						
Sales tax	-	-	2,753,686	2,717,320	2,753,686	2,717,320
Investment income	8,798	17,241	19,471	10,163	28,269	27,404
Net appreciation in fair value of investments	121	54	5,167	1,335	5,288	1,389
Gain (loss) on disposition of capital assets	427	829	-	(1,681)	427	(852)
Miscellaneous	9,672	9,464	59,786	32,462	69,458	41,926
Total Program Revenues	**1,120,173**	**1,217,247**	**2,891,924**	**3,128,509**	**4,012,097**	**4,345,756**
Program expenses:						
Bus and rail operations	2,085,787	1,935,989	-	-	2,085,787	1,935,989
Union station operations	9,172	2,206	-	-	9,172	2,206
Toll operations	24,815	20,757	-	-	24,815	20,757
Transit operators programs	-	-	357,346	304,916	357,346	304,916
Local cities programs	-	-	548,101	549,302	548,101	549,302
Congestion relief operations	-	-	42,279	43,724	42,279	43,724
Highway projects	-	-	594,069	196,158	594,069	196,158
Regional multimodal capital programs	-	-	52,363	42,844	52,363	42,844
Paratransit programs	-	-	105,042	83,602	105,042	83,602
Other transportation subsidies	-	-	64,237	72,088	64,237	72,088
General government	-	-	109,983	97,920	109,983	97,920
Total Program Expenses	**2,119,774**	**1,958,952**	**1,873,420**	**1,390,554**	**3,993,194**	**3,349,506**
Increase (decrease) in net position before transfers	(999,601)	(741,705)	1,018,504	1,737,955	18,903	996,250
Transfers	1,527,676	2,063,299	(1,527,676)	(2,063,299)	-	-
Increase (decrease) in net position	**528,075**	**1,321,594**	**(509,172)**	**(325,344)**	**18,903**	**996,250**
Net position – beginning of year	6,711,784	5,390,190	2,529,805	2,855,149	9,241,589	8,245,339
Net position – end of year	**$ 7,239,859**	**$ 6,711,784**	**$ 2,020,633**	**$ 2,529,805**	**$ 9,260,492**	**$9,241,589**

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

Business-type activities recovered 28.40% of total operating expenses from operating revenues, excluding depreciation and interest, compared to 31.36% 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.

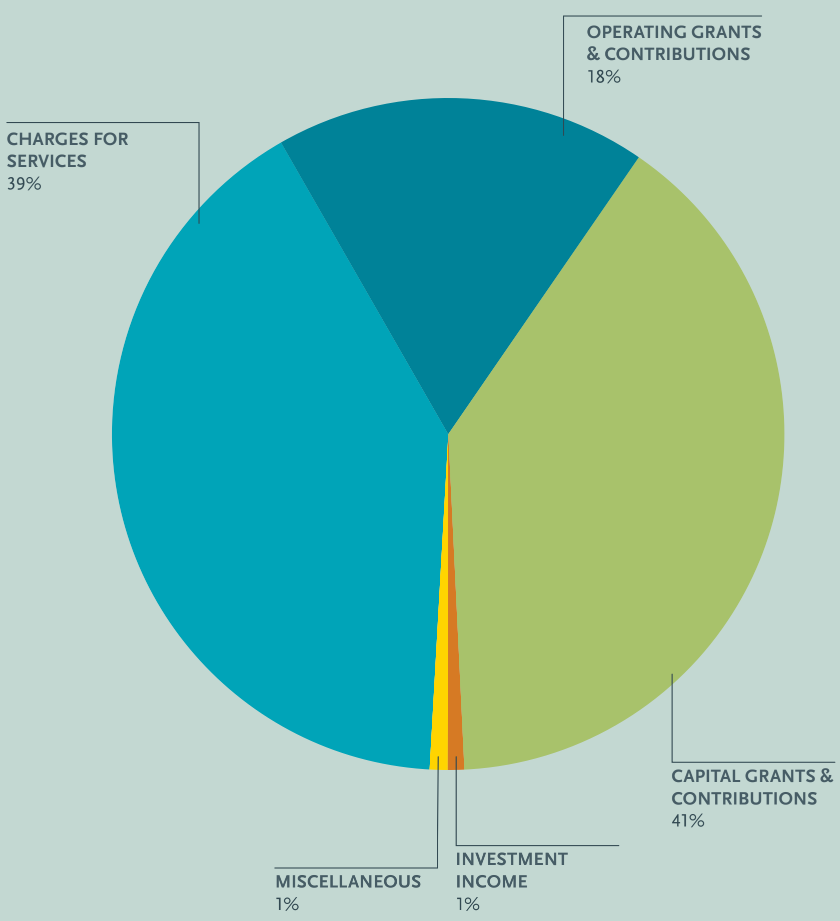
Operating grants and contributions in the governmental activities decreased by $300,401, 87.02%, compared to the previous year, primarily due to lower state grants received particularly from STA, Prop 1A - High-Speed Passenger Train Bond (HSPTB), and Prop 1B - State/Local Partnership Program (SLPP).

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 totaled $1,227,936, an increase of 9.04% from the prior year and representing the largest governmental expense. 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 increased by $397,911, 202.85%, compared to the previous year, mainly due to the accrual of the final settlement of the Kiewit case and the construction activities associated with various highway projects. Please refer to Note P on page 104 for additional information.

Below is a graphical depictions of the components of business-type revenues for the fiscal year ended June 30, 2016.

REVENUES BY SOURCE — BUSINESS-TYPE ACTIVITIES

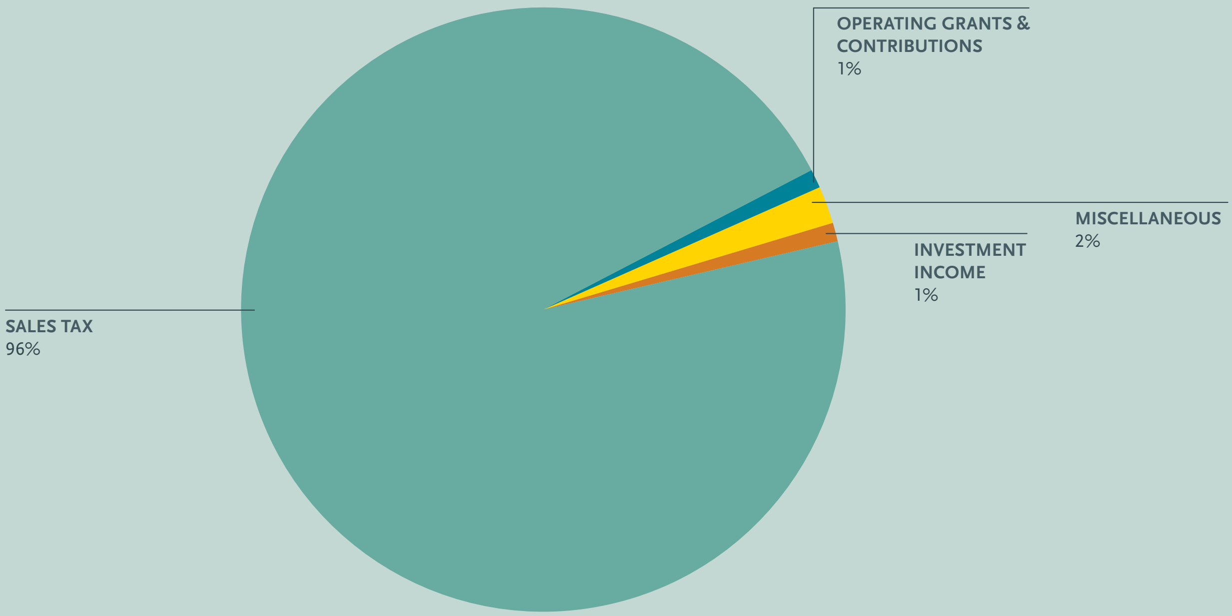


Management's Discussion and Analysis (Unaudited)

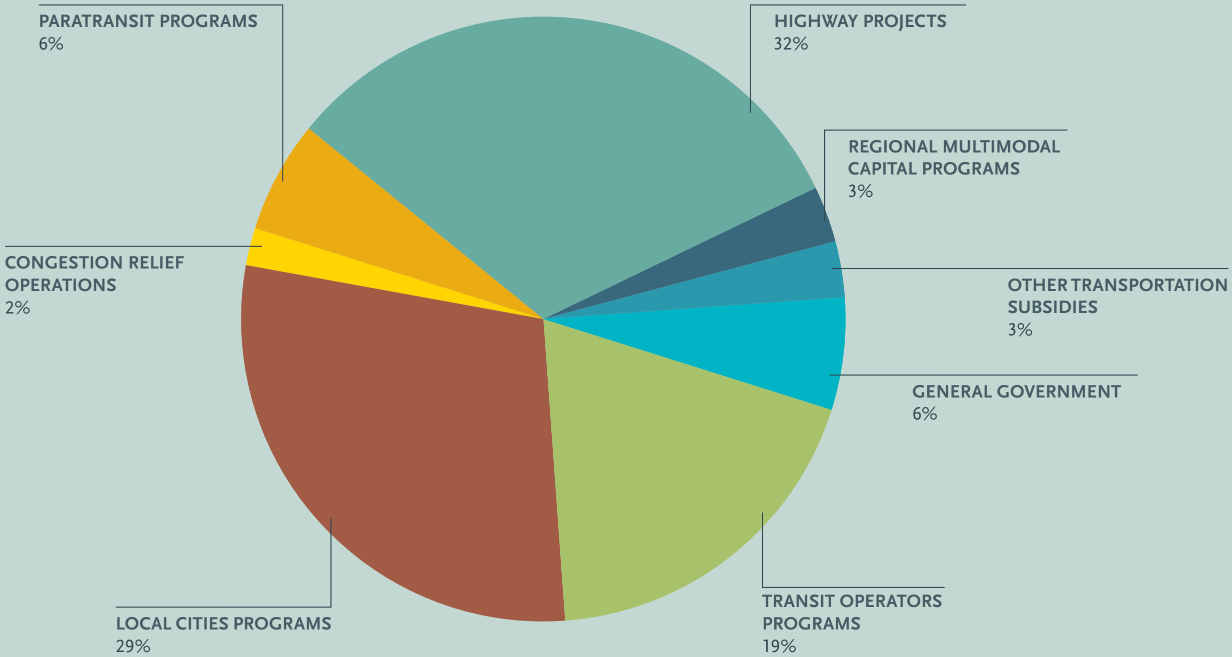
For the Fiscal Year Ended June 30, 2016

Below are graphical depictions of the components of governmental revenues and expenses for the fiscal year ended June 30, 2016.

REVENUES BY SOURCE — GOVERNMENTAL ACTIVITIES



EXPENSES BY PROGRAM — GOVERNMENTAL ACTIVITIES



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 $528,075, 7.87% in net position was primarily due to net addition in capital assets due to construction activities of the Crenshaw/LAX Transit Corridor, the Regional Connector, and the Westside Purple Line Extension projects mostly funded by sales tax revenues from the governmental funds.

Governmental Funds

As previously stated, governmental funds present information about current financial (consumable) resources because they directly impact the 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 $437,500 represents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with $1,524,250 in total fund balance.

The major governmental funds are discussed below:

The General fund balance decreased by $31,588 mainly due to increase in funding of capital projects expenditures. Of the $523,813 fund balance, $73,219 is restricted, committed, and assigned for future expenditures.

The Proposition A fund balance decreased by $224,637 mainly due to higher operating subsidies for the operation and maintenance of bus and rail operations. The entire amount of $86,647 fund balance was restricted as to use by the Proposition A ordinance.

The Proposition C fund balance decreased by $12,544 mainly due to recognition of various capital projects' deferred revenues and the revision of funding sources for projects expenditures billed to the funds. The Proposition C ordinance restricts the use of the fund balance of $266,232.

The Measure R fund balance increased by $113,699 mainly due to lower funding of various capital projects expenditures. The restricted fund balance of $369,215 will be used to fund future programs eligible under the Measure R ordinance.

The PTMISEA fund balance decreased by $68,478 mainly due to funding of various capital projects expenditures. The PTMISEA fund reported a restricted fund balance of $13,907.

The Transportation Development Act fund balance increased by $66,918 mainly due to lower operating subsidies for bus and rail operations and maintenance. The fund balance of $165,757 is restricted under the Transportation Development Act's provisions.
The State Transit Assistance fund balance decreased by $21,648 mainly due to a shortfall in allocations of sales tax from gasoline and diesel fuel collected by the California State Board of Equalization. The fund balance deficit of $13,094 is considered unassigned under GASB 54.

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 2.96% of LACMTA's total governmental fund revenues, while expenditures represent 7.32% of total governmental fund expenditures.

The original budget decreased by $4,261 due to lower projected expenditures for transit planning and property owned administration activities.

Revenues

The General fund's main sources of revenue are lease and rental income from LACMTA's owned properties and receipts of Federal alternative fuel tax credits. Total actual revenues were higher than budget by $7,027 mainly due to the receipt of Federal alternative fuel tax credits program that was extended through December 31, 2016.

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 $79,611 compared to final budget was mainly due to lower spending for transit planning and other programming and planning activities, lower subsidy payments, and lower expenditures related to governmental and oversight activities. The favorable variance in the Other Financing Sources and Uses of Funds of $10,689 compared to budget was mainly due to the billing of various highway projects to other funding sources.

CAPITAL ASSETS ADMINISTRATION

As of June 30, 2016, LACMTA had $12,553,415 invested in capital assets, net of accumulated depreciation, as shown below, a 9.41% increase from the previous fiscal year.

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Land	$ 1,190,396	$ 961,549	$ 769,834	$ 769,942	$ 1,960,230	$ 1,731,491
Buildings and improvements	6,601,499	4,849,740	-	-	6,601,499	4,849,740
Equipment	52,211	35,278	-	-	52,211	35,278
Vehicles	983,529	935,761	-	-	983,529	935,761
Construction in progress	2,955,946	3,921,029	-	-	2,955,946	3,921,029
Total Capital Assets	**$ 11,783,581**	**$ 10,703,357**	**$ 769,834**	**$ 769,942**	**$ 12,553,415**	**$ 11,473,299**

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 $2.5 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 project, 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, 2016, $965 million had 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 long and continues from the Phase 1 terminus in Culver City to the intersection of 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 has seven new stations, two of which are aerial. The approximate travel time between Downtown Los Angeles and Santa Monica is 47 minutes. As of June 30, 2016, $1.1 billion had been expended on Phase 2. This phase of the project commenced revenue operations in May 2016.

The Metro Gold Line Phase II Foothill Extension project 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. Segment 2B will extend from Azusa to the City of Montclair and is currently budgeted at $36 million to perform California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) regulatory compliance, preliminary engineering and planning. 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. As of June 30, 2016, $658.5 million had been expended. The first segment, Segment 2A, commenced revenue operations in March 2016.

The Regional Connector Transit Corridor Project has an approved Life-of-Project (LOP) budget of $1.6 billion. This project has received the Full Funding Grant Agreement (FFGA) and Transportation Infrastructure Finance Innovation Act (TIFIA) Loan Agreement from the U.S. Department of Transportation (USDOT) to construct the 1.9-mile of dual-track, underground light rail line. The project includes three new stations, at the intersections of 1st Street/Central Ave., 2nd Street/Broadway Street, and 2nd Street/Hope Street. The project will connect the existing Blue and Exposition Light Rail Lines to the existing Gold Light Rail Line at Little Tokyo station. The project includes the environmental planning, preliminary engineering, final design, and construction phases and the concurrent non-FFGA activities. As of June 30, 2016, $586.8 million had been expended.

The Crenshaw/LAX Transit project has an approved LOP budget of $2.1 billion that covers the design and construction of a new 8.5-mile double-track light rail line, including eight stations, the 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 has an approved LOP of $307.2 million which was approved by the Board in May 2015. The project has received the FFGA and the TIFIA Loan Agreement from the USDOT. The project will extend from the EXPO light rail line (at the intersection of Exposition and Crenshaw Boulevards) and the Green Light Rail line near the existing Aviation/LAX Station. In May 2015, the Board approved a revision to the project alignment to include accommodations for the future 96th Street Station so as not to preclude a future light rail line station being developed as part of the Airport Metro Connector project. The Airport Metro Connector project includes shifting the ultimate track configuration to the west side of the alignment to confine all the revised track-work on the Metro right-of-way to minimize cost. For the Southwestern Yard, the design-builder, Hensel Phelps/Herzog, was issued a notice-to-proceed on June 29, 2015. The design-builder completed the final design and required submittals and they are on track to meet their milestone completion. As of June 30, 2016, $998.8 million had been expended.

The Westside Purple Line Extension Section 1 Project has an approved LOP budget of $2.8 billion. The project has received the FFGA and the TIFIA Loan Agreement from the USDOT. The project will extend 3.92 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire/La Cienega Boulevards. The 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 (AUR) contracts have been completed, and the third AUR contract is 78% complete. The Design/Build Contract of $1.6 billion was awarded to Skanska-Traylor-Shea, Joint Venture for the tunneling, subway stations, trade-work, and systems integration testing. The Design/Build Contract of $52.8 million was awarded to Clark Construction Group for the construction of Division 20 Rail Maintenance and Operation Facility. As of June 30, 2016, $852 million had been expended.

LACMTA has executed a contract with Kinkisharyo International, LLC (KI) to procure up to 235 light rail vehicles (LRVs). The current approved Life-of-Project budget including the four executed Options is $972 million. In April 2012, the Board approved a contract with KI to manufacture and deliver 78 new LRVs 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 an 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 extension and are scheduled for complete delivery by January 2017. A portion of Option 1 of the contract of 28 LRVs will be used on the Crenshaw Light Rail Line expansion project while the remaining, along with all LRVs 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 the replacement of the existing P865 and P2020 fleets. The twenty five (25) new P3010 LRVs have been conditionally accepted and placed into revenue service, ten (10) at Foothill Extension line and fifteen (15) at the EXPO line. As of June 30, 2016, $258 million had been expended.

The Division 13 Bus Maintenance and Operations facility is a $122.1 million project. The 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. The project 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 a low maintenance native vegetation. The storm water run-off and the urban heat island effect are also addressed by a demonstration green roof on the Transportation Building. The service and vehicle equipment includes 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, and carousel and vertical retrieval modules for parts. As of June 30, 2016, $121.8 million had been expended. The Division 13 Bus Maintenance and Operations facility began operations in February 2016.

Additional information on capital assets can be found on page 69.

LONG-TERM DEBT ADMINISTRATION

As of June 30, 2016, LACMTA had a total of $4,511,796 in long-term debt outstanding. Of this amount, $2,810,114 related to bonds secured by sales tax revenues, $113,405 was secured by farebox and other general revenues, and $424,806 related to lease/leaseback obligations. The remaining balance consisted of commercial paper notes, and other debt as shown below:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Sales tax revenue bonds and refunding bonds	$ 2,810,114	$ 3,037,535	$ -	$ -	$ 2,810,114	$ 3,037,535
Lease/lease-to-service obligations	424,806	467,895	-	-	424,806	467,895
General revenue bonds	113,405	141,970	-	-	113,405	141,970
Notes Payable	490,168	41,349	17,629	18,870	507,797	60,219
Commercial paper and revolving lines of credit	384,495	83,624	-	-	384,495	83,624
Total long-term debt	4,222,988	3,772,373	17,629	18,870	4,240,617	3,791,243
Unamortized bond premium	271,290	232,679	-	-	271,290	232,679
Unamortized bond discount	(111)	(120)	-	-	(111)	(120)
Total Long-Term Debt, Net	**$ 4,494,167**	**$ 4,004,932**	**$ 17,629**	**$ 18,870**	**$ 4,511,796**	**$ 4,023,802**

The increase in long-term debt was mainly due to additional drawdowns made from TIFIA loans which increased notes payable obligations by $450,222, including $7,635 of interest accretion, for the Crenshaw/LAX Project.

Additionally, LACMTA authorized a short-term borrowing program, including two revolving lines of credit and one bond purchase agreement, that will be payable from Measure R sales tax revenue up to an aggregate maximum principal amount of $300,000. In fiscal year 2016, $225,870 was drawn and used to pay for current capital project expenditures while waiting for a long-term financing to be arranged.

The refunding of the variable rate and index rate bonds in fiscal year 2016 resulted to a net decrease in bonds payable during the period and yielded a net present value cash flow savings of $15,261 over the life of the bonds.

BOND RATINGS

LACMTA's bonds are rated by Standard & Poor's, Moody's, and Fitch. As of June 30, 2016, the ratings are as follows:

BOND ISSUE TYPE	STANDARD & POOR'S	MOODY'S	FITCH
Proposition A First Tier Senior Lien Bonds	AAA	Aa1	n/a
Proposition C Senior Sales Tax Revenue Bonds	AA+	Aa2	AA
Measure R Sales Tax Revenue Bonds	AAA	Aa1	n/a
General Revenue Bonds	AA	Aa2	n/a

Additional information on LACMTA's long-term debt can be found on pages 89-101.

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 FY17 budget includes many programs and projects to improve transportation throughout Los Angeles County and to 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 3.3% over FY16 levels.
> STA revenues for bus and rail operations and capital are expected to be $52.9 million region wide representing a 49.9% decrease below the FY16 budget due to the continued statewide decline in diesel fuel prices and demand.
> Fare revenues are expected to increase by 1.8% over the FY16 budget reflecting a full year of operations of the Gold Line (light rail) Foothill Phase 2A extension to Azusa and the Expo Line Phase 2 (light rail) extension to Santa Monica.
> Capital financing, including grant reimbursements, sales tax carryover and TIFIA loan drawdowns will contribute $2.3 billion in FY17 in line with planned expenditure activity.

Expenditures

> The FY17 budget assumes a slight decrease in bus revenue service hours of 4,628 hours or a 0.6% decrease primarily due to increase in speed and optimizing service levels.
> Rail revenue service hours will increase by 168,584 hours or 15.4% reflecting a full year of operations of the Gold Line (light rail) Foothill Phase 2A extension to Azusa and the Expo Line Phase 2 (light rail) extension to Santa Monica.
> 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 FY17 estimated revenues. From this revenue base, LACMTA constructs a budget that balances anticipated revenues with area transportation needs. For details of LACMTA's FY17 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, 2016 (Amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents - unrestricted	$ 137,677	$ 662,875	$ 800,552
Cash and cash equivalents - restricted	329,077	940	330,017
Investments – unrestricted	263,039	506,831	769,870
Investments – restricted	222,127	-	222,127
Receivables, net	299,345	646,523	945,868
Internal balances	(127,248)	127,248	-
Inventories	61,301	-	61,301
Prepaid and other current assets	9,225	308	9,533
Lease accounts	424,806	-	424,806
Capital assets:			
Land and construction in progress	4,146,342	769,834	4,916,176
Other capital assets, net of depreciation	7,637,239	-	7,637,239
TOTAL ASSETS	13,402,930	2,714,559	16,117,489
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on debt refunding	16,108	-	16,108
Deferred outflows from pension	239,758	-	239,758
TOTAL DEFERRED OUTFLOWS OF RESOURCES	255,866	-	255,866
LIABILITIES			
Accounts payable and accrued liabilities	329,391	607,432	636,823
Accrued interest payable	53,964	-	53,964
Net pension obligation	487,320	-	487,320
Net OPEB obligation	481,589	-	481,589
Pollution remediation obligation	7,438	-	7,438
Unearned revenues	16,636	56,198	72,834
Other liabilities	52,649	12,667	65,316
Long-term liabilities:			
Due within 1 year	374,683	1,303	375,986
Due in more than 1 year	4,516,920	16,326	4,533,246
TOTAL LIABILITIES	6,320,590	393,926	7,014,516
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	98,347	-	98,347
TOTAL DEFERRED INFLOWS OF RESOURCES	98,347	-	98,347
NET POSITION			
Net investment in capital assets	7,762,367	769,834	8,532,201
Restricted for:			
Debt Service	420,543	-	420,543
Proposition A ordinance projects	-	86,647	86,647
Proposition C ordinance projects	-	266,232	266,232
Measure R ordinance projects	-	369,215	369,215
PTMISEA projects	-	13,907	13,907
TDA and STA projects	-	165,757	165,757
Other nonmajor governmental projects	-	111,773	111,773
Unrestricted	(943,051)	237,268	(705,783)
TOTAL NET POSITION	$ 7,239,859	$ 2,020,633	$ 9,260,492

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

Statement of Activities

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

		Program Revenues		
	EXPENSES	CHANGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS
FUNCTIONS / PROGRAMS				
Business-type activities:				
Bus and rail operations	$ 2,085,787	$ 362,921	$ 200,193	$ 457,106
Union Station operations	9,172	8,134	-	-
Toll operations	24,815	72,801	-	-
Total Business-Type Activities	**2,119,774**	**443,856**	**200,193**	**457,106**
Governmental activities:				
Transit operators programs	357,346	-	-	-
Local cities programs	548,101	-	-	-
Congestion relief operations	42,279	-	-	-
Highway project	594,069	-	13,560	-
Regional multimodal capital programs	52,363	-	3,628	-
Paratransit programs	105,042	-	-	-
Other transportation subsidies	64,237	-	-	-
General government	109,983	9,009	27,617	-
Total Governmental Activities	**1,873,420**	**9,009**	**44,805**	**-**
Total	**$ 3,993,194**	**$ 452,865**	**$ 244,998**	**$ 457,106**

General revenues:

Sales tax

Investment income

Net appreciation in fair value of investments

Gain on disposition of capital assets

Miscellaneous

Transfers

Total General Revenues

Change in net position

Net position – beginning of year

Net Position – end of year

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

NET (EXPENSE) REVENUE & CHANGES IN NET POSITION		
BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
$ (1,065,567)	$ -	$ (1,065,567)
(1,038)	-	(1,038)
47,986	-	47,986
(1,018,619)	**-**	**(1,018,619)**
-	(357,346)	(357,346)
-	(548,101)	(548,101)
-	(42,279)	(42,279)
-	(580,509)	(580,509)
-	(48,735)	(48,735)
-	(105,042)	(105,042)
-	(64,237)	(64,237)
-	(73,357)	(73,357)
(1,018,619)	**(1819,606)**	**(1819,606)**
$ (1,018,619)	**$ (1,819,606)**	**$ (2,838,225)**
-	2,753,686	2,753,686
8,798	19,471	28,269
121	5,167	5,288
427	-	427
9,672	59,786	69,458
1,527,676	(1,527,676)	-
1,546,694	1,310,434	2,857,128
528,075	(509,172)	18,903
6,711,784	**2,529,805**	**9,241,589**
$ 7,239,859	**$ 2,020,633**	**$ 9,260,492**

Balance Sheet
Governmental Funds

June 30, 2016 (Amounts expressed in thousands)

	MAJOR FUNDS			
		SPECIAL REVENUE FUNDS		
	GENERAL FUND	PROPOSITION A	PROPOSITION C	MEASURE R
ASSETS				
Cash and cash equivalents – unrestricted	$ 38,820	$ 6,362	$ 118,754	$ 139,220
Investments - unrestricted	55,199	9,889	184,575	216,384
Receivables:				
Accounts	6,950	-	-	2,375
Interest	1,993	-	639	2,209
Intergovernmental	6,781	-	81,821	327
Sales tax	-	139,506	139,522	139,677
Notes	4,000	-	-	8,000
Due from other funds	465,788	37,656	-	5,876
Prepaid items and other assets	-	-	-	-
Cash and cash equivalents – restricted	940	-	-	-
TOTAL ASSETS	$ 571,471	$ 193,413	$ 525,311	$ 514,068
LIABILITIES				
Accounts payable and accrued liabilities	17,087	571,730	120,692	114,991
Due to other funds	6,786	55,036	61,160	29,535
Unearned revenues	18,892	-	28,487	-
Other liabilities	1,233	-	-	-
TOTAL LIABILITIES	43,998	106,766	210,339	144,526
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	3,660	-	48,740	327
TOTAL DEFERRED INFLOWS OF RESOURCES	3,660	-	48,740	327
FUND BALANCES				
Restricted	35,704	86,647	266,232	369,215
Committed	13,862	-	-	-
Assigned	23,653	-	-	-
Unassigned (deficit)	450,594	-	-	-
TOTAL FUND BALANCES	523,813	86,647	266,232	369,215
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 571,471	$ 193,413	$ 525,311	$ 514,068

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

			NONMAJOR FUNDS	
PTMISEA	TDA	STA	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 28,157	$ 239,936	$ 3,430	$ 88,196	$ 662,875
5,202	-	-	35,582	506,831
-	-	-	-	9,325
-	199	13	89	5,142
-	-	-	1,431	90,360
-	70,633	40,358	-	529,696
-	-	-	-	12,000
-	-	-	-	500,320
-	-	-	308	308
-	-	-	-	940
$ 33,359	**$ 310,768**	**$ 43,801**	**$ 125,606**	**$ 2,317,797**
-	1,961	33	938	307,432
19,452	143,050	56,862	1,191	373,072
-	-	-	-	47,379
-	-	-	11,434	12,667
19,452	**145,011**	**56,895**	**13,563**	**740,550**
-	-	-	270	52,997
-	**-**	**-**	**270**	**52,997**
13,907	165,757	-	111,773	1,049,235
-	-	-	-	13,862
-	-	-	-	23,653
-	-	(13,094)	-	437,500
13,907	**165,757**	**(13,094)**	**111,773**	**1,524,250**
$ 33,359	**$ 310,768**	**$ 43,801**	**$ 125,606**	**$ 2,317,797**

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

June 30, 2016 (Amounts expressed in thousands)

Fund balance – total governmental funds (page 32)	$	1,524,250
Government capital assets are not financial resources and, therefore, are not reported in the funds.		769,834
Governmental funds report expenditures only to the extent that it decreases current financial resources. However, in the Statement of Activities, expenses are reported when incurred. This is the amount of expenditures pertaining to future periods.		(300,000)
Deferred revenues recognized on the Balance Sheet but not reported in the Statement of Net Position - Governmental Activities. These are not available in the current period.		52,997
Bonds and notes payable are not due and payable in the current period and, therefore, are not reported on the Balance Sheet.		(17,629)
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 revenues pertaining to future periods.		(8,819)
Net position of governmental activities (page 29)	**$**	**2,020,633**

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


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

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	MAJOR FUNDS			
		SPECIAL REVENUE FUNDS		
	GENERAL FUND	PROPOSITION A	PROPOSITION C	MEASURE R
REVENUES				
Sales tax	$ -	$ 763,636	$ 763,643	$ 764,968
Intergovernmental	17,217	-	39,204	3,628
Investment income	9,305	1,671	2,040	4,333
Net appreciation in fair value of investments	662	404	1,826	1,979
Lease and rental	9,065	-	-	-
Licenses and fines	538	-	-	-
Other	51,180	-	-	-
TOTAL REVENUES	87,967	765,711	806,713	774,908
EXPENDITURES				
Current:				
Administration and other transportation projects	98,571	-	173,033	62,857
Transportation subsidies	14,433	317,241	430,810	327,633
Debt and interest expenditures:				
Principal	1,241	-	-	-
Interest and fiscal charges	954	-	-	-
TOTAL EXPENDITURES	115,199	317,241	603,843	390,490
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(27,232)	448,470	202,870	384,418
OTHER FINANCING SOURCES (USES)				
Transfers in	77,208	451	45,297	69,653
Transfers out	(81,564)	(673,558)	(260,711)	(340,372)
TOTAL OTHER FINANCING SOURCES (USES)	(4,356)	(673,107)	(215,414)	(270,719)
NET CHANGE IN FUND BALANCES	(31,588)	(224,637)	(12,544)	113,699
Fund balances – beginning of year	555,401	311,284	278,776	255,516
FUND BALANCES – END OF YEAR	$ 523,813	$ 86,647	$ 266,232	$ 369,215

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

PTMISEA	TDA	STA	NONMAJOR FUNDS OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ -	$ 382,753	$ 78,686	$ -	$ 2,753,686
-	-	-	60,379	120,428
134	1,415	177	396	19,471
-	-	-	296	5,167
-	-	-	-	9,065
-	-	-	8,068	8,606
-	-	-	-	51,180
134	**384,168**	**78,863**	**69,139**	**2,967,603**
-	-	-	9,961	344,422
-	129,817	8,002	-	1,227,936
-	-	-	-	1,241
-	-	-	-	954
-	**129,817**	**8,002**	**9,961**	**1,574,553**
134	**254,351**	**70,861**	**59,178**	**1,393,050**
-	-	-	-	192,609
(68,612)	(187,433)	(92,509)	(15,526)	(1,720,285)
(68,612)	**(187,433)**	**(92,509)**	**(15,526)**	**(1,527,676)**
(68,478)	**66,918**	**(21,648)**	**43,652**	**(134,626)**
82,385	98,839	8,554	68,121	1,658,876
$ 13,907	**$ 165,757**	**$ (13,094)**	**$ 111,773**	**$ 1,524,250**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

Net change in fund balances – total governmental funds (page 37)	$ (134,626)
Governmental funds account for principal payments as expenditures. The payment of principal on long-term debts consumes current financial resources but has no effect on net position. Debt Service Payments for Principal are reported as expenditures in the governmental funds but not reported as expense in the Statement of Activities.	1,241
Revenues reported in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These deferred revenues are not reported in the current period because they are not available.	1,437
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.	(108)
Revenues recorded in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance. These unearned revenues were not available in the current period.	52,997
Expenses recorded in the Statement of Activities but not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These expenditures were not paid in the current period.	(300,000)
Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances provide current financial resources to governmental funds. However, these were reported as revenues in the Statement of Activities in the prior period.	(130,113)
Change in net position of governmental activities (page 31)	**$ (509,172)**

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

Statement of Net Position
Proprietary Fund — Enterprise Fund

June 30, 2016 (Amounts expressed in thousands)

ASSETS	
Current assets:	
Cash and cash equivalents – unrestricted	$ 137,677
Cash and cash equivalents – restricted	207,378
Investments – unrestricted	263,039
Investments – restricted	4,465
Receivables, net	296,923
Inventories	61,301
Prepaid and other current assets	9,225
Total current assets	980,008
Noncurrent assets:	
Cash and cash equivalents – restricted	121,699
Investments – restricted	217,662
Notes receivable	2,422
Lease accounts	424,806
Capital assets:	
Land and construction in progress	4,146,342
Other capital assets, net of depreciation	7,637,239
Total noncurrent assets	12,550,170
Total Assets	13,530,178
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on debt refunding	16,108
Deferred outflows from pension	239,758
Total deferred outflows of resources	255,866
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 13,786,044
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	$ 329,391
Accrued interest payable	53,964
Due to other funds	127,248
Claims payable	95,659
Compensated absences payable	73,433
Bonds and notes payable	205,591
Other current liabilities	52,649
Total current liabilities	937,935
Noncurrent liabilities:	
Claims payable	204,643
Compensated absences payable	23,701
Net pension obligation	487,320
Net OPEB obligation	481,589
Pollution remediation obligation	7,438
Bonds and notes payable	4,288,576
Unearned revenues	16,636
Total noncurrent liabilities	5,509,903
Total liabilities	6,447,838
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension	98,347
Total deferred inflows of resources	98,347
NET POSITION	
Net investment in capital assets	7,762,367
Restricted for debt service	420,543
Unrestricted	(943,051)
Total net position	$ 7,239,859

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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

OPERATING REVENUES	
Passenger fares	$ 340,274
Auxiliary transportation	22,647
Lease and rental	8,134
Toll revenues	72,801
Total operating revenues	**443,856**
OPERATING EXPENSES	
Salaries and wages	510,776
Fringe benefits	484,886
Professional and technical services	228,569
Material and supplies	96,619
Casualty and liability	47,519
Fuel, lubricants, and propulsion power	81,407
Purchased transportation	41,381
Depreciation	497,026
Other	71,827
Total operating expenses	**2,060,010**
OPERATING LOSS	(1,616,154)
NON-OPERATING REVENUES (EXPENSES)	
Local grants	15
State grants	222
Federal grants	199,956
Investment income	8,798
Net appreciation in fair value of investments	121
Interest expense	(59,764)
Gain on disposition of capital assets	427
Other revenue	9,672
Total net non-operating revenues	**159,447**
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,456,707)
CAPITAL GRANTS AND CONTRIBUTIONS	
Local grants	33,759
State grants	1,337
Federal grants	422,010
Transfers in – capital	625,906
Total capital grants and contributions	**1,083,012**
TRANSFERS	
Transfers in	944,552
Transfers out	(42,782)
Total transfers - operating	**901,770**
CHANGE IN NET POSITION	528,075
Net position – beginning of year	6,711,784
NET POSITION – END OF YEAR	**$ 7,239,859**

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

Statement of Cash Flows
Proprietary Fund — Enterprise Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 468,443
Payments to suppliers	(571,369)
Payments to employees	(925,133)
Net cash used for operating activities	**(1,028,059)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal operating grants received	345,421
State and local operating grants received	8,054
Transfers to/from other funds	623,506
Receipts from other non-operating activities	75
Net cash flows from non-capital financing activities	**977,056**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the issuance of debts	1,182,611
Proceeds from disposition of capital assets	428
Federal capital grants	430,504
State and local capital grants	25,649
Transfer from other funds for capital project reimbursements	681,513
Payments for matured bonds and notes payable	(626,044)
Acquisition and construction of capital assets	(1,641,586)
Interest paid	(96,792)
Net cash used for capital and related financing activities	**(43,717)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturity of investments	7,295,647
Purchase of investments	(7,402,883)
Investment earnings	8,345
Net cash flows from investing activities	**(98,891)**
Net increase in cash and cash equivalents	**(193,611)**
Cash and cash equivalents - beginning of year	**660,365**
Cash and cash equivalents - end of year	**$ 466,754**

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	**$**	**(1,616,154)**
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		497,026
Other non-operating revenue		9,672
Decrease in receivables		18,172
Increase in prepaid and other current assets		(1,334)
Decrease in inventories		4,583
Increase in deferred outflows from pension		(154,634)
Increase in accounts payables and accrued liabilities		35,155
Decrease in pollution remediation obligation		(63)
Increase in compensated absences payable		5,529
Increase in claims payable		5,002
Increase in net OPEB obligation		72,431
Increase in net pension liability		169,096
Decrease in other current liabilities		(47,390)
Decrease in unearned revenues and deferred credits		(3,257)
Decrease in deferred inflows from pension		(21,893)
Total adjustments		**588,095**
Net cash used for operating activities	**$**	**(1,028,059)**
Non-cash investing, capital and financing transactions:		
Interest accretion on lease/leaseback obligations	$	19,634
Interest accretion on notes payable included in capital assets	$	7,635
Gain on disposition of assets	$	427
Bond premium/discount amortization	$	29,879
Capital assets included in accounts payable and accrued liabilities	$	71,968
Net appreciation in fair value of investments	$	121
Capital grants and contributions included in intergovernmental receivable	$	152,329

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

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

June 30, 2016 (Amounts expressed in thousands)

ASSETS	
Cash and cash equivalents	$ 39,223
Investments:	
Bonds	214,674
Domestic stocks	196,785
Non-domestic stocks	9,542
Pooled investments	1,068,055
Receivables:	
Member contributions	1,363
Securities sold	1,453
Interest and dividends	1,766
Prepaid items and other assets	43
Total assets	**1,532,904**
LIABILITIES	
Accounts payable and other liabilities	1,431
Securities purchased	8,073
Total liabilities	**9,504**
NET POSITION	
Held in trust for pension and OPEB benefits	**$ 1,523,400**

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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

ADDITIONS	
Contributions:	
Employer	$ 86,015
Member	31,257
Total Contributions	**117,272**
From investing activities:	
Net decline in fair value of investments	(23,210)
Investment income	22,781
Investment expense	(4,913)
Other income	1,029
Total investing activities	**(4,313)**
Total additions	**112,959**
DEDUCTIONS	
Retiree benefits	102,168
Administrative expenses	1,899
Total deductions	**104,067**
Net increase in net position	**8,892**
NET POSITION – BEGINNING OF YEAR	**1,514,508**
NET POSITION – END OF YEAR	**$ 1,523,400**

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

Notes to the Financial Statements

June 30, 2016

The notes to the basic 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.

Notes to the Financial Statements

June 30, 2016

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 95-station Metro Rail system. The first phase of the project runs 8.6 miles from the 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 the 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 second phase commenced revenue operations in 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. The expected revenue operation of this project is October 2019.

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, Financial Statements and Management's Discussion and Analysis for State and Local Governments, consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

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.

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 revenue of the current fiscal period and reported in the government-wide financial statements.

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 bus and rail operations, the Union Station leasing program, and the Metro ExpressLanes operations, 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.

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 operate within Union Station's facilities. There are also private businesses providing food services and general merchandising within Union Station facilities. Union Station's activities associated with the rental of spaces and parking 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. 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 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; and 3) 40% is allocated to county-wide operators at the discretion of LACMTA.

> **Proposition C –** The "Los Angeles County Anti-Gridlock Transit Improvement Fund" is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on April 1, 1991. Revenues collected are to be allocated: 1) 5% to improve and expand rail and bus security; 2) 10% for Commuter Rail and construction of transit centers, park-and-ride lots and freeway bus stops; 3) 20% to local jurisdictions for public transit and related services; 4) 25% for essential county-wide transit-related improvements to freeways and state highways; and 5) 40% to improve and expand rail and bus transit county-wide.

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

> **Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) –** This fund is part of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. This fund is intended to pay for projects 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 nonmajor 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 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* and GASB Statement No. 72, *Fair Value Measurement and Application*. Investments are stated at fair value based on the fair value hierarchy. 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 Fund Net Position for the Proprietary fund.

> **Cash and Cash Equivalents**

LACMTA considers all highly liquid investments with maturities of 90 days or less at the reporting date to be cash and cash equivalents because they are readily convertible to known amounts of cash and are 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 exists an imposed restriction through enabling legislation.

> **Non-current Restricted Cash, Cash Equivalents, and Investments**

In accordance with GASB 62, certain restricted cash, cash equivalents, and investments are non-current as these funds are restricted as to withdrawal or use for other than current operations, 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 Federal agencies 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 the California Department of Transportation. Other local receivables arise from certain local cities and municipalities who partner with LACMTA for certain projects that affect their local corridors.

Internal Balances

All outstanding balances between funds at the end 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 the 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 acquisition value.

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 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.

Employees' 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-Contract employees and Teamsters.

For financial reporting purposes, the CalPERS administered Miscellaneous Plan and the five LACMTA self-administered Retirement Plans' net pension liability is measured by the pension plans' total pension liability at the close of the last fiscal year and rolled forward from information based on the actuarial valuation reports dated no more than twenty-four months prior to the current fiscal year end.

Additional detailed information on LACMTA's Employees' Retirement Plans can be found on pages 74- 83.

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 gains/losses are recognized as current period expenditures.

Deferred Outflows/Inflows of Resources on Pensions
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 pensions:

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 Employees 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 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 of resources in the Statement of Net Position and amortized over the life of the old or the new debt, whichever is shorter.

Deferred Revenue

National Council on Governmental Accounting (NCGA) 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 inflows 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 revenues 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.

Fund Balances

LACMTA reports its fund balances in various categories based on the nature of the limitations requiring the use of resources for specific purpose. LACMTA classifies 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, by the creditors, or by the regulations of other governments. Propositions A, C and Measure R sales taxes are restricted by the ordinances that created the taxes. Funds received from PTMISEA, TDA, STA, SAFE, and other grants are restricted by the grantors 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 from multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and then unassigned.

E. EFFECTS OF NEW PRONOUNCEMENTS

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

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 statements. 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 implemented the new reporting requirement for the fiscal year ended June 30, 2016. The adoption of this statement had no effect on LACMTA's net position or changes therein, but it did require additional footnote disclosures.

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 Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68). The requirements in Statement No. 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. The reporting requirements of GASB 73 had no effect on LACMTA.

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 No. 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 the 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 its postemployment benefit plans 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 No. 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. This 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 implemented the new reporting requirements for the fiscal year ended June 30, 2016. The adoption of this statement had no effect on LACMTA's net position or changes therein.

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 employees of state or local governmental employers through a cost-sharing multiple-employer defined 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, if applicable.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria addresses; 1) how the external investment pool transacts with participants; 2) requirements for portfolio maturity, quality, diversification, and liquidity; and 3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. An external investment pool that does not meet the criteria established by this statement will apply the provisions in paragraph 13 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. LACMTA implemented the new reporting requirements for the fiscal year ended June 30, 2016. The adoption of this statement had no effect on LACMTA's net position or changes therein.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017, if applicable.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2018, if applicable.

In March 2016, GASB issued Statement No. 82, *Pension Issues - An amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding: 1) the presentation of payroll-related measures in required supplementary information; 2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2017.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for AROs. The determination of a when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and to be adjusted for the effects of general inflation or deflation at least annually. This Statement also requires disclosure of information about the nature of a government ARO, the methods and assumption used for the estimate of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting period beginning after June 15, 2018. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2019, if applicable.

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 and prioritizing the requests. The capital budget process is usually concluded by the end of November or early December. In December, the CEO establishes- or updates core missions and 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. The Office of Management and Budget (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 approves 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 governmental 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.

Notes to the Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

As of June 30, 2016, the following are LACMTA's cash and investments:

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Cash deposits	$ 37,148	$ 21,119	$ 58,267
State/county investment pool	43,847	299,183	343,030
Debt securities:			
Medium term notes	34,484	76,873	111,357
Mortgage back securities	2,103	11,635	13,738
Commercial paper	18,780	90,040	108,820
Asset backed securities	14,085	35,688	49,773
Fixed income:			
Mutual funds and marketable securities	422,148	150,175	572,323
U.S. Agencies securities	146,619	303,492	450,111
U.S. Treasury obligations	232,706	182,441	415,147
Total cash and investments	**$ 951,920**	**$ 1,170,646**	**$ 2,122,566**

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Reported in the Statement of Net Position and Balance Sheet:			
Cash and cash equivalents – unrestricted, current	$ 137,677	$ 662,875	$ 800,552
Cash and cash equivalents – restricted, current	207,378	940	208,318
Investments - unrestricted, current	263,039	506,831	769,870
Investment - restricted, current	4,465	-	4,465
Cash and cash equivalents - restricted, noncurrent	121,699	-	121,699
Investments - restricted, noncurrent	217,662	-	217,662
Total cash and investments	**$ 951,920**	**$ 1,170,646**	**$ 2,122,566**

Note: A portion of LACMTA's investments are classified as cash and cash equivalents on the Statement of Net Position and the Balance Sheet based on their maturity date.

Notes to the Financial Statements

June 30, 2016

As of June 30, 2016, the following are LACMTA's investments sets forth by level, within the fair value hierarchy:

	BUSINESS-TYPE ACTIVITIES			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Debt Securities:				
Medium term notes	$ -	$ 34,484	$ -	$ 34,484
Mortgage backed securities	-	2,103	-	2,103
Commercial papers	-	18,780	-	18,780
Asset backed securities	-	14,085	-	14,085
Fixed Income:				
Pooled funds and mutual funds	33,694	388,454	-	422,148
U.S. Agencies securities	-	146,619	-	146,619
U.S. Treasury obligations	232,706	-	-	232,706
Total	**$ 266,400**	**$ 604,525**	**$ -**	**$ 870,925**

Notes to the Financial Statements

June 30, 2016

GOVERNMENT ACTIVITIES				TOTAL			
LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
$ -	$ 76,873	$ -	$ 76,873	$ -	$ 111,357	$ -	$ 111,357
-	11,635	-	11,635	-	13,738	-	13,738
-	90,040	-	90,040	-	108,820	-	108,820
-	35,688	-	35,688	-	49,773	-	49,773
-	150,175	-	150,175	33,694	538,629	-	572,323
-	303,492	-	303,492	-	450,111	-	450,111
182,441	-	-	182,441	415,147	-	-	415,147
$ 182,441	**$ 667,903**	**$ -**	**$ 850,344**	**$ 448,841**	**$ 1,272,428**	**$ -**	**$ 1,721,269**

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 that 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 statements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the agency has the ability to access.

Level 2 – Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Typically, the fair value reflects management's estimates of assumptions that market participants would use in pricing the asset or liability.

U.S. Treasury obligations and some marketable securities are classified as Level 1 and are valued using prices in active markets for identical assets. Debt securities, mutual funds and marketable securities, and U.S. Agencies securities are classified as Level 2 and are valued using inputs that are observable but not active using the market approach. These inputs include matrix pricing models and comparisons to prices of similar assets.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level (in terms of reliability) of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investment Policy

LACMTA internally pools 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 investments account is presented as cash and investments 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. For purposes of the Statement of Net Position, Balance Sheet, and Statement of Cash Flows, all highly liquid investments, including restricted assets with maturity date of 90 days or less from reporting 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 28, 2016, 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.

Notes to the Financial Statements
June 30, 2016

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. LACMTA's investment policy is applicable to the cash deposits and investments. Bond proceeds and debt service investment accounts are governed by LACMTA's debt 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	MAXIMUM MINIMUM RATINGS
Bonds issued by LACMTA	5 years	No limit	No limit	None
U.S. Treasury obligations	5 years	No limit	No limit	None
U.S. Unsecured unsubordinated obligations	5 years	30%	10%	AA
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%	AAA/Aaa short term or A-1/P-1 long term
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
- Cash equivalents and investments – unrestricted
- Cash equivalents and investments – restricted

Cash Deposits
As of June 30, 2016, LACMTA's carrying amount of cash comprises $1,006 in cash on hand and $57,261 in checking accounts for a combined total of $58,267. LACMTA's total bank balance was $56,278 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.

LACMTA is a voluntary participant for its investments with the California Local Agency Investment Fund (LAIF) totaled $98,899. The LAIF Advisory Board, whose Chairman is the State Treasurer or designee, provides regulatory oversight for the LAIF.

The net position value of involuntary participation in Los Angeles County Investment Pool (LACIP) totaled $244,131 as of June 30, 2016. The County Board of Supervisors provides regulatory oversight for LACIP.

The value of position in the pool for both the LAIF and the LACIP is the same as the LACMTA's value of the pool shares and is reported at amortized cost.

Cash and Investments – Unrestricted
As of June 30, 2016, LACMTA had the following unrestricted investments:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE DURATION (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Asset-backed securities	$ 49,773	0.0383	4.26%	Not Rated to AAA
Commercial paper	108,820	0.0090	9.31%	Not Rated
Medium-term notes	111,357	0.0643	9.52%	BBB+ to AA+
Mortgage-backed securities	13,738	0.0324	1.18%	Not Rated
Mutual funds & marketable securities	205,911	0.2817	17.61%	Not Rated to AAA
U.S. Agency securities	411,837	0.5511	35.22%	Not Rated to AA+
U.S. Treasury obligations	267,689	0.4613	22.90%	Not Rated to AAA
Total	**$ 1,169,125**		**100.00%**	
Portfolio weighted average duration		**1.4381**		

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

Cash and Investments – Restricted
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, 2016:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITIES (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Mutual funds & marketable securities	$ 366,412	0.3233	66.36%	Not Rated
U.S. Agency securities	38,274	0.0024	6.93%	Not Rated
U.S. Treasury obligations	147,458	0.0693	26.71%	Not Rated to AAA
Total	**$ 552,144**		**100.00%**	
Portfolio weighted average maturities		**0.39500**		

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:

Notes to the Financial Statements

June 30, 2016

> 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 investments 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 did not have any holdings meeting or exceeding these threshold levels as of June 30, 2016.

As of June 30, 2016, LACMTA did not have any investments with more than 5% of the total investments under one issuer except for the following U.S. Agency securities and money market mutual funds or obligations explicitly guaranteed by the U.S. government. The following table presents investments with 5% or more of the total investments:

	TOTAL	CONCENTRATION OF CREDIT RISK
Federal Home Loan Bank (FHLB)	$ 190,431	11.06%
First American	234,049	13.60%
Federal National Mortgage Association (FNMA)	159,496	9.27%

> 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 LACMTA in the trust department or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between LACMTA and the financial institution.

> Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. LACMTA measures interest rate risk on its short-term investments using the effective duration method. LACMTA maintains a policy requiring that 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 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, 2016, there was no exposure to foreign currency risk as all LACMTA cash deposits and investments are denominated in U.S. dollar currency.

B. RECEIVABLES

Receivables as of June 30, 2016, 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	$ 46,735	$ 9,325	$ 56,060
Interest	1,589	5,142	6,731
Intergovernmental	249,527	90,360	339,887
Sales Tax	-	529,696	529,696
Notes	2,422	12,000	14,422
Leases and other	59	-	59
Gross Receivables	300,332	646,523	946,855
Less: Allowances for doubtful accounts	(987)	-	(987)
Receivables, net	**$ 299,345**	**$ 646,523**	**$ 945,868**

Receivables as of June 30, 2016 for governmental activities by individual major funds and nonmajor funds are as follows:

	RECEIVABLES					
FUND NAME	ACCOUNTS	INTEREST	INTER-GOVERNMENTAL	SALES TAX	NOTES	TOTAL
General Fund	$ 6,950	$ 1,993	$ 6,781	$ -	$ 4,000	$ 19,724
Prop A	-	-	-	139,506	-	139,506
Prop C	-	639	81,821	139,522	-	221,982
Measure R	2,375	2,209	327	139,677	8,000	152,588
TDA	-	199	-	70,633	-	70,832
STA	-	13	-	40,358	-	40,371
Other Governmental	-	89	1,431	-	-	1,520
Total	**$ 9,325**	**$ 5,142**	**$ 90,360**	**$ 529,696**	**$ 12,000**	**$ 646,523**

Notes to the Financial Statements

June 30, 2016

C. INTERNAL BALANCES

The following is a summary of the amounts due to other funds and due from other funds at June 30, 2016:

	DUE FROM OTHER FUNDS							
DUE TO OTHER FUNDS	ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	MEAURE R	PTMISEA	OTHER	TOTAL
General Fund	$ 6,786	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,786
Prop A	55,036	-		-	-	-	-	55,036
Prop C	61,160	-	-	-	-	-	-	61,160
Measure R	23,735	5,800	-	-	-	-	-	29,535
PTMISEA	19,452	-	-	-	-	-	-	19,452
TDA	143,050	-	-	-	-	-	-	143,050
STA	56,862	-	-	-	-	-	-	56,862
Other Governmental	1,191	-	-	-	-	-	-	1,191
Enterprise Fund	(367,272)	450,988	37,656	-	5,876	-	-	127,248
Total	**$ -**	**$456,788**	**$ 37,656**	**$ -**	**$ 5,876**	**$ -**	**$ -**	**$500,320**

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 were reported in the government-wide statement of net position.

Transfers in and out by fund for the fiscal year ended June 30, 2016 were as follows:

	TRANSFERS IN					
TRANSFERS OUT	ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	MEASURE R	GRAND TOTAL
General Fund	$ 71,361	$ -	$ -	$ 7,353	$ 2,850	$ 81,564
Prop A	633,276	40,282	-	-	-	673,558
Prop C	186,465	21,320	451	-	52,475	260,711
Measure R	330,717	509	-	9,146	-	340,372
PTMISEA	68,612	-	-	-	-	68,612
TDA	174,235	13,198	-	-	-	187,433
STA	92,509	-	-	-	-	92,509
Other Governmental	13,283	-	-	2,243	-	15,526
Enterprise Fund	(42,782) (1)	1,899	-	26,555	14,328	-
Grand Total	**$ 1,527,676**	**$ 77,208**	**$ 451**	**$ 45,297**	**$ 69,653**	**$ 1,720,285**

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

The following transfers were made out of funds receiving revenues to the funds where they were spent:

General fund transfers to the Enterprise fund were funding for bus and rail operations and bus and rail capital projects, majority of which were for the Westside Purple Line Extension Section 1; transfers to the Proposition C fund were for long-term debt service payments and Caltrans planning highway projects; and majority of the transfers to Measure R fund were for a planning project related to the Metro Gold Line Foothill Extension Phase II.

Proposition A fund fund transfers to the Enterprise fund were for bus and rail operations and maintenance, long-term debt principal and interest payments, and for bus and rail capital projects; transfers to the General fund represents the 1.5% administration portion of Proposition A sales tax revenues collected.

Proposition C fund transfers to the Enterprise fund were for bus and rail operations and maintenance, long-term debt principal and interest payments, and bus and rail capital projects; transfers to the General fund represent the 1.5% administration portion of Proposition C sales tax revenues collected and for other planning projects mostly related to rideshwere services; transfers to Proposition A represent recognition of growth over inflation in FY15; transfers to Measure R fund were funding for freeway related projects.

Measure R fund fund transfers to the Enterprise fund were for bus and rail operations and maintenance, long-term debt principal and interest payments and funding for bus and rail capital projects mostly on the construction of the Gold Line Foothill Extension Phase II, the Westside Purple Line Extension Section 1 and the EXPO Line Phase II; transfers to the General fund were mostly for planning projects such as the highway/goods movement package; and transfers to the Proposition C fund were for freeway planning projects.

PTMISEA fund transfers to the Enterprise fund were for the Regional Connector Transit Corridor and the EXPO Line Phase II projects.

TDA fund transfers to the Enterprise fund were for bus and rail operations and maintenance and for bus and rail capital projects; transfers to the General fund were for the administrative portion of TDA allocable to the General fund and the Union Station renovation project.

STA fund transfers to the Enterprise fund were mainly for bus and rail operations and maintenance.

Other fund transfers to the Enterprise fund were for bus and rail capital projects funded by Proposition 1B Transit Security and Systems fund and operating assistance for the newly opened Gold Line Foothill Extension Phase II; transfers to the the Proposition C fund by the Service Authority Freeway Emergencies (SAFE) is for the operation of the Freeway Service Patrol.

The transfers from the Enterprise fund's bond proceeds were used to fund HOV lane improvements and major highway projects.

Notes to the Financial Statements

June 30, 2016

D. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	BALANCE JULY 1, 2015	INCREASES	DECREASES	BALANCE JUNE 30, 2016
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 961,549	$ 228,847	$ -	$ 1,190,396
Construction in progress	3,921,029	1,168,189	(2,133,272)	2,955,946
Total capital assets, not being depreciated	**4,882,578**	**1,397,036**	**(2,133,272)**	**4,146,342**
Capital assets, being depreciated:				
Buildings and improvements	8,786,111	2,067,987	-	10,854,098
Equipment	714,899	33,160	-	748,059
Vehicles	2,327,344	212,339	(74,910)	2,464,773
Total capital assets, being depreciated	**11,828,354**	**2,313,486**	**(74,910)**	**14,066,930**
Less accumulated depreciation for:				
Buildings and improvements	(3,936,371)	(316,229)	-	(4,252,600)
Equipment	(679,621)	(16,227)	-	(695,848)
Vehicles	(1,391,583)	(164,570)	74,910	(1,481,243)
Total accumulated depreciation	**(6,007,575)**	**(497,026)**	**74,910**	**(6,429,691)**
Total capital assets, being depreciated, net	**5,820,779**	**1,816,460**	**-**	**7,637,239**
Business-type activities capital assets	**10,703,357**	**3,213,496**	**(2,133,272)**	**11,783,581**
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	769,942	-	(108)	769,834
Governmental activities capital assets	**769,942**	**-**	**(108)**	**769,834**
Total capital assets	**$ 11,473,299**	**$ 3,213,496**	**$ (2,133,380)**	**$ 12,553,415**

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

BUSINESS-TYPE ACTIVITIES	
Bus operations	$ 490,863
Union Station operations	2,391
Toll operations	3,772
Total depreciation expense – Business-type activities	**$ 497,026**

During the fiscal year, the total interest cost incurred amounted to $121,399, of which $61,635 has been capitalized and reported in the construction in progress account.

Notes to the Financial Statements

June 30, 2016

E. LONG-TERM LIABILITIES

As discussed in more detail in Notes F, G, and L, the following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2016.

	BALANCE JULY 1, 2015	ADDITION	REDUCTION	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Long-term debt	$ 4,004,932	$ 1,209,879	$ 720,644	$ 4,494,167	$ 205,591
Claims payable	295,300	100,661	95,659	300,302	95,659
Compensated absences payable	91,606	79,293	73,765	97,134	73,433
Total business-type activities	4,391,838	1,389,833	890,068	4,891,603	374,683
GOVERNMENTAL ACTIVITIES					
Bonds payable	18,870	-	1,241	17,629	1,303
Total long-term liabilities	$ 4,410,708	$ 1,389,833	$ 891,309	$ 4,909,232	$ 375,986

F. CLAIMS PAYABLE (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, 2016 will be sufficient to cover any costs arising from claims filed, or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent actuarial estimate of reserves required for unsettled claims including losses that have been incurred but not reported and legal expenses but excluding direct administration costs both by LACMTA employees and third party administrators.

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June 30, 2016

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 $11.1 billion on a probable maximum loss basis with policy limits of $400,000 for damages ($150,000 for flood damages). Earthquake coverage is not included in the current program structure. LACMTA does not set aside funds to cover potential gaps in property insurance coverage in case of losses. As of June 30, 2016, a designated investment has been set aside in the amount of $101,103 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2016, a designated investment has been set aside in the amount of $199,199 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, 2016 and 2015:

	PROPERTY & CASUALTY		WORKERS' COMPENSATION		TOTAL	
	2016	2015	2016	2015	2016	2015
Unpaid claims and claim adjustment reserves – beginning of year	$ 100,359	$ 100,772	$ 194,941	$ 190,289	$ 295,300	$ 291,061
Provisions for insured events	39,740	30,777	53,348	58,428	93,088	89,205
Interest income	2,475	1,560	5,098	1,078	7,573	2,638
Total incurred claims and claims adjustment expense	**142,574**	**133,109**	**253,387**	**249,795**	**395,961**	**382,904**
Payment attributable to insured events	(41,471)	(32,750)	(54,188)	(54,854)	(95,659)	(87,604)
Total unpaid claims and claim adjustment reserves – end of year	**$ 101,103**	**$ 100,359**	**$ 199,199**	**$ 194,941**	**$ 300,302**	**$ 295,300**

As of June 30, 2016, $95,659 of the total claims liability is considered current. Claims Payable is reported in the Statement of Net Position in the Proprietary fund.

G. COMPENSATED ABSENCES

LACMTA's and PTSC's contract employees represented by the Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD), the Amalgamated Transportation Union (ATU), the Transportation Communications Union (TCU), the American Federation of State, County and 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 SMART-TD if notice is given by April 1. Otherwise, unused vacation hours earned for the year are paid off on May 31. SMART-TD, 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 NC 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. If an employee covered by a collective bargaining agreement accepts a regular NC or AFSCME position, any sick hours that normally would be awarded on the next anniversary date of employment will be prorated and placed in a frozen sick leave account. The normal annual accrual rate is pursuant to the respective collective bargaining agreement. In addition, the amount of prior sick hours earned under a union plan shall be placed in the employee's frozen sick account.

The following is a summary of the compensated absences payable for the year ended June 30, 2016:

	BALANCE JULY 1, 2015	EARNED	USED	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
Union Employees:					
Vacation leave	$ 27,198	$ 30,180	$ (27,662)	$ 29,716	$ 27,662
Sick leave	33,611	16,103	(15,144)	34,570	15,106
TOWP	8,343	10,786	(9,870)	9,259	9,818
Sub-total	**69,152**	**57,069**	**(52,676)**	**73,545**	**52,586**
Non-Union Employees:					
Vacation leave	562	36	(208)	390	208
Sick leave	2,402	225	(369)	2,258	369
TOWP	19,490	21,963	(20,512)	20,941	20,270
Sub-total	**22,454**	**22,224**	**(21,089)**	**23,589**	**20,847**
Total	**$ 91,606**	**$ 79,293**	**$ (73,765)**	**$ 97,134**	**$ 73,433**

As of June 30, 2016, $73,433 of the compensated absences payable is considered current. The compensated absences payable is reported in the Statement of Net Position in the Proprietary Fund.

H. DEFERRED COMPENSATION AND 401(k) SAVINGS PLAN

457 Deferred Compensation Plan – LACMTA and PTSC have deferred compensation plans 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 the plans, employees may contribute up to the lesser of $18,000 (not in thousands) or 100% of their earnings, in calendar year 2016. 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, 2016. Employees eligible for retirement within three years can also contribute up to an additional $36,000 (not in thousands). Under the "catch-up provision" if they have not previously participated for some portion of their eligibility period. The MTA 457 Deferred Compensation Plan and the PTSC 457 Deferred Compensation Plan were established by the LACMTA Board of Directors and the PTSC Board of Directors, respectively, which have delegated the authority, power, rights, duties and fiduciary responsibility in administering the plans to the LACMTA/PTSC Joint Defined Contribution Committee.

The plans are managed by a third-party plan administrator and trustee, ICMA Retirement Corporation. 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, death, or unforeseeable emergency. In the opinion of management, LACMTA and PTSC have no liability for any losses under the plan, but do 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 and PTSC do not match employees' contributions to the deferred compensation plan. As of June 30, 2016, the deferred compensation plans had assets stated at fair value of $311,861.

401(k) Savings Plan – LACMTA and PTSC also offer deferred savings plans to all employees created in accordance with IRC Section 401(k). Under the plans, employees may contribute up to the lesser of $18,000 (not in thousands) or 100% of their earnings in calendar year 2016. 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, 2016.

The MTA 401(k) Defined Contribution Thrift Plan and the PTSC 401(k) Defined Contribution Thrift Plan were established by the LACMTA Board of Directors and the PTSC Board of Directors, respectively, which have delegated the authority, power, rights, duties and fiduciary responsibility in administering the plans to the LACMTA/PTSC Joint Defined Contribution Committee.

The plans are managed by a third-party plan administrator and trustee, ICMA Retirement Corporation, 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 hardship withdrawal. In the opinion of management, LACMTA and PTSC have no liability for any losses under the plan, but do 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 and PTSC do not match employees' contributions to the 401(k) savings plan. As of June 30, 2016, the 401(k) savings plan had assets at fair value totaling $389,219.

Employees may participate in both the 457 deferred compensation and the 401(k) savings plan. The maximum annual combined contribution per calendar year using both plans is $36,000 (not in thousands) if the employee is less than age 50. Also, the maximum annual combined contribution per calendar year using both plans is $48,000 (not in thousands) if an employee is age 50 or greater, or $60,000 (not in thousands) if an employee falls within the 457 plan catch-up provision and is 50 years old or older.

I. 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)

> **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 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 the 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 the CalPERS actuarial valuation report dated June 30, 2014:

Active employees	1,820
Inactive employees	578
Terminated employees	408
Retired members and beneficiaries	800
Total	**3,606**

Notes to the Financial Statements

June 30, 2016

> **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 the reporting fiscal year 2016, the contribution rate was 14.61% of covered-employee payroll and contributions totaled $27,306. This rate includes the mandatory employee contribution rate of 7.00% that is currently paid by PTSC for all Classic Members. PEPRA members pay 6.25% of covered-employee payroll which is 50% of the total normal cost of 12.50%..

> **Net Pension Liability**

The Plan's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The total pension liability was then rolled forward to June 30, 2015.

> **Actuarial Assumptions and Assumptions Used to Determine Total Pension Liability**

The June 30, 2015 total pension liability was 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	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% Net of pension plan investment expenses, includes inflation
Mortality rate table (1)	Derived using CalPERS' membership data for all Funds
Post-retirement benefit increases	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2014 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.

> **Change of Assumptions**

According to GASB 68, paragraph 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

(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.

> Discount Rate

The Plan used the long-term actuarially determined discount rate of 7.65% 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 employer's 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 7.65%. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

The long-term expected rate of return on the Plan investments was determined using a building-block 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	CURRENT TARGET ALLOCATIONS	REAL RETURN YEARS 1 - 10 [1]	REAL RETURN YEARS 11 + [2]
Global equity	51.00%	5.25%	5.71%
Global fixed income	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	(0.55)%	(1.05)%

> Changes in the Net Pension Liability

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET POSITION LIABILITY (a) - (b)
Balances at 6/30/2014	**$ 542,417**	**$ 487,705**	**$ 54,712**
Changes for the year:			
Service cost	23,238	-	23,238
Interest on the total pension liability	41,535	-	41,535
Change of assumptions	(10,299)	-	(10,299)
Difference between expected and actual	7,066	-	7,066
Contribution - employer	-	14,415	(14,415)
Contribution - employee	-	11,367	(11,367)
Net investment income	-	11,202	(11,202)
Benefit payments, including refunds of employee contributions	(15,729)	(15,729)	-
Administrative expense	-	(581)	581
Net changes during 2014 - 2015	**45,811**	**20,674**	**25,137**
Balance at June 30, 2015	**$ 588,228**	**$ 508,379**	**$ 79,849**

There were no significant changes between the measurement date at June 30, 2015 and the reporting date at June 30, 2016 that were known to management to have significant effect on the net pension liability.

(1) An expected inflation rate of 2.5% was used for this period.

(2) An expected inflation rate of 3.0% was used for this period.

Notes to the Financial Statements

June 30, 2016

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

The table below shows the sensitivity of the Plan's net pension liability as of the measurement date, calculated using the discount rate of 7.65%, and the changes of 1 percentage-point lower (6.65%) and 1 percentage-point higher (8.65%):

	DISCOUNT RATE - 1% 6.65%	CURRENT DISCOUNT RATE 7.65%	DISCOUNT RATE + 1% 8.65%
Plan's Net pension liability	$ 161,012	$ 79,849	$ 12,261

> **Pension Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report. 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, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

For the reporting fiscal year ended June 30, 2016, the plan recognized pension expense of $12,681. Pension expenses represent the changes in net pension liability recognized in the current reporting period adjusted for employee actual contributions, and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

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

The following are the sources of deferred outflows and deferred inflows of resources as of the measurement date at June 30, 2015:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes of assumption	$ -	$ (8,108)
Differences between expected and actual experiences	5,562	-
Net difference between projected and actual earnings on pension plan investments	21,121	(24,886)
Employer contributions for fiscal year 2016	27,306	-
Total	**$ 53,989**	**$ (32,994)**

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2015, totaling $27,306, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2017.

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expenses in future periods as follows:

MEASUREMENT PERIOD ENDED JUNE 30	DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
2016	$ (3,703)
2017	(3,703)
2018	(3,703)
2019	4,798
Total	**$ (6,311)**

> **Expected Average Remaining Service Lifetime (EARSL)**

At the June 30, 2015 measurement date, the EARSL for the Plan is 4.7 years. It was calculated by dividing the total service years of 17,070 (amount not in thousands) which represents the sum of remaining service lifetimes of the active employees, by 3,606 (amount not in thousands) which represents the total number of participants, including active, inactive, and retired. Inactive employees and retirees have remaining service lifetimes equal to zero. Also, total future service reflects the probability of decrements resulting from events other than receiving a cash refund.

LACMTA-ADMINISTERED PENSION PLANS

> **Plan Description**

LACMTA established and administers five single-employer defined benefit plans, referring to collectively as the " Plans", that provide pension, disability, and death benefits to full-time employees in a work classification covered under collective bargaining agreements with the Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD) as the successor to the United Transportation Communication (UTU), the Transportation Communication Union (TCU), the Amalgamated Transit Union (ATU), the Non-Contract (NC), and the American Federation of State, County and Municipal Employees (AFSCME). The assets of the five Plans are pooled together for investment purposes, but separate accounts are maintained for each individual retirement plan to pay for their benefits and other liabilities.

An annual audited stand-alone financial report for the Plans and 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. SMART-TD 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 SMART-TD, 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 benefits, but receive an 8% higher benefits. For the ATU employees, the benefit increases beginning with 23 years of service and increases from there.

All SMART-TD, 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 SMART-TD, TCU, and ATU employees equal member contributions with 5.5% interest and if vested, spouse will receive instead benefits payable under 100% Joint and Survivor (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 earn at the date of death multiplied by years of service not to exceed six years and if eligible with 10 years of service, the spouse will receive instead benefits 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/she had retired on the date of death goes to surviving children.

> **Employees covered by benefit terms**

The table below shows the number (not in thousands) of current employees accruing benefits and retirees and beneficiaries receiving benefits based on the actuarial valuations as of December 31, 2014, and January 1, 2015 for ATU:

	SMART – TD	TCU	ATU	NC	AFSCME	TOTAL
Retirees and beneficiaries receiving benefits and terminated/transferred employees entitled to receive benefits	2,591	497	1,266	1,174	163	5,691
Active employees accruing benefits under CalPERS	n/a	n/a	n/a	244	52	296
Active employees:						
Vested	1,348	295	1,044	35	39	2,761
Non-vested	2,325	439	1,005	-	-	3,769
Total	**6,264**	**1,231**	**3,315**	**1,453**	**254**	**12,517**

> **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 for the ATU Plan which changed the actuarial cost method from Projected Unit Credit Method to Entry Age Normal effective January 1, 2013.

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

The required contributions of LACMTA and its employees for FY16 were actuarially determined by the funding valuation reports dated December 31, 2014 for the SMART-TD, TCU, AFSCME, and NC retirement plans, and January 1, 2015 for the ATU retirement plan. The actuarially required contribution rate of salary for ATU employees is 6.82% , TCU plan is 7.00%, and SMART-TD is 9.96%, LACMTA's required contributions for the ATU Plan was 17.82% of covered payroll. The plans covering SMART-TD, TCU, AFSCME, and Non-Contract, the contributions were determined to be \$5,615, \$21,369, \$4,531, and \$1,638, respectively. LACMTA's actual contributions for all plans covering SMART-TD, TCU, AFSCME, NC, and ATU were \$ \$21,369, \$5,615, \$1,638, \$4,531, and \$22,781, respectively.

> **Net Pension Liability**

Net pension liabilities for the SMART-TD, TCU, AFSCME and NC pension plans were measured as of June 30, 2015 and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2014 based on the an actuarial experience study for the period from January 1, 2011 to December 31, 2014.

The ATU pension plan net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 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 the June 30, 2015 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.

> **Actuarial assumptions**

The table below summarizes the actuarial methods and assumptions applied to all periods included in the measurements as of June 30, 2015 as applicable to the plans:

ACTUARIAL COST METHOD	SMART-TD / TCU / AFSCME / NC	ATU
Actuarial assumption:	**Entry age normal**	**Early age normal**
Discount rate	7.00%	7.00%
Inflation	3.00%	2.50%
Salary growth rate	Varies by age	2.25% - 12.00% (4.25% across the board, 2015-2017)
Long term expected return on assets	7.00% net of investment expense and gross of administrative expense	7.00% net of investment expense and gross of administrative expense
Mortality	RP-2014 Blue Collar with generationally projected improvements using scale MP-2014	Healthy: RP-2014 Blue collar mortality tables for healthy employees and annuitants, projected to 2022 using scale BB; Disabled: RP-2014 disability table

> **Change of Assumptions**

For the measurement date of June 30, 2015, the mortality assumption was changed from the RP-2000 Blue Collar mortality table, with projected mortality improvements to 2025 by scale 2025 by scale AA, to the RP-2014 Blue Collar mortality table, with generational projected improvements with scale MP-2014. The change was effective for the SMART-TD, TCU, AFSCME, and NC plans. There was no mortality change for the ATU plan.

Additionally, the following changes were made at June 30, 2015 for the specific plans listed:

SMART-TD – The percentage of participants assumed to elect lump sums was decreased from 35% to 30%, the age-based termination rates were increased, and retirement rates were increased at service levels of 23 to 29 years.

TCU – Retirement rates changed at service levels of less than 25 years. The retirement rate at exactly 23 years of service was increased and the retirement rates at all other service levels were decreased.

AFSCME and NC – The percentage of participants assumed to elect lump sums decreased from 30% to 25% and the age-based termination rates were increased. Additionally, the age-based rates now apply to all new Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate at 30 years of service was increased (now only applies to the old Plan participants).

ATU – The discount rate assumption decreased from 7.50% to 7.00% to better reflect the long-term return expectations for the ATU plan over the 30 year horizon. In addition, the salary assumption was updated to reflect negotiated rate increases over the next three years (2015-2017).

> **Discount Rate**

SMART-TD, ATU, TCU, AFSCME, and NC plans used the long-term actuarially determined discount rate of 7.00% 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 SMART-TD, TCU, AFSCME, and NC retirement plans long-term expected rate of return on pension plan investments was based on the actuary's proprietary January 1, 2015 capital market simulation model, where each return represents a 20-year geometric real return, (i.e. net of inflation).

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 and reflect long-term expected real rates of return over a 30-year horizon.

Summarized below are the long term real rates of return by asset class of the Plans:

ASSET CLASS	TCU/AFSCME/SMART-TD/NC LONG-TERM EXPECTED REAL RATE	ATU LONG-TERM EXPECTED REAL RATE	ALL PLANS TARGET ASSET ALLOCATION
Domestic equities	5.20%	7.17%	39.00%
International equities	5.80%	12.13%	23.00%
Fixed income	0.90%	3.13%	29.00%
Real Estate	3.50%	6.15%	5.00%
Alternative investments	3.90%	5.95%	3.00%
Cash equivalents	0.30%	2.10%	1.00%

> Changes in the Net Pension Liability

Presented below is the aggregate changes in the pension plans' net pension liabilities for measurement period of July 1, 2014 to June 30, 2015.

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITIES	FIDUCIARY NET POSITION	NET POSITION LIABILITIES
Balances at June 30, 2014	$ 1,481,009	$ 1,217,498	$ 263,511
Changes for the year:			
Service cost	37,539	-	37,539
Interest	105,591	-	105,591
Demographic (gains)/losses	22,692	-	22,692
Difference between expected & actual experience	1,060	-	1,060
Assumption changes	68,974	-	68,974
Employer contributions	-	51,419	(51,419)
Employee contributions	-	27,435	(27,435)
Net investment income	-	14,659	(14,659)
Benefit payments, including refunds	(84,151)	(84,151)	-
Administrative expense	-	(1,617)	1,617
Net changes during 2014 - 2015	**151,705**	**7,745**	**143,960**
Balances at June 30, 2015	**$ 1,632,714**	**$ 1,225,243**	**$ 407,471**

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, 2016.

> 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 percentage-point lower or 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%)
SMART-TD	$ 287,310	$ 209,686	$ 144,919
ATU	162,531	110,492	66,484
TCU	55,763	40,454	27,703
NC	48,478	34,579	22,676
AFSCME	18,043	12,262	7,325

> Pension Plan's Fiduciary Net Position

Detailed information about the Plans' 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, & Deferred Inflows of Resources Related to Pension

For reporting fiscal year ended June 30, 2016, LACMTA recognized pension expense of $52,285, which represents the change in net pension liability during the measurement period, adjusted for employee contributions and deferred recognition of changes in investment gain/loss, demographics and assumption changes.

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.

The following are the sources of deferred outflows of resources and deferred inflows of resources as of the measurement date at June 30, 2015:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes of assumptions	$ 53,269	$ -
Differences between expected and actual experiences	18,758	(1,382)
Net difference between projected and actual earnings on pension plan investments	57,808	(63,971)
Employer contributions for fiscal year 2016	55,934	-
Total	**$ 185,769**	**$ (65,353)**

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2015 totaling $55,934, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2017.

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

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

MEASUREMENT PERIOD ENDED JUNE 30	DEFERRED OUTFLOWS / INFLOWS OF RESOURCES
2016	$ 8,457
2017	8,457
2018	8,457
2019	29,303
2020	9,098
2021	710
Total	**$ 64,482**

> **Payable to the Pension Plan**

At June 30, 2016, the pension plans reported a net receivable of $709 for the outstanding amount of Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2016.

> **Aggregate Pension Expense**

For FY16, LACMTA recognized aggregate pension expenses of $64,966 across all five LACMTA administered pension plans and the Miscellaneous plan administered by CalPERS.

J. 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 SMART-TD. 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 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 the fair value hierarchy 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 contributions are $80 per month for retirees less than 65 years of age and $60 per month for retirees more than 65 years of age. TCU contributions are $45 per month with an additional contributions of $15 per month for dependent coverage for retirees less than 65 years of age. There are no required contributions for retirees more than 65 years of age. SMART -TD contributions are $100 per month with no additional contribution for dependent coverage for retirees less than 65 years of age. There are no required contributions for retirees more than 65 years of age. Contributions made by retirees represented by ATU, TCU, and SMART-TD 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 $5,000 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 4.00%, 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 7.50%. LACMTA's general assets support a return on assets of 3.50%. The ARC calculation uses an open 20-year rolling amortization that meets the requirements of GASB 45.

> **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan, which is the Plan as understood by the employer and 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) 4.00% discount rate, compounded annually, b) increase in future payroll of 3.50% per year, compounded annually, c) mortality using the RP-2014 mortality table with the MP-2014 projection scale reflecting expected future mortality improvements , d) health care cost trend rate ranging initially from 6.30% to 8.10% reduced to ultimate rate ranging from 4.50% to 4.80%, and 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, and 3) the grade-down period. The trend rate assumptions exclude the expected impact of aging since this impact is explicitly reflected elsewhere in the valuation. The initial trend rate is the expected increase in health care costs into the second year of the valuation, i.e., the first assumed annual increase in starting per capita rates. Initial rates are established on an aggregate basis for pre-Medicare medical claims, Medicare-eligible medical claims, prescription drug claims, and administrative expenses. These expected trend rates, are based on market assessments and surveys and take into account historical experience, expected unit cost information, changes in utilization, plan design leveraging, cost shifting, and new technology. For valuation purposes, these trend rates are blended together 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, 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 as 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 SMART-TD 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, 2015 valuation is used to determine the Annual Required Contributions (ARC) for the fiscal years ended June 30, 2016 and 2017. In the January 1, 2015 valuation, the ARC is equal to normal cost plus amount of 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 16.69%. 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, 2015:

SUMMARY OF COSTS	
Normal cost	$ 63,826
Percentage of total payroll	8.69%
Amortization of unfunded actuarial accrued liability	$ 58,775
Percentage of total payroll	8.00%
ARC with 20-year level percent of payroll amortization	$ 122,601
Percentage of total payroll	16.69%

> 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, 2016 are as follows:

Annual required contribution	$ 122,601
Interest on net OPEB obligation	16,368
Adjustment to ARC	(21,834)
Total annual OPEB cost	117,135
Less contributions made	44,704
Increase in net OPEB obligation	72,431
Net OPEB obligation - beginning of year	409,158
Net OPEB obligation - end of year	**$ 481,589**

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, 2016, 2015, and 2014 are as follows:

YEAR ENDED	OPEB COST	PERCENTAGE OF OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
2016	$ 117,135	38.16%	$ 481,589
2015	84,133	59.89%	409,158
2014	120,153	38.74%	375,409

Notes to the Financial Statements

June 30, 2016

> 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, 2016 is illustrated as follows:

ACTUARIAL VALUATION DATE (a)	ACTUARIAL ACCRUED LIABILITY (b)	ACTUARIAL VALUE OF ASSETS (a) - (b)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (b) / (a)	FUNDED RATIO (c)	ANNUAL COVERED PAYROLL (a) - (b) / (c)	UAAL AS A % OF COVERED PAYROLL
January 1, 2015						
LACMTA	$ 175,368	$ 35,081	$ 140,287	20.00%	$ 209,179	67.07%
ATU	884,698	176,977	707,721	20.00%	186,473	379.53%
TCU	76,132	15,230	60,902	20.00%	47,475	128.28%
SMART-TD	214,026	42,814	171,212	20.00%	254,696	67.22%

> 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, 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 unless there is 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 is the same as 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 of January 1, 2015.

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

K. 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, 2016.

Internal administration costs estimate labor using the full time equivalent (FTE) basis. An FTE value of $200,000 (amount not in thousands) per annum is 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, 2016 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, 2016, LACMTA has an estimated pollution remediation obligation of $7,438 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, 2016

L. LONG-TERM DEBT

LACMTA's long-term debt activities for the year ended June 30, 2016 are summarized as follows:

TYPE OF ISSUANCE	BALANCE JULY 1, 2015	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Sales tax revenue and refunding bonds	$ 3,037,535	$ 297,384 (1)	$ 524,805	$ 2,810,114	$ 180,665
Lease/leaseback to service obligations	467,895	19,634 (2)	62,723	424,806	(15,779) (4)
General revenue bonds	141,970	64,770	93,335	113,405	7,655
Notes payable	41,349	450,222 (3)	1,403	490,168	1,462
Commercial paper & revolving credits	83,624	307,371	6,500	384,495	-
Total long-term debt	3,772,373	1,139,381	688,766	4,222,988	174,003
Add: Unamortized bond premium	232,679	70,498	31,887	271,290	31,597
Less: Unamortized bond discount	(120)	-	(9)	(111)	(9)
Net Business-type activities long-term debt	**4,004,932**	**1,209,879**	**720,644**	**4,494,167**	**205,591**
GOVERNMENTAL ACTIVITIES					
Redevelopment and housing bonds	18,870	-	1,241	17,629	1,303
Total long-term debt	**$ 4,023,802**	**$1,209,879**	**$ 721,885**	**$ 4,511,796**	**$ 206,894**

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

(1) Includes $25,209 TIFIA loan proceeds to partially finance the Regional Connector Transit Corridor project.

(2) Represents lease/leaseback accretion.

(3) Represents $442,587 TIFIA loan proceeds and interest accretion of $7,635 to partially finance the Crenshaw/LAX project.

(4) Negative amounts due within one year represent interest accretion to the principal.

Notes to the Financial Statements

June 30, 2016

Sales tax revenue and refunding bonds outstanding as of June 30, 2016 are as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY
PROPOSITION A				
2007A	$ 46,635	2007	2016	5.00%
2008A	263,075	2008	2031	VRDB [1]
2008B	26,075	2008	2028	3.50 to 5.00%
2009A	320,945	2009	2026	2.00 to 5.00%
2011A	144,000	2011	2018	0.20 to 5.00%
2011B	91,110	2011	2023	3.00 to 5.00%
2012A	68,205	2012	2021	2.00 to 5.00%
2013A	262,195	2013	2021	5.00%
2014A	135,715	2014	2035	3.00 to 5.00%
2015A	26,480	2015	2035	3.00 to 5.00%
2016A	185,605	2016	2031	2.00 to 5.00%
				Sub-total
PROPOSITION C				
2006A	129,385	2006	2030	4.00 to 5.00%
2008A	128,745	2008	2022	4.00 to 5.00%
2009B	245,825	2009	2020	3.00 to 5.00%
2009D	118,785	2009	2019	1.40 to 5.00%
2009E	118,940	2009	2029	3.25 to 5.00%
2010A	45,455	2010	2023	3.00 to 5.25%
2012A	14,635	2012	2028	3.00 to 3.12%
2012B	74,885	2012	2025	5.00%
2013A	138,960	2013	2023	2.00 to 5.00%
2013B	313,490	2013	2038	2.00 to 5.00%
2013C	63,785	2013	2026	4.00 to 5.00%
2014A	61,180	2014	2034	5.00%
2016A	86,570	2016	2030	2.00 to 5.00%
				Sub-total
MEASURE R				
2010A	573,950	2010	2039	4.28 to 5.73%
2010B	158,460	2010	2020	0.50 to 5.00%
2014A [2]	160,000	2013	2036	3.50%
				Sub-total
				Total

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

(2) Represents Measure R Junior Subordinate Bonds issued to evidence LACMTA's obligation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan related to the Regional Connector Transit Corridor Project.

BALANCE JULY 1, 2015	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
$ 24,310	$ -	$ (11,860)	$ 12,450	$ 12,450
247,025	-	(247,025)	-	-
21,520	-	(905)	20,615	935
189,265	-	(23,520)	165,745	16,710
83,595	-	(21,870)	61,725	27,690
91,110	-	-	91,110	-
51,380	-	-	51,380	-
262,195	-	(13,800)	248,395	9,780
135,715	-	-	135,715	5,655
26,480	-	-	26,480	985
-	185,605	-	185,605	14,845
1,132,595	**185,605**	**(318,980)**	**999,220**	**89,050**
117,900	-	(117,900)	-	-
70,405	-	(370)	70,035	5,415
195,125	-	(29,665)	165,460	30,805
66,115	-	(11,960)	54,155	12,530
96,690	-	(5,695)	90,995	5,925
37,150	-	-	37,150	-
14,635	-	-	14,635	-
74,885	-	-	74,885	-
127,890	-	(11,825)	116,065	12,265
309,760	-	(7,030)	302,730	7,310
63,785	-	(4,015)	59,770	4,215
61,180	-	-	61,180	-
-	86,570	-	86,570	-
1,235,520	**86,570**	**(188,460)**	**1,133,630**	**78,465**
573,950	-	-	573,950	-
95,470	-	(17,365)	78,105	18,180
-	25,209	-	25,209	-
669,420	**25,209**	**(17,365)**	**677,264**	**18,180**
$ 3,037,535	**$ 297,384**	**$ (524,805)**	**$ 2,810,114**	**$ 180,665**

Sales Tax Revenue and Sales Tax Revenue Refunding Bonds
LACMTA issues sales tax revenue bonds to provide funds for the acquisition of revenue vehicles and construction of major capital projects. Sales tax revenue bonds are secured by the Los Angeles County voter approved Proposition A, Proposition C, or Measure R sales taxes, net of 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. Refunding 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 amount is payable in annual installments on July 1 on Proposition A and Proposition C bonds, and on June 1 on Measure R bonds. Interest is payable semi-annually on January 1 and July 1 on Proposition A and Proposition C bonds, and on December 1 and June 1 on Measure R bonds.

Lease/leaseback and Lease-to-service Obligations
From January 1997 through July 2003, LACMTA entered into a number of “Lease/leaseback” leveraged lease agreements for assets including heavy rail vehicles, buses, light rail vehicles, and various real property operating facilities. Under these agreements, LACMTA entered into a head lease as lessor with an investor and simultaneously entered into a sublease agreement as lessee to lease the assets back. LACMTA received upfront rent prepayments that were invested in fixed income investments in an amount that, including interest income, will be sufficient to fund all scheduled payments through exercise of the early buyout option. LACMTA realized $64,700 in net benefits after funding of the fixed income investments and payment of transaction expenses.

For the leveraged lease transactions, LACMTA was obligated to insure and maintain the facilities, buses, and rail cars. The leveraged lease agreements were provided for LACMTA’s right to continue to use and control the facilities, buses, and rail cars during the term of the sublease. LACMTA agreed to indemnify the investors against increased costs, and any new or increased taxes or fees imposed on the leased assets, and cash flows or income of the lease, other than changes to the income tax rate.

The proceeds from various finance obligations have been recorded as lease accounts in the Statement of Net Position of the Enterprise Fund. 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, 2016, these lease/leaseback agreements totaled $424,806.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 three of the eight affected leases and has entered into collateral posting agreements for three 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 $39,600 plus legal costs.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2016 are as follows:

LEASE	INTEREST RATE	BALANCE JULY 1, 2015	ADDITIONS (1)	REDUCTIONS	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR (2)
Comerica/CIBC/ Norwest Lease	6.79% - 7.64%	$ 246,062	$ 7,477	$ (21,901)	$ 231,638	$ (8,015)
Comerica Lease	7.12%	67,574	4,527	(1,297)	70,804	(3,717)
First Hawaiian Lease	6.61%	56,463	3,448	(602)	59,309	(582)
Philip Morris Lease	5.00% - 5.13%	37,930	727	(38,657)	-	-
Fleet Lease	6.79% - 7.64%	59,866	3,455	(266)	63,055	(3,465)
Total		**$ 467,895**	**$ 19,634**	**$ (62,723)**	**$ 424,806**	**$ (15,779)**

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. Both bonds were issued at a fixed rate.

General revenue bonds outstanding as of June 30, 2016 are as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	BALANCE JUNE 30, 2016
2010A Bonds	$ 79,620	2010	2021	3.00 - 5.00%	$ 48,635
2015 Bonds	64,770	2015	2027	3.00 - 5.00 %	64,770
Total					**$ 113,405**

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

(2) Negative amounts due within one year represent interest accretion to the principal.

Notes Payable

Notes payable principal outstanding as of June 30, 2016 are as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	OUTSTANDING BALANCE
Western Alliance	$ 16,407	2008	2018	4.04%	$ 2,468
TIFIA Loan – CPC	545,900	2012	2034	2.43%	487,700
Total					**$ 490 ,168**

The notes payable outstanding balance of $2,468 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 generator and conservation equipment including installation costs at the LACMTA's Support Services Center. The note is bearing interest of 4.04% will mature in February 2018. The principal and interest are due monthly on the 6th of each month. The note was later sold to Western Alliance to retain all of the terms and conditions of the original note.

In September 2012, LACMTA secured a loan of $545,900 from the United States Department of Transportation (USDOT) under its Transportation Infrastructure Finance and Innovation Act (TIFIA) to partially finance the construction of the Crenshaw/LAX Transit Corridor. The loan, secured by a portion of LACMTA's Measure R sales tax revenue allocated to the Crenshaw/LAX Transit Corridor project, bears interest at 2.43% per annum on the outstanding balance with maturity date of June 1, 2034. As of June 30, 2016, LACMTA has drawn $480,065 of the TIFIA loan. The outstanding balance of $487,700 includes $7,635 interest accretion through June 30, 2016.

Commercial Paper Notes and Revolving Lines of Credit

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

In addition to the CPN Program, LACMTA's Board authorized up to $300,000 of short-term borrowing for which obligations are payable from the Measure R sales tax revenues on a subordinate basis to the Measure R Senior obligations and on a senior basis to the Measure R Junior Subordinate obligations to provide interim financing and to fund cash flow requirements for construction payments until funding sources are received or until long-term financing is arranged. The short-term borrowing program includes subordinate revolving credit obligations with two banks for an aggregate maximum principal amount of $150,000 and a bond purchase agreement with another bank that will sell from time to time up to an aggregate principal amount of $150,000 subordinate bonds. All three revolving credit agreements bear variable interest rates and will expire on November 20, 2020.

As of June 30, 2016, LACMTA's Proposition A CPN program has a $200,000 letter of credit while the Proposition C CPN program has $150,000 credit capacity that includes a $75,000 letter of credit and another $75,000 revolving credit facility. The letter of credit supporting the Proposition C commercial paper program will expire on April 5, 2019 while the revolving credit line will expire on April 22, 2019. The letters of credit supporting the Proposition A commercial paper program will expire on March 7, 2019.

Notes to the Financial Statements

June 30, 2016

As of June 30, 2016, the outstanding balances of the commercial paper notes and revolving lines of credit are as follows:

	PROPOSITION A	PROPOSITION C	MEASURE R	TOTAL
Commercial Paper Notes	$ 144,000	$ 14,625	$ -	$ 158,625
Revolving credit line	-	-	150,000	150,000
Bond purchase agreement	-	-	75,870	75,870
Total	**$ 144,000**	**$ 14,625**	**$ 225,870**	**$ 384,495**

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 non-current liabilities. LACMTA periodically retires CPN by issuing long-term, fixed rate bonds.

The Proposition A and Proposition C commercial paper programs are supported by direct-pay irrevocable letters of credit. The letters of credit are issued by one bank for the Proposition C CPN program and another two banks for the Proposition A CPN program. All of the banks are required to have a short-term credit rating of at least A-1/P-1. The letters of credit are drawn upon at each note maturity to pay the principal and interest due. Principal advanced by the banks and paid to the holders of the matured notes is reimbursed to the banks either by issuing new notes or by direct payment from LACMTA.

Interest is paid on a current basis from sales tax revenues. In the event that the CPN dealers are unable to remarket the commercial paper and/or LACMTA is unable to repay the interest or principal, the banks will incur an unreimbursed draw on the letters of credit. Unreimbursed draws are converted to term loans following a specified period of time. The term loan for Proposition C CPN is repayable over a period of four years with equal quarterly principal payments. The term loan for Proposition A CPN is repayable beginning nine months after the commencement of the term loan, with quarterly principal payments over a period of two years and three months. Interest is charged at rates specified in the applicable reimbursement agreement.

Under the Proposition C Revolving Credit Agreement between the LACMTA and Wells Fargo Bank, LACMTA is authorized to issue up to $75,000 in Subordinate Proposition C Sales Tax Revenue Revolving Obligations.

In July 2013, LACMTA entered into an agreement with Alameda Corridor East Construction Authority (ACE) for the purpose of providing a working capital loan of up to $45,000. 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 to occur of 1) 10 years from commencement date, or 2) the point in time where LACMTA has an outstanding obligation to fund its last $75,000 in Measure R or Proposition C funds. All costs associated with the loan are billed to and paid by ACE as they are incurred so that there is no additional cost to LACMTA on this loan.

All Proposition C revolving obligations 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. The principal balance of all Proposition C revolving obligations outstanding are due and payable on March 28, 2019, except as provided in the Proposition C Revolving Credit Agreement. However, subject to the terms of the Proposition C Revolving Credit Agreement, on March 28, 2019, LACMTA can convert any outstanding Proposition C revolving obligations to a term loan that will be payable in twelve equal quarterly installments following March 28, 2019.

The Measure R Subordinate Revolving obligations are purchased by State Street Public Lending Corporation, in a principal amount not to exceed $100,000, and by Bank of the West, in a principal amount not to exceed $50,000 in accordance with the terms of a revolving credit agreement. The obligations issued under the revolving credit lines bear variable interest at rates based on the SIFMA or LIBOR Index as determined pursuant to the terms of the revolving credit agreements. Except as otherwise provided under the terms of the credit agreements, all principal amounts outstanding are due and payable on November 20, 2020 at which time, LACMTA has the option to convert any outstanding balance to term loans that will be payable in twelve equal quarterly installments following November 20, 2020.

In addition, LACMTA entered into a bond purchase agreement with underwriter, RBC Capital Markets, LLC to sell from time to time up to $150,000 aggregate principal amount of Subordinate Series C Bonds, which, in turn, sells the bonds to RBC Municipal Products, LLC. The Subordinate Series C Bonds bear variable interest rates. Under the terms of the agreements, the principal of all Subordinate Series C Bonds outstanding is due and payable on November 20, 2020.

Redevelopment and Housing Bonds

Redevelopment and Housing Bonds consist of two issues: 1) the 2002 Grand Central Square Qualified Redevelopment Bonds Series 2002A, and 2) Grand Central Square Multi Family Housing Revenue Refunding Series 2007B. The outstanding balances as of June 30, 2016, were as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	OUTSTANDING BALANCE
2002A Bonds	$ 20,825	2002	2026	4.90% - 5.38%	$ 12,169
2007B Bonds	8,615	2007	2026	4.00% - 5.00%	5,460
Total					**$ 17,629**

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

These 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 $44,896 due in fiscal year 2027. These two promissory notes were settled in October 2016. LACMTA will redeem or defease these Redevelopment and Housing Bonds in fiscal year 2017.

Annual Debt Service Requirement

LACMTA's annual debt requirement for long-term debt, lease/leaseback obligations, and notes payable as of June 30, 2016 are as follows:

Business-type Activities

> Sales tax revenue and refunding bonds

YEAR ENDING JUNE 30	PROPOSITION A PRINCIPAL	PROPOSITION A INTEREST	PROPOSITION A TOTAL
2017	$ 89,050	$ 44,108	$ 133,158
2018	90,040	41,660	131,700
2019	94,760	37,194	131,954
2020	102,540	32,348	134,888
2021	107,950	27,127	135,077
2022-2026	347,880	69,840	417,720
2027-2031	114,055	18,763	132,818
2032-2036	52,945	5,085	58,030
2037-2040	-	-	-
Total	**$ 999,220**	**$ 276,125**	**$ 1,275,345**

YEAR ENDING JUNE 30	PROPOSITION C PRINCIPAL	PROPOSITION C INTEREST	PROPOSITION C TOTAL
2017	$ 73,435	$ 51,885	$ 125,320
2018	80,785	50,076	130,861
2019	84,520	46,016	130,536
2020	88,315	41,749	130,064
2021	88,005	37,398	125,403
2022-2026	368,900	123,966	492,866
2027-2031	171,120	63,228	234,348
2032-2036	117,535	28,450	145,985
2037-2040	61,015	4,213	65,228
Total	**$ 1,133,630**	**$ 446,981**	**$ 1,580,611**

YEAR ENDING JUNE 30	MEASURE R PRINCIPAL (1)	MEASURE R INTEREST (1)	MEASURE R TOTAL
2017	$ 18,180	$ 35,490	$ 53,670
2018	17,291	36,380	53,671
2019	19,013	34,657	53,670
2020	25,614	33,728	59,342
2021	22,778	32,562	55,340
2022-2026	124,553	146,658	271,211
2027-2031	148,111	110,899	259,010
2032-2036	183,009	65,768	248,777
2037-2040	118,715	13,783	132,498
Total	**$ 677,264**	**$ 509,925**	**$ 1,187,189**

(1) Include Measure R Junior Subordinate Bonds with aggregate principal balance of $25,209 outstanding as of June 30, 2016.

Notes to the Financial Statements

June 30, 2016

> General revenue bonds and notes payable

YEAR ENDING JUNE 30	GENERAL REVENUE BOND			NOTES PAYABLE		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL [1]	INTEREST	TOTAL
2017	$ 7,655	$ 5,455	$ 13,110	$ 1,462	$ 73	$ 1,535
2018	8,140	4,863	13,003	(22,093)	23,134	1,041
2019	8,700	4,486	13,186	(12,488)	12,488	-
2020	9,295	4,078	13,373	(12,811)	12,811	-
2021	9,595	3,632	13,227	(82)	13,009	12,927
2022-2026	47,605	11,522	59,127	63,874	63,111	126,985
2027-2031	22,415	1,134	23,549	245,134	45,947	291,081
2032-2035	-	-	-	227,172	11,280	238,452
Total	$ 113,405	$ 35,170	$ 148,575	$ 490,168	$ 181,853	$ 672,021

> Lease/leaseback Obligations

YEAR ENDING JUNE 30	PRINCIPAL [2]	INTEREST	TOTAL
2017	$ (15,779)	$ 20,237	$ 4,458
2018	(12,384)	13,445	1,061
2019	(22,298)	22,298	-
2020	(23,563)	23,760	197
2021	(34,640)	34,726	86
2022-2026	178,403	89,536	267,939
2027-2031	259,860	46,314	306,174
2032-2036	64,323	-	64,323
2037-2041	30,884	-	30,884
Total	$ 424,806	$ 250,316	$ 675,122

Governmental Activities

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

> Redevelopment and Housing Bonds

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2017	$ 1,303	$ 894	$ 2,197
2018	1,364	829	2,193
2019	1,432	761	2,193
2020	874	650	1,524
2021	1,545	617	2,162
2022-2026	9,015	1,762	10,777
2027-2030	2,096	54	2,150
Total	$ 17,629	$ 5,567	$ 23,196

(1) Principal amounts include interest accretion on TIFIA Loan that is due and payable beginning June 1, 2021. The principal outstanding on the TIFIA Loan, including interest accretion of $7,635, was $487,700 as of June 30, 2016.

(2) Principal amount includes interest accretion that are due and payable beginning January 1, 2022.

Notes to the Financial Statements

June 30, 2016

Pledged Revenues

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

The table below presents LACMTA's pledged revenue, annual debt service, and debt service coverage for the fiscal year ended June 30, 2016:

SOURCE	GROSS RECEIPTS (1)	ALLOCATION RATE	LOCAL ALLOCATIONS	PLEDGED REVENUE	TOTAL DEBT SERVICE (2)	DEBT SERVICE COVERAGE
Prop A	$ 763,636	25%	$ 190,909	$ 572,727	$ 125,253	4.57
Prop C	763,643	20%	152,729	610,914	132,161	4.62
Measure R	764,968	15%	114,745	650,223	53,605	12.13
General Revenue	462,874	-	-	462,874	11,426	40.51

Significant Changes to Long-Term Bond and Note Obligations

Bonds Refunding

In December 2015, LACMTA issued fixed rate General Revenue Refunding Bonds Series 2015 with an aggregate principal amount of $64,770, the proceeds of which, including bond premium of $13,584 and other available funds were used to refund all of the outstanding principal balance of $86,175 of the auction rate bonds, General Revenue Refunding Bonds Series 2004A, Series 2004B, Series 2004C and Series 2004D and pay the costs of issuing the bonds. The new bonds bear interest ranging from 3% to 5% with final maturity on July 1, 2027. Annual principal payments due on the new bonds are payable on July 1 of each year commencing July 1, 2021 and interest is due semi-annually payable on January 1 and July 1 of each year commencing July 1, 2016.

The excess of the net carrying value of the refunded bonds over the reacquisition cost of $4,708 was reported as deferred inflows of resources in the Enterprise fund and amortized over the shorter of the life of the refunded or the refunding bonds.

In March 2016, LACMTA issued a total of $185,605 principal amount of Proposition A First Tier Senior Lien Bonds Series 2016A with fixed interest rates ranging from 2% to 5% and final maturity of July 1, 2031. The net proceeds, including bond premium of $37,726 and after payment of $687 of underwriting fees, together with funds available from reserve accounts were used to (a) refund and defease the total outstanding principal balance of $238,400 of the variable rate demand bond, Proposition A Bonds Series 2008A, and (b) pay the costs associated with the issuance of the new bonds. Annual principal amounts due are payable on July 1 of each year and interest on the outstanding principal amounts are due semi-annually and payable on July 1 and January 1 of each year.

The net carrying amount of the refunded Proposition A Series 2008A bond exceeded the reacquisition price by $4,154. The excess of the net carrying value over the reacquisition price is reported as deferred inflows of resources in the Enterprise fund and is amortized over the shorter of the life of the refunded or the refunding bonds.

In June 2016, LACMTA issued $86,570 aggregate principal amount of Proposition C Sales Tax Revenue Refunding Bonds Series 2016A with interest rate ranging from 2% to 5% and final maturity date of July 1, 2030. The net proceeds, including bond premium of $19,188 and net of

(1) Sales tax revenues are reported using the accrual basis of accounting net of the State Board of Equalization administrative fees. Gross receipts on General revenue bonds represent farebox revenues, advertising, revenues derived from LACMTA's leased properties, investment earnings, and other revenues under non-operating revenue categories of the Enterprise fund.

(2) Principal and interest expenses are reported using the accrual basis of accounting.

underwriting fees, together with funds available from reserve accounts were used to (a) refund all of the $112,740 outstanding principal balance of the Proposition A Bonds Series 2006A, and (b) pay the costs associated with the issuance of the new bonds. Annual principal amounts due are payable on July 1 of each year and interest on the outstanding principal amounts are due semi-annually and payable on July 1 and January 1 of each year.

The reacquisition price of the refunded Proposition A Series 2006A bond exceeded the net carrying amount by $656. The excess of the reacquisition price over the net carrying value is reported as deferred outflows of resources in the Enterprise fund and is amortized over the shorter of the life of the refunded or the refunding bonds.

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

REFUNDED DEBT	REFUNDED PRIOR NET CASH FLOWS	DEBT SERVICE	NET CASH FLOW SAVINGS	NET PRESENT VALUE OF NET CASH FLOW SAVINGS
GRRB Series 2015 refunding 2004 Series A-D	$ 93,258	$ 91,563	$ 1,695	$ -
Prop A 2016-A refunding 2008-A	262,715	246,648	16,067	(1,632)
Prop A 2016-A refunding 2006-A	155,230	121,477	33,753	17,245
Total	**$ 511,203**	**$ 459,688**	**$ 51,515**	**$ 15,613**

Measure R Junior Subordinate Bonds
In October 2013, the USDOT approved a TIFIA loan for the design and construction of the Regional Connector Transit Corridor Project (the 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 Grant Agreement (FFGA) to secure a grant of up to $669,900 of the $1.4 billion budgeted cost for the Project and issued series 2014A 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. LACMTA has drawn $25,209 of the TIFIA loan as of June 30, 2016.

In May 2014, LACMTA secured a TIFIA loan for its Westside Purple Line Extension Section 1 Project (the Project) in an aggregate principal amount not to exceed $856,000 and entered into an FFGA 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, 2014B 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. There are no loan proceeds as of June 30, 2016. The first drawdown is expected in fiscal year 2017.

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

Measure R Short-term Borrowing Program
In November 2015, the LACMTA's Board authorized up to $300,000 of short-term borrowing program that are payable from Measure R sales tax revenues and simultaneously entered into revolving credit agreements with two banks and a bond purchase agreement with an underwriter as described in more detail on page 94.

Notes to the Financial Statements

June 30, 2016

Commercial Paper Notes and TIFIA loans

In June 2016, LACMTA issued an aggregate $81,500 of new Proposition A Tax-Exempt Commercial Paper 18TH Commercial Paper Notes to fund the immediate cash flow requirements of current capital project expenditures as follows:

GROSS	PAR AMOUNT	TAX STATUS	TYPE OF CP NOTES	DEALER	LETTER OF CREDIT BANK
Series A-TE-SMBC	$ 28,000	Tax-Exempt	Fixed Rate	RBC	Sumitomo Mitsui
Series A-TE-SMBC	13,500	Tax-Exempt	Fixed Rate	Barclays	Sumitomo Mitsui
Series A-TE-UB	12,000	Tax-Exempt	Fixed Rate	Barclays	MUFG Union Bank
Series A-TE-UB	28,000	Tax-Exempt	Fixed Rate	Goldman	MUFG Union Bank
Total	**$ 81,500**				

The new issues resulted to a net increase in the commercial paper note obligations to $158,625 as of June 30, 2016.

Notes Payable

During fiscal year 2016, LACMTA drew down $442,588 of the $545,900 approved TIFIA loan for the Crenshaw/LAX Transit Corridor project. These drawdowns, including interest accretion of $7,635, increased the outstanding principal balance to $487,700 as of June 30, 2016.

Derivative Instruments

LACMTA has 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.

LACMTA exercised early termination option on its Interest Rate Swap Agreement related to the GRRB Series 2015 refunding 2004 Series A-D during fiscal year 2016. LACMTA's commodity swaps expired on June 30, 2016 and no additional swaps were entered into for FY17. Therefore, there are no balances for derivative instruments as of June 30, 2016.

M. 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 and 99 years. These leases are considered operating leases for accounting purposes and reported as business-type activities.

The carrying value of the land held for lease as of June 30, 2016, is $94,983 and is included under the Land caption in the capital assets section of the notes to the financial statements found on page 68.

The following is a schedule by years of minimum future rentals to be received on non- cancelable operating leases as of June 30, 2016:

YEAR ENDING JUNE 30	AMOUNT
2017	$ 4,649
2018	4,326
2019	4,060
2020	4,110
2021	3,797
2022-2026	15,338
2027-2031	16,902
2032-2036	19,597
2037-2041	26,729
2042-2046	31,981
2047-2051	37,198
2052-2056	37,495
2057-2061	27,560
2062-2066	24,873
2067-2071	27,343
2072-2076	30,331
2077-2081	33,160
2082-2086	37,003
2087-2091	39,847
2092-2096	38,264
2097-2101	44,386
2102-2106	48,805
Total	**$ 557,754**

Notes to the Financial Statements

June 30, 2016

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 and reported as business-type activities. Lease expenditures for the year ended June 30, 2016 totaled $6,651. Future minimum lease payments for these leases are as follows:

YEAR ENDING JUNE 30	AMOUNT
2017	$ 7,201
2018	7,377
2019	7,560
2020	7,750
2021	7,947
Total	**$ 37,835**

N. CAPITAL AND MOU COMMITMENTS

LACMTA's commitments to vendors for capital projects which are in various phases of development as of June 30, 2016 are as follows:

	CONTRACT COMMITMENTS	
PROJECT	TOTAL	REMAINING
Rail projects	$ 4,683,459	$ 2,935,779
Bus rapid transit ways	4,419	1,220
Bus acquisition and others	1,344,839	581,808
Total	**$ 6,032,717**	**$ 3,518,807**

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 $803,165 as of June 30, 2016.

O. 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, 2016, the total outstanding payables and commitments were $1,130 and $33,616, respectively.

A summary of financial information for the SCRRA for the year ended June 30, 2015 (most recent data available) is as follows:

Current Assets	$	126,652
Noncurrent Assets		48,146
Capital Assets, net		1,356,723
Total Assets		1,531,521
Total Liabilities		167,760
Net Position	**$**	**1,363,761**
Total Revenues	$	292,797
Total Expenses		285,576
Increase in Net Position	**$**	**7,221**

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.

P. LITIGATION AND OTHER CONTINGENCIES

Litigation

Kiewit Infrastructure West Co., f/k/a Kiewit Pacific Company, a Delaware corporation, claimed damages in the $650,000 range in connection with a design/build contract for the I-405 Sepulveda Pass Widening Project. In October 2016, the claim was settled by the court for approximately $402,000. LACMTA made a partial payment of $102,000 in November 2015 and $300,000 was accrued and reported in the government-wide financial statements as of June 30, 2016. LACMTA does not believe the settlement will have a material adverse impact on LACMTA's 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.

Q. SUBSEQUENT EVENTS

Long-Term Debt

In November 2016, LACMTA issued Measure R Senior Sales Tax Revenue Bonds, Series 2016A Bonds with an aggregate principal amount of $522,120 that bears interest rates ranging from 3.00% to 5.00% with the final maturity on June 1, 2039. The bond proceeds, together with the bond premium of $78,879 will be used to repay the outstanding Measure R subordinate revolving obligations and to finance LACMTA's major capital projects.

Measure M - Los Angeles County Traffic Improvement Plan

On November 8, 2016, Measure M, "Los Angeles County Traffic Improvement Plan" was approved by the voters of Los Angeles County by more than a two-thirds majority. Measure M is an ordinance authorizing an additional ½ of 1% sales tax starting July 1, 2017. Measure M will also continue the existing Measure R half-cent sales tax rate when Measure R expires on July 1, 2039. Measure M has no expiration date. Revenues will be used to improve freeway traffic flow and safety; repair potholes and sidewalks; repave local streets; earthquake-retrofit bridges; synchronize signals; keep senior, disabled and student fares affordable; expand light rail, subway and bus systems; and improve job, school and airport connections.


STOP
EXIT ONLY

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios
California Public Employees' Retirement System (CalPERS) — Miscellaneous Plan — Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	2015	2016
TOTAL PENSION LIABILITY		
Service cost	$ 21,905	$ 23,238
Interest on total pension liability	37,546	41,535
Changes of assumptions	-	(10,299)
Differences between expected and actual experience	-	7,066
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)
Net change in total pension liability	**46,052**	**45,811**
Total pension liability - beginning of year	496,365	542,417
Total pension liability - end of year	**$ 542,417**	**$ 588,228**
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	$ 13,313	$ 14,415
Contributions - Employee	10,565	11,367
Net investment income	72,179	11,202
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)
Administrative expense	-	(581)
Net change in fiduciary net position	**82,658**	**20,674**
Plan fiduciary net position - beginning of year	405,047	487,705
Plan fiduciary net position - end of year	487,705	508,379
Plan net pension liability - end of year	**$ 54,712**	**$ 79,849**
Plan fiduciary net position as a percentage of the total pension liability	89.91%	86.43%
Covered-employee payroll	$ 145,140	$ 159,124
Plan net pension liability as a percentage of covered-employee payroll	**37.70%**	**50.18%**

Notes to Schedule:

> **Benefit Changes**

The figures presented above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of two years additional service credits (a.k.a. Golden Handshakes).

> **Changes of Assumptions**

The discount rate was changed from 7.50% (net of administrative expense) to 7.65%.

(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

California Public Employees' Retirement System (CalPERS) — Miscellaneous Plan — Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	2015	2016
Actuarially determined contribution	$ 25,270	$ 27,306
Contributions in relation to the actuarially determined contribution	(25,270)	(27,306)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 158,633	$ 186,951
Contributions as a percentage of covered-employee payroll	15.93%	14.61%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for FY16 were taken from the June 30, 2013 actuarial valuation report:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

(1) Additional years will be presented as they become available.

See accompanying independent auditor's report.

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

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)	2015	2016
Total Pension Liability - beginning of year	**$ 660,053**	**$ 683,777**
Service cost	19,054	19,135
Interest	46,123	47,691
Demographic (gains)/losses	(317)	19,101
Assumption changes	-	23,117
Differences between expected and actual experience	-	-
Benefit payments paid from trust	(40,145)	(43,016)
Transfer (benefit payments originally paid by other plans)	(991)	(959)
Net change in total pension liability	23,724	65,069
Total pension liability - end of year	683,777	748,846
Fiduciary net position - beginning of year	462,402	541,018
Contributions - LACMTA	23,568	19,781
Contributions - Employees	15,920	16,528
Net investment income	80,715	6,446
Benefit payments	(40,145)	(43,016)
Administrative expenses	(451)	(638)
Transfers (benefit payments originally paid by other plans)	(991)	(959)
Net change in fiduciary net position	78,616	(1,858)
Fiduciary net position - end of year	541,018	539,160
Net pension liability - end of year	**$ 142,759**	**$ 209,686**
Funded ratio	79.10%	72.00 %
Covered-employee payroll	173,322	187,395
Net pension liability as a percentage of payroll	82.36%	111.90%

Notes to Schedule:

The mortality assumption for TCU, SMART-TD, NC, and AFSCME plans was changed from RP-2000 blue collar mortality table, with projected mortality improvements to 2025 by scale AA, to the RP-2014 blue collar mortality table, with generational projected improvements with scale MP-2014.

For the SMART-TD plan, the percentage of participants assumed to elect lump-sum was decreased from 35% to 30%, the age-based termination rates were increased, and the retirement rates were increased at service levels of 23 to 29 years.

(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 Changes in Net Position Liability and Related Ratios — Employee Retirement Income Plans
Transportation Communication Plan (TCU) — Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

TRANSPORTATION COMMUNICATION UNION PLAN (TCU)	2015	2016
Total Pension Liability - beginning of year	**$ 128,421**	**$ 136,120**
Service cost	3,342	3,622
Interest	9,020	9,615
Demographic (gains)/losses	1,246	1,559
Assumption changes	-	5,213
Benefit payments paid from trust	(5,787)	(4,716)
Transfer (benefit payments originally paid by other plans)	(122)	(141)
Net change in total pension liability	7,699	15,152
Total pension liability - end of year	136,120	151,272
Fiduciary net position - beginning of year	90,413	107,551
Contributions - LACMTA	5,466	4,741
Contributions - Employees	1,769	2,300
Net investment income	16,005	1,294
Benefit payments	(5,787)	(4,716)
Administrative expenses	(193)	(209)
Transfers (benefit payments originally paid by other plans)	(122)	(141)
Net change in fiduciary net position	17,138	3,269
Fiduciary net position - end of year	107,551	110,820
Net pension liability - end of year	**$ 28,569**	**$ 40,452**
Funded ratio	79.00%	73.26%
Covered-employee payroll	28,978	34,512
Net pension liability as a percentage of payroll	98.60%	117.21%

Notes to Schedule:

The mortality assumption for TCU, SMART-TD, NC, and AFSCME plans was changed from RP-2000 blue collar mortality table, with projected mortality improvements to 2025 by scale AA, to the RP-2014 blue collar mortality table, with generational projected improvements with scale MP-2014.

For the TCU plan, retirement rates changed at service levels of less than 25 years. The retirement rate at exactly 23 years of service was increased and the retirement rates at all other service levels were decreased.

(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 Changes in Net Pension Liabilities and Related Ratios — Employee Retirement Income Plan
Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)	2015	2016
Total Pension Liability - beginning of year	$ 64,607	$ 66,226
Service cost	391	318
Interest	4,384	4,438
Demographic (gains)/losses	872	1,839
Assumption changes	-	3,358
Benefit payments paid from trust	(4,835)	(6,393)
Transfer (benefit payments originally paid by other plans)	807	870
Net change in total pension liability	1,619	4,430
Total pension liability - end of year	66,226	70,656
Fiduciary net position - beginning of year	54,938	61,926
Contributions - LACMTA	1,964	1,455
Net investment income	9,219	690
Benefit payments	(4,835)	(6,393)
Administrative expenses	(167)	(156)
Transfers (benefit payments originally paid by other plans)	807	870
Net change in fiduciary net position	6,988	(3,534)
Fiduciary net position - end of year	61,926	58,392
Net pension liability - end of year	$ 4,300	$ 12,264
Funded ratio	93.50%	82.64%
Covered-employee payroll	3,822	3,338
Net pension liability as a percentage of payroll	112.51%	367.41%

Notes to Schedule:

The mortality assumption for TCU, SMART-TD, NC, and AFSCME plans was changed from RP-2000 blue collar mortality table, with projected mortality improvements to 2025 by scale AA, to the RP-2014 blue collar mortality table, with generational projected improvements with scale MP-2014.

For the AFSCME plan, the percentage of participants assumed to elect lump sums decreased from 30% to 25%, the aged-based termination rates were increased, and age-based rates previously not applied to participants with less than 30% years of services now apply to all New Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate at 30 years of service was increased (now only applied to the Old Plan participants).

(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 Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan
Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

NON-CONTRACT (NC)	2015	2016
Total Pension Liability - beginning of year	$ 147,574	$ 148,935
Service cost	628	536
Interest	10,011	10,062
Demographic (gains)/losses	587	191
Assumption changes	-	8,044
Benefit payments paid from trust	(10,540)	(11,661)
Transfer (benefit payments originally paid by other plans)	675	688
Net change in total pension liability	1,361	7,860
Total pension liability - end of year	148,935	156,795
Fiduciary net position - beginning of year	113,454	127,728
Contributions - LACMTA	5,074	4,186
Net investment income	19,276	1,493
Benefit payments	(10,540)	(11,661)
Administrative expenses	(211)	(219)
Transfers (benefit payments originally paid by other plans)	675	688
Net change in fiduciary net position	14,274	(5,513)
Fiduciary net position - end of year	127,728	122,215
Net pension liability - end of year	$ 21,207	$ 34,580
Funded ratio	85.76%	77.95%
Covered-employee payroll	3,953	3,460
Net pension liability as a percentage of payroll	536.48%	999.42%

Notes to Schedule:

The mortality assumption for TCU, SMART-TD, NC, and AFSCME plans was changed from RP-2000 blue collar mortality table, with projected mortality improvements to 2025 by scale AA, to the RP-2014 blue collar mortality table, with generational projected improvements with scale MP-2014.

For the NC plan, the percentage of participants assumed to elect lump sums decreased from 30% to 25%, the aged-based termination rates were increased, and age-based rates previously not applied to participants with less than 30% years of services now apply to all New Plan participants, regardless of whether they have more or less than 30 years of service. In addition, the retirement rate at 30 years of service was increased (now only applied to the Old Plan participants).

(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 Changes in Net Pension Liabilities and Related Ratios — Employee Retirement Plan
Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

AMALGAMATED TRANSPORTATION UNION PLAN (ATU)	2015	2016
Total Pension Liability - beginning of year	**$ 417,566**	**$ 445,952**
Service cost	12,428	13,928
Interest	31,401	33,785
Assumption changes	8,999	29,243
Differences between expected and actual experience	(1,823)	1,060
Benefit payments paid from trust	(22,251)	(18,366)
Transfer (benefit payments originally paid by other plans)	(3 68)	(458)
Net change in total pension liability	28,386	59,192
Total pension liability - end of year	445,952	505,144
Fiduciary net position - beginning of year	318,802	379,275
Contributions - LACMTA	20,126	21,257
Contributions - Employees	7,648	8,607
Net investment income	55,695	4,736
Benefit payments	(22,251)	(18,366)
Administrative expenses	(376)	(396)
Transfers (benefit payments originally paid by other plans)	(369)	(458)
Net change in fiduciary net position	60,473	15,380
Fiduciary net position - end of year	379,275	394,655
Net pension liability - end of year	**$ 66,677**	**$ 110,489**
Funded ratio	85.05%	78.13%
Covered-employee payroll	113,462	118,355
Net pension liability as a percentage of payroll	58.77%	93.36%

Notes to Schedule:

For the ATU plan, the amount reported as assumption changes reflects a change in the discount rate assumption from 7.50% to 7.00%. The discount rate better reflects the long-term return expectations for the plan over a 30-year horizon. The salary assumption was updated to reflect negotiated rate increases over the next 3 years (4.25%, 2015-2017).

(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 Changes in Net Pension Liability and Related Ratios — Employee Retirement Income Plan
Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

TOTALS FOR THE FOUR UNION GROUPS & NON-CONTRACT	2015	2016
Total Pension Liability - beginning of year	**$ 1,418,221**	**$ 1,481,009**
Service cost	35,843	37,539
Interest	100,939	105,591
Demographic (gains)/losses	2,388	22,692
Assumption changes	8,999	68,975
Differences between expected and actual experience	(1,823)	1,060
Benefit payments paid from trust	(83,558)	(84,151)
Net change in total pension liability	62,788	151,705
Total pension liability - end of year	1,481,009	1,632,714
Fiduciary net position - beginning of year	1,040,009	1,217,498
Contributions - LACMTA	56,198	51,419
Contributions - Employees	25,337	27,435
Net investment income	180,910	14,659
Benefit payments	(83,558)	(84,151)
Administrative expenses	(1,398)	(1,617)
Net change in fiduciary net position	177,489	7,745
Fiduciary net position - end of year	1,217,498	1,225,243
Net pension liability - end of year	**$ 263,511**	**$ 407,471**
Funded ratio	82.21%	75.04%
Covered-employee payroll	323,537	347,060
Net pension liability as a percentage of payroll	81.45%	117.41%

(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 to Employee Retirement Plan
Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	2015	2016
SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)		
Actuarially determined contribution	$ 19,780	$ 21,369
Contributions in relation to the actually determined contribution	(19,780)	(21,369)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$ 187,395	$ 193,246
Contributions as a percentage of covered-employee payroll	10.56%	11.06%
TRANSPORTATION COMMUNICATION UNION PLAN (TCU)		
Actuarially determined contribution	$ 4,741	$ 5,615
Contributions in relation to the actually determined contribution	(4,741)	(5,615)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$ 34,512	$ 37,014
Contributions as a percentage of covered-employee payroll	13.74%	15.17%
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)		
Actuarially determined contribution	$ 1,455	$ 1,638
Contributions in relation to the actually determined contribution	(1,455)	(1,638)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$ 3,338	$ 2,936
Contributions as a percentage of covered-employee payroll	43.59%	55.79%
NON-CONTRACT (NC)		
Actuarially determined contribution	$ 4,186	$ 4,531
Contributions in relation to the actually determined contribution	(4,186)	(4,531)
Contribution deficiency (excess)	-	-
Covered-employee payroll	3,460	3,522
Contributions as a percentage of covered-employee payroll	120.98%	128.65%
AMALGAMATED TRANSPORTATION UNION PLAN (ATU)		
Actuarially determined contribution	$ 21,257	$ 22,781
Contributions in relation to the actually determined contribution	(21,257)	(22,781)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$ 118,355	$ 127,258
Contributions as a percentage of covered-employee payroll	17.96%	17.90%
TOTAL		
Actuarially determined contribution	$ 51,419	$ 55,934
Contributions in relation to the actually determined contribution	(51,419)	(55,934)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 347,060	$ 363,976
Contributions as a percentage of covered-employee payroll	14.82%	15.37%

(1) Additional years will be presented as they become available.

See accompanying independent auditor's report.

Schedule of Funding Progress (OPEB)
Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

The Schedule of Funding Progress below shows the recent history of actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll for the OPEB fund established by LACMTA:

ACTUARIAL VALUATION DATE	PROJECTED UNIT CREDIT ACCRUED LIABILITY (A)	ACTUARIAL VALUE OF ASSETS (B)	UNFUNDED 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, 2015						
LACMTA	$ 175,368	$ 35,081	$ 140,287	20.00%	$ 209,179	67.07%
ATU	884,698	176,977	707,721	20.00%	186,473	379.53%
TCU	76,132	15,230	60,902	20.00%	47,475	128.28%
SMART-TD	214,026	42,814	171,212	20.00%	254,696	67.22%
Total	**$ 1,350,224**	**$ 270,102**	**$ 1,080,122**	**20.00%**	**$ 697,823**	**154.78%**
January 1, 203						
LACMTA	$ 181,326	$ 35,736	$ 145,590	19.71%	$ 177,369	82.08%
ATU	522,674	103,010	419,664	19.71%	160,829	260.94%
TCU	77,417	15,258	62,159	19.71%	38,395	161.89%
SMART-TD	282,600	55,696	226,904	19.71%	246,765	91.95%
Total	**$ 1,064,017**	**$ 209,700**	**$ 854,317**	19.71%	**$ 623,358**	**137.05%**
January 1, 2011						
LACMTA	$ 172,997	$ 32,322	$ 140,675	18.68%	$ 159,974	87.94%
ATU	499,030	93,236	405,794	18.68%	154,401	262.82%
TCU	70,017	13,082	56,935	18.68%	38,139	149.28%
SMART-TD	262,005	48,951	213,054	18.68%	257,023	82.89%
Total	**$ 1,004,049**	**$ 187,591**	**$ 816,458**	**18.68%**	**$ 609,537**	**133.95%**

An unaudited Annual Financial Report can be obtained by submitting a written request to: Accounting Department, LACMTA, One Gateway Plaza, Los Angeles, CA 90012-2952.

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

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 46,300	$ 42,521	$ 17,217	$ (25,304)
Investment income	4,060	4,060	9,305	5,245
Net appreciation in fair value of investments	-	-	662	662
Lease and rental	14,129	14,129	9,065	(5,064)
Licenses and fines	500	500	538	38
Other	19,730	19,730	51,180	31,450
TOTAL REVENUES	84,719	80,940	87,967	7,027
EXPENDITURES				
Current:				
Administration and other	144,216	144,331	98,571	45,760
Transportation subsidies	47,939	48,306	14,433	33,873
Debt and interest expenditures:				
Principal	1,215	1,215	1,241	(26)
Interest and fiscal charges	958	958	954	4
TOTAL EXPENDITURES	194,328	194,810	115,199	79,611
DEFICIENCY OF REVENUES OVER EXPENDITURES	(109,609)	(113,870)	(27,232)	86,638
OTHER FINANCING SOURCES (USES)				
Transfers in	41,902	41,902	77,208	35,306
Transfers out	(56,947)	(56,947)	(81,564)	(24,617)
TOTAL OTHER FINANCING SOURCES (USES)	(15,045)	(15,045)	(4,356)	10,689
NET CHANGE IN FUND BALANCES	(124,654)	(128,915)	(31,588)	97,327
Fund balances – beginning of year	555,401	555,401	555,401	-
FUND BALANCES – END OF YEAR	$ 430,747	$ 426,486	$ 523,813	$ 97,327

(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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 763,500	$ 763,500	$ 763,636	$ 136
Investment income	-	-	1,671	1,671
Net appreciation in fair value of investments	-	-	404	404
TOTAL REVENUES	763,500	763,500	765,711	2,211
EXPENDITURES				
Current:				
Transportation subsidies	304,243	304,243	317,241	(12,998)
TOTAL EXPENDITURES	304,243	304,243	317,241	(12,998)
EXCESS OF REVENUES OVER EXPENDITURES	459,257	459,257	448,470	(10,787)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	451	451
Transfers out	(522,984)	(522,984)	(673,558)	(150,574)
TOTAL OTHER FINANCING SOURCES (USES)	(522,984)	(522,984)	(673,107)	(150,123)
NET CHANGE IN FUND BALANCES	(63,727)	(63,727)	(224,637)	(160,910)
Fund balances - beginning of year	311,284	311,284	311,284	-
FUND BALANCES - END OF YEAR	$ 247,557	$ 247,557	$ 86,647	$ (160,910)

(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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 763,500	$ 763,500	$ 763,643	$ 143
Intergovernmental	13,517	13,517	39,204	25,687
Investment income	-	-	2,040	2,040
Net appreciation in fair value of investments	-	-	1,826	1,826
TOTAL REVENUES	777,017	777,017	806,713	29,696
EXPENDITURES				
Current:				
Administration and other	78,477	181,564	173,033	8,531
Transportation subsidies	475,872	475,070	430,810	44,260
TOTAL EXPENDITURES	554,349	656,634	603,843	52,791
EXCESS OF REVENUES OVER EXPENDITURES	222,668	120,383	202,870	82,487
OTHER FINANCING SOURCES (USES)				
Transfers in	116,059	116,059	45,297	(70,762)
Transfers out	(310,283)	(310,283)	(260,711)	49,572
TOTAL OTHER FINANCING SOURCES (USES)	(194,224)	(194,224)	(215,414)	(21,190)
NET CHANGE IN FUND BALANCES	28,444	(73,841)	(12,544)	61,297
Fund balances - beginning of year	278,776	278,776	278,776	-
FUND BALANCES - END OF YEAR	$ 307,220	$ 204,935	$ 266,232	$ 61,297

(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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS (1) ORIGINAL	BUDGETED AMOUNTS (1) FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 763,498	$ 763,498	$ 764,968	$ 1,470
Intergovermental	5,500	5,500	3,628	(1,872)
Investment income	-	-	4,333	4,333
Net appreciation in fair value of investments	-	-	1,979	1,979
TOTAL REVENUES	**768,998**	**768,998**	**774,908**	**5,910**
EXPENDITURES				
Current:				
Administration and other	136,060	138,852	62,857	75,995
Transportation subsidies	397,449	398,581	327,633	70,948
TOTAL EXPENDITURES	**533,509**	**537,433**	**390,490**	**146,943**
EXCESS OF REVENUES OVER EXPENDITURES	**235,489**	**231,565**	**384,418**	**152,853**
OTHER FINANCING SOURCES (USES)				
Transfers in	11,997	11,997	69,653	57,656
Transfers out	(490,555)	(490,555)	(340,372)	150,183
TOTAL OTHER FINANCING SOURCES (USES)	**(478,558)**	**(478,558)**	**(270,719)**	**207,839**
NET CHANGE IN FUND BALANCES	**(243,069)**	**(246,993)**	**113,699**	**360,692**
Fund balances - beginning of year	255,516	255,516	255,516	-
FUND BALANCES - END OF YEAR	**$ 12,447**	**$ 8,523**	**$ 369,215**	**$ 360,692**

(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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Investment income	$ -	$ -	$ 134	$ 134
TOTAL REVENUES	-	-	134	134
OTHER FINANCING SOURCES (USES)				
Transfers out	(18,553)	(18,553)	(68,612)	(50,059)
TOTAL OTHER FINANCING SOURCES (USES)	(18,553)	(18,553)	(68,612)	(50,059)
NET CHANGE IN FUND BALANCES	(18,553)	(18,553)	(68,612)	(50,059)
Fund balances - beginning of year	82,385	82,385	82,385	-
FUND BALANCES - END OF YEAR	$ 63,832	$ 63,832	$ 13,907	$ (49,925)

(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
Transportation Redevelopment Act Fund

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS (1)			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 381,750	$ 381,750	$ 382,753	$ 1,003
Investment income			1,415	1,415
TOTAL REVENUES	381,750	381,750	384,168	2,418
EXPENDITURES				
Current:				
Transportation subsidies	123,961	123,961	129,817	(5,856)
TOTAL EXPENDITURES	123,961	123,961	129,817	(5,856)
EXCESS OF REVENUES OVER EXPENDITURES	257,789	257,789	254,351	(3,438)
OTHER FINANCING SOURCES (USES)				
Transfers out	(262,290)	(262,290)	(187,433)	74,857
TOTAL OTHER FINANCING SOURCES (USES)	(262,290)	(262,290)	(187,433)	74,857
NET CHANGE IN FUND BALANCES	(4,501)	(4,501)	66,918	71,419
Fund balances - beginning of year	98,839	98,839	98,839	-
FUND BALANCES - END OF YEAR	$ 94,338	$ 94,338	$ 165,757	$ 71,419

(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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 105,682	$ 105,682	$ 78,686	$ (26,996)
Investment income	-	-	177	177
TOTAL REVENUES	105,682	105,682	78,863	(26,819)
EXPENDITURES				
Current:				
Transportation subsidies	13,986	13,986	8,002	5,984
TOTAL EXPENDITURES	13,986	13,986	8,002	5,984
EXCESS OF REVENUES OVER EXPENDITURES	91,696	91,696	70,861	(20,835)
OTHER FINANCING SOURCES (USES)				
Transfers out	(90,985)	(90,985)	(92,509)	(1,524)
TOTAL OTHER FINANCING SOURCES (USES)	(90,985)	(90,985)	(92,509)	(1,524)
NET CHANGE IN FUND BALANCES	711	711	(21,648)	(22,359)
Fund balances - beginning of year	8,554	8,554	8,554	-
FUND BALANCES - END OF YEAR	$ 9,265	$ 9,265	$ (13,094)	$ (22,359)

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.


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Other Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 9,221	$ 78,975	$ 88,196
Investments	13,286	22,296	35,582
Receivables:			
Interest	89	-	89
Intergovernmental	791	640	1,431
Prepaid items and other assets	-	308	308
TOTAL ASSETS	23,387	102,219	125,606
LIABILITIES			
Accounts payable and accrued liabilities	933	5	938
Due to other funds	-	1,191	1,191
Other liabilities	-	11,434	11,434
TOTAL LIABILITIES	933	12,630	13,563
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	-	270	270
TOTAL DEFERRED INFLOWS OF RESOURCES	-	270	270
FUND BALANCES			
Restricted	22,454	89,319	111,773
TOTAL FUND BALANCES	22,454	89,319	111,773
TOTAL LIABILITIES AND FUND BALANCES	$ 23,387	$ 102,219	$ 125,606

See accompanying independent auditor's report.

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

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Intergovernmental	$ -	$ 60,379	$ 60,379
Investment income	279	117	396
Net appreciation in fair value of investments	145	151	296
Licenses and fines	8,068	-	8,068
TOTAL REVENUES	8,492	60,647	69,139
EXPENDITURES			
Current:			
Administration and other	8,310	1,651	9,961
TOTAL EXPENDITURES	8,310	1,651	9,961
EXCESS OF REVENUES OVER EXPENDITURES	182	58,996	59,178
OTHER FINANCING SOURCES (USES)			
Transfers out	(2,287)	(13,239)	(15,526)
TOTAL OTHER FINANCING SOURCES (USES)	(2,287)	(13,239)	(15,526)
NET CHANGE IN FUND BALANCES	(2,105)	45,757	43,652
Fund balances – beginning of year	24,559	43,562	68,121
FUND BALANCES – END OF YEAR	$ 22,454	$ 89,319	$ 111,773

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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Investment income	$ 100	$ 100	$ 279	$ 179
Net appreciation in fair value of investments	-	-	145	145
Licenses and fines	7,500	7,500	8,068	568
TOTAL REVENUES	7,600	7,600	8,492	892
EXPENDITURES				
Current:				
Administration and other	10,328	10,328	8,310	2,018
TOTAL EXPENDITURES	10,328	10,328	8,310	2,018
EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES	(2,728)	(2,728)	182	2,910
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,000)	(2,000)	(2,287)	(287)
TOTAL OTHER FINANCING SOURCES (USES)	(2,000)	(2,000)	(2,287)	(287)
NET CHANGE IN FUND BALANCES	(4,728)	(4,728)	(2,105)	2,623
Fund balances – beginning of year	24,559	24,559	24,559	-
FUND BALANCES – END OF YEAR	$ 19,831	$ 19,831	$ 22,454	$ 2,623

(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 Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 555	$ 555	$ 60,379	$ 59,824
Investment income	-	-	117	117
Net appreciation in fair value of investments	-	-	151	151
-TOTAL REVENUES	555	555	60,647	60,092
EXPENDITURES				
Current:				
Administration and other	555	555	1,651	(1,096)
TOTAL EXPENDITURES	555	555	1,651	(1,096)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	58,996	58,996
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,631)	(3,631)	(13,239)	(9,608)
TOTAL OTHER FINANCING SOURCES (USES)	(3,631)	(3,631)	(13,239)	(9,608)
NET CHANGE IN FUND BALANCES	(3,631)	(3,631)	45,757	49,388
Fund balances – beginning of year	43,562	43,562	43,562	-
FUND BALANCES – END OF YEAR	$ 39,931	$ 39,931	$ 89,319	$ 49,388

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Combining Statement of Fiduciary Net Position

June 30, 2016 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ASSETS			
Cash and cash equivalents	$ 247	$ 38,976	$ 39,223
Investments:			
Bonds	150,292	64,382	214,674
Domestic stocks	174,961	21,824	196,785
Non-domestic stocks	6,622	2,920	9,542
Pooled investments	900,811	167,244	1,068,055
Receivables:			
Member contributions	1,072	291	1,363
Securities sold	1,453	-	1,453
Interest and dividends	1,352	414	1,766
Prepaid items and other assets	43	-	43
Total assets	1,236,853	296,051	1,532,904
LIABILITIES			
Accounts payable and other liabilities	447	984	1,431
Securities purchased	8,073	-	8,073
Total liabilities	8,520	984	9,504
NET POSITION			
Held in trust for pension and OPEB benefits	$ 1,228,333	$ 295,067	$ 1,523,400

See accompanying independent auditor's report.

Combining Statement of Changes in Fiduciary Net Position

June 30, 2016 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ADDITIONS			
Contributions:			
Employer	$ 55,936	$ 30,079	$ 86,015
Member	30,319	938	31,257
Total contributions	**86,255**	**31,017**	**117,272**
From investing activities:			
Net decline in fair value of investment	(17,662)	(5,548)	(23,210)
Investment income	17,665	5,116	22,781
Investment expense	(4,272)	(641)	(4,913)
Other income	1,029	-	1,029
Total investing activities income	(3,240)	(1,073)	(4,313)
Total additions	**83,015**	**29,944**	**112,959**
DEDUCTIONS			
Retiree benefits	78,217	23,951	102,168
Administrative expenses	1,706	193	1,899
Total deductions	**79,923**	**24,144**	**104,067**
Net increase	3,092	5,800	8,892
Net position – beginning of year	1,225,241	289,267	1,514,508
NET POSITION – END OF YEAR	**$ 1,228,333**	**$ 295,067**	**$ 1,523,400**

See accompanying independent auditor's report.

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

June 30, 2016 (Amounts expressed in thousands)

	SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION	TRANSPORTATION COMMUNICATION UNION PLAN	AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEE PLAN
ASSETS			
Cash and cash equivalents	$ 108	$ 23	$ 11
Investments:			
Bonds/Derivatives	65,991	13,716	6,669
Domestic stocks	76,823	15,967	7,764
Non-domestic stocks	2,908	604	294
Pooled investments	395,537	82,207	39,972
Receivables:			
Member contributions	638	96	-
Contribution transfer from other plans	-	-	709
Securities sold	638	133	64
Interest and dividends	594	123	60
Receivable from sponsors	-	75	87
Prepaid items and other assets	19	4	2
Total assets	**543,256**	**112,948**	**55,632**
LIABILITIES			
Contribution transfer to other plans	1,056	123	-
Accounts payable and other liabilities	455	155	123
Securities purchased	3,545	737	358
Total liabilities	**5,056**	**1,015**	**481**
NET POSITION			
Held in trust for pension benefits	**$ 538,200**	**$ 111,933**	**$ 55,151**

Note: Inter-plan receivables/payables among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 132.

Receivable from sponsors among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 132.

See accompanying independent auditor's report.

NON-CONTRACT EMPLOYEE PLAN	AMALGAMATED TRANSPORTATION UNION PLAN	TOTAL
$ 23	$ 82	$ 247
14,189	49,727	150,292
16,518	57,889	174,961
625	2,191	6,622
85,044	298,051	900,811
-	338	1,072
642	-	1,351
137	481	1,453
128	447	1,352
491	155	808
4	14	43
117,801	**409,375**	**1,239,012**
-	172	1,351
172	350	1,255
762	2,671	8,073
934	**3,193**	**10,679**
$ 116,867	**$ 406,182**	**$ 1,228,333**

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

For the Fiscal Year Ended June 30, 2016 (Amounts expressed in thousands)

	SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION	TRANSPORTATION COMMUNICATION UNION PLAN	AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEE PLAN
ADDITIONS			
Contributions:			
Employer	$ 21,369	$ 5,615	$ 1,639
Member	18,490	2,557	-
Transfer between plans	(1,056)	(123)	709
Total contributions	**38,803**	**8,049**	**2,348**
From investing activities:			
Net decline in fair value of investments	(7,774)	(1,584)	(883)
Investment income	7,773	1,599	812
Investment expense	(1,880)	(387)	(194)
Other income	476	26	13
Total investing activities income	**(1,405)**	**(346)**	**(252)**
Total additions	**37,398**	**7,703**	**2,096**
DEDUCTIONS			
Retiree benefits	38,001	6,268	5,018
Administrative expenses	356	323	320
Total deductions	**38,357**	**6,591**	**5,338**
Change in net position	(959)	1,112	(3,242)
Net Position – beginning of year	539,159	110,821	58,393
NET POSITION – END OF YEAR	**$ 538,200**	**$ 111,933**	**$ 55,151**

See accompanying independent auditor's report.

NON-CONTRACT EMPLOYEE PLAN	AMALGAMATED TRANSPORTATION UNION PLAN	TOTAL
$ 4,532	$ 22,781	$ 55,936
-	9,272	30,319
642	(172)	-
5,174	**31,881**	**86,255**
(1,860)	(5,561)	(17,662)
1,721	5,760	17,665
(413)	(1,398)	(4,272)
48	466	1,029
(504)	**(733)**	**(3,240)**
4,670	**31,148**	**83,015**
9,697	19,233	78,217
322	385	1,706
10,019	**19,618**	**79,923**
(5,349)	11,530	3,092
122,216	394,652	1,225,241
$ 116,867	**$ 406,182**	**$ 1,228,333**


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Statistical Section


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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**

Net Position by Component
Last Ten Fiscal Years

Accrual Basis of Accounting (Amounts expressed in thousands)

	2007	2008	2009
GOVERNMENTAL ACTIVITIES:			
Net investment in capital assets	$ 772,905	$ 772,838	$ 772,794
Restricted for:			
Proposition A ordinance projects	304,706	196,639	114,615
Proposition C ordinance projects	388,235	578,028	478,474
Measure R ordinance projects	-	-	-
PTMISEA projects		52,624	118,614
TDA and STA projects	243,120	245,822	171,491
Other nonmajor governmental projects	353,299	369,610	384,875
Unrestricted	297,103	132,436	100,240
Total governmental activities net position	**2,359,368**	**2,347,997**	**2,141,103**
BUSINESS-TYPE ACTIVITIES:			
Net investment in capital assets	3,671,581	3,911,725	3,900,614
Restricted for debt service	289,669	321,823	419,282
Unrestricted	111,273	76,168	212,781
Total business-type activities net position	**4,072,523**	**4,309,716**	**4,532,677**
PRIMARY GOVERNMENT:			
Net investment in capital assets	4,444,486	4,684,563	4,673,408
Restricted for debt service	289,669	321,823	419,282
Restricted for other purpose:			
Proposition A ordinance projects	304,706	196,639	114,615
Proposition C ordinance projects	388,235	578,028	478,474
Measure R ordinance projects	-	-	-
PTMISEA projects	-	52,624	118,614
TDA and STA projects	243,120	245,822	171,491
Other nonmajor governmental projects	353,299	369,610	384,875
Unrestricted	408,376	208,604	313,021
Total primary government net position	**$ 6,431,891**	**$ 6,657,713**	**$ 6,673,780**

Source: Comprehensive Annual Financial Report.

See accompanying independent auditor's report.

Table 1

2010	2011	2012	2013	2014	2015	2016
$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 769,942	$ 769,834
80,536	69,049	161,158	191,111	342,565	311,284	86,647
116,013	116,912	134,652	40,057	39,419	278,776	266,232
383,665	611,464	915,357	1,189,279	664,954	255,516	369,215
56,696	-	32,182	158,943	108,904	82,385	13,907
259,618	264,366	324,010	337,582	203,463	107,393	165,757
348,327	49,968	74,742	79,759	82,725	68,121	111,773
234,401	499,084	486,403	514,563	640,325	656,388	237,268
2,252,050	**2,383,637**	**2,901,298**	**3,284,088**	**2,855,149**	**2,529,805**	**2,020,633**
4,366,480	4,497,567	4,561,995	4,908,034	5,587,514	7,313,244	7,762,367
446,878	440,892	431,009	469,027	504,782	418,006	420,543
(1,909)	(130,868)	(30,488)	(318,227)	(702,106)	(1,019,466)	(943,051)
4,811,449	**4,807,591**	**4,962,516**	**5,058,834**	**5,390,190**	**6,711,784**	**7,239,859**
5,139,274	5,270,361	5,334,789	5,680,828	6,360,308	8,083,186	8,532,201
446,878	440,892	431,009	469,027	504,782	418,006	420,543
80,536	69,049	161,158	191,111	342,565	311,284	86,647
116,013	116,912	134,652	40,057	39,419	278,776	266,232
383,665	611,464	915,357	1,189,279	664,954	255,516	369,215
56,696	-	32,182	158,943	108,904	82,385	13,907
259,618	264,366	324,010	337,582	203,463	107,393	165,757
348,327	49,968	74,742	79,759	82,725	68,121	111,773
232,492	368,216	455,915	196,336	(61,781)	(363,078)	(705,783)
$ 7,063,499	**$ 7,191,228**	**$ 7,863,814**	**$ 8,342,922**	**$ 8,245,339**	**$ 9,241,589**	**$ 9,260,492**

Changes in Net Position
Last Ten Fiscal Years

Accrual Basis of Accounting (Amounts expressed in thousands)

	2007	2008	2009
EXPENSES			
Governmental activities:			
Transit operators programs	$ 235,476	$ 209,299	$ 282,305
Local cities programs	-	-	-
Congestion relief operations	-	-	-
Highway projects	320,629	318,492	300,113
Regional multimodal capital programs	103,286	316,631	188,316
Paratransit programs	12,440	14,355	14,208
Other transportation subsidies	49,997	57,711	79,910
Debt service interest	1,456	1,408	1,444
General government	132,228	165,783	200,523
Total government activities	855,512	1,083,679	1,066,819
Business-type activities:			
Transit operations	1,691,649	1,747,243	1,807,037
Union Station operations (1)	-	-	-
Toll operations (2)	-	-	-
Total business-type activities expenses	1,691,649	1,747,243	1,807,037
Total expenses	2,547,161	2,830,922	2,873,856
PROGRAM REVENUES			
Governmental activities:			
Charges for services	13,311	10,915	10,101
Operating grants and contributions	343,003	191,046	162,387
Total governmental activities program	356,314	201,961	172,488
Business-type activities:			
Charges for services	313,000	357,857	357,895
Operating grants and contributions	186,003	198,443	214,285
Capital grants and contributions	302,613	200,575	424,732
Total business-type activities program	801,616	756,875	996,912
Total primary government program revenues	1,157,930	958,836	1,169,400
Net (expense) / revenue:			
Governmental activities	(499,198)	(881,718)	(894,331)
Business-type activities	(890,033)	(990,368)	(810,125)
Total net expense	(1,389,231)	(1,872,086)	(1,704,456)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Sales tax	1,908,416	1,801,291	1,596,152
Investment income (1)	51,186	70,782	55,284
Miscellaneous	29,736	39,273	41,063
Transfers	(944,260)	(1,040,999)	(1,005,062)
Total government activities	1,045,078	870,347	687,437
Business-type activities:			
Investment income (1)	29,282	15,586	7,793
Miscellaneous	5,829	5,237	20,231
Transfers	944,260	1,040,999	1,005,062
Total business-type activities	979,371	1,061,822	1,033,086
Total primary government	2,024,449	1,932,169	1,720,523
CHANGE IN NET POSITION			
Governmental activities	545,880	(11,371)	(206,894)
Business-type activities	89,338	71,454	222,961
Total primary government	$ 635,218	$ 60,083	$ 16,067

Source: Comprehensive Annual Financial Report.

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

(2) Includes gain(loss) on sale of capital assets.

See accompanying independent auditor's report.

Table 2

2010	2011	2012	2013	2014	2015	2016
$ 201,354	$ 238,624	$ 220,782	$ 239,718	$ 346,326	$ 304,916	$ 357,346
370,177	401,957	442,409	431,470	541,736	549,302	548,101
-	-	-	-	44,792	43,724	42,279
247,715	108,511	234,690	312,807	521,755	196,158	594,069
102,084	80,221	96,174	146,528	29,080	42,844	52,363
25,283	16,456	10,227	13,097	92,745	83,602	105,042
88,180	56,504	63,875	130,964	62,861	72,088	64,237
1,249	1,205	1,161	1,114	1,064	1,011	954
218,380	257,433	167,134	218,637	81,380	96,909	109,029
1,254,422	**1,160,911**	**1,236,452**	**1,494,335**	**1,721,739**	**1,390,554**	**1,873,420**
1,808,257	1,910,466	1,835,735	1,916,041	1,940,775	1,935,989	2,085,787
-	1,052	4,167	6,586	7,498	9,729	9,172
-	-	-	10,102	12,803	20,757	24,815
1,808,257	**1,911,518**	**1,839,902**	**1,932,729**	**1,961,076**	**1,966,475**	**2,119,774**
3,062,679	**3,072,429**	**3,076,354**	**3,427,064**	**3,682,815**	**3,357,029**	**3,993,194**
15,713	16,302	15,740	23,770	5,899	23,704	9,009
267,306	169,261	401,651	502,374	410,545	345,206	44,805
283,019	**185,563**	**417,391**	**526,144**	**416,444**	**368,910**	**53,814**
342,087	375,168	375,917	382,003	400,832	439,028	443,856
239,835	261,068	289,517	272,951	241,808	263,838	200,193
411,392	182,378	207,509	135,653	298,199	486,793	457,106
993,314	**818,614**	**872,943**	**790,607**	**940,839**	**1,189,659**	**1,101,155**
1,276,333	**1,004,177**	**1,290,334**	**1,316,751**	**1,357,283**	**1,558,569**	**1,154,969**
(971,403)	(975,348)	(819,061)	(968,191)	(1,305,295)	(1,021,644)	(1,819,606)
(814,943)	(1,092,904)	(966,959)	(1,142,122)	(1,020,237)	(769,293)	(1,018,619)
(1,786,346)	**(2,068,252)**	**(1,786,020)**	**(2,110,313)**	**(2,325,532)**	**(1,790,937)**	**(2,838,225)**
2,085,370	2,104,072	2,386,439	2,519,720	2,778,676	2,717,320	2,753,686
39,268	24,628	17,829	4,822	14,719	11,498	24,638
26,979	49,218	32,205	42,203	22,244	30,781	59,786
(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)
1,082,350	**1,106,935**	**1,336,722**	**1,350,981**	**876,356**	**696,300**	**(1,310,434)**
8,102	13,191	15,480	17,977	13,261	17,295	8,919
16,346	4,872	6,653	4,699	11,707	10,293	10.099
1,069,267	1,070,983	1,099,751	1,215,764	1,939,283	2,063,299	1,527,676
1,093,715	**1,089,046**	**1,121,884**	**1,238,440**	**1,964,251**	**2,090,887**	**1,546,694**
2,176,065	**2,195,981**	**2,458,606**	**2,589,421**	**2,840,607**	**2,787,187**	**2,857,128**
110,947	131,587	517,661	382,790	(428,939)	(325,344)	(509,172)
278,772	(3,858)	154,925	96,318	944,014	1,321,594	528,075
$ 389,719	**$ 127,729**	**$ 672,586**	**$ 479,108**	**$ 515,075**	**$ 996,250**	**$ 18,903**

Fund Balances of Governmental Funds
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

	2007	2008	2009
GENERAL FUND			
Reserved	$ 3,047	$ 2,890	$ 1,780
Unreserved	150,995	144,513	158,847
Restricted (1)	-	-	-
Committed (1)	-	-	-
Assigned (1)	-	-	-
Unassigned (1)	-	-	-
Total General Fund	**154,042**	**147,403**	**160,627**
ALL OTHER GOVERNMENTAL FUNDS			
Reserved	542,896	656,807	825,140
Unreserved:			
Proposition A Fund	250,696	120,077	(18,093)
Proposition C Fund	75,753	239,583	(44,054)
Measure R Fund	-	-	-
PTMISEA Fund	-	52,624	118,614
TCRP Fund	317,434	-	-
Transportation Development Act Fund	53,579	17,572	(8,529)
State Transit Act Fund	36,505	7,684	33,613
Nonmajor Governmental Fund	25,939	363,345	360,172
Restricted: (1)			
Proposition A Fund	-	-	-
Proposition C Fund	-	-	-
Measure R Fund	-	-	-
PTMISEA Fund	-	-	-
Transportation Development Act Fund	-	-	-
State Transit Act Fund	-	-	-
Nonmajor Governmental Fund	-	-	-
Unrestricted:			
State Transit Act Fund	-	-	-
Total all other governmental funds	**1,301,515**	**1,457,692**	**1,266,863**
Total governmental funds	**$ 1,455,557**	**$ 1,605,095**	**$ 1,427,490**

Source: Comprehensive Annual Financial Report.

(1) Reclassification of fund balances with the implementation of GASB Statement No. 54-*Fund Balance Reporting and Government Fund Type Definitions.*

See accompanying independent auditor's report.

Table 3

2010	2011	2012	2013	2014	2015	2016
$ 1,843	$ -	$ -	$ -	$ -	$ -	$ -
178,611	-	-	-	-	-	-
-	7,827	9,023	6,588	4,045	15,753	35,704
-	46,564	3,492	8,877	8,779	10,994	13,862
-	986	6,818	11,403	10,624	16,162	23,653
-	434,371	456,263	448,155	489,143	512,492	450,594
180,454	**489,748**	**475,596**	**475,023**	**512,591**	**555,401**	**523,813**
1,201,151	-	-	-	-	-	-
23,741	-	-	-	-	-	-
(871,854)	-	-	-	-	-	-
349,183	-	-	-	-	-	-
56,696	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,107)	-	-	-	-	-	-
160,797	-	-	-	-	-	-
319,897	-	-	-	-	-	-
-	69,049	161,158	191,111	342,565	311,284	86,647
-	116,912	134,652	40,057	39,419	278,776	266,232
-	611,464	915,357	1,189,279	664,954	255,516	369,215
-	-	32,182	158,943	108,904	82,385	13,907
-	214,652	297,064	324,387	199,743	98,839	165,757
-	49,714	26,946	13,195	3,720	8,554	-
-	49,968	74,742	79,759	82,725	68,121	111,773
-	-	-	-	-	-	(13,094)
1,238,504	**1,111,759**	**1,642,101**	**1,996,731**	**1,442,030**	**1,103,475**	**1,000,437**
$ 1,418,958	**$ 1,601,507**	**$ 2,117,697**	**$ 2,471,754**	**$ 1,954,621**	**$ 1,658,876**	**$ 1,524,250**

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

	2007	2008	2009
REVENUES			
Sales tax	$ 1,908,416	$ 1,768,916	$ 1,628,527
Intergovernmental	343,003	194,565	162,387
Investment income (1)	51,186	70,782	55,284
Lease and rental	11,293	10,915	10,101
Licenses and fines	8,246	8,407	8,091
Other	26,784	28,706	30,811
Total revenues	**2,348,928**	**2,082,291**	**1,895,201**
EXPENDITURES			
Current:			
Administration and other	98,720	130,090	161,504
Transportation subsidies	754,733	759,447	903,971
Principal, interest, and fiscal charges	2,226	2,217	2,269
Total expenditures	**855,679**	**891,754**	**1,067,744**
Excess of revenues over expenditures	1,493,249	1,190,537	827,457
Other financing sources (uses)			
Transfers out, net of transfers in	(944,260)	(1,040,999)	(1,005,062)
Total other financing sources (uses)	(944,260)	(1,040,999)	(1,005,062)
Net change in fund balances	**$ 548,989**	**$ 149,538**	**$ (177,605)**
Debt service expenditures expressed as a percentage of non-capital expenditures	0.26%	0.25%	0.21%

Source: Comprehensive Annual Financial Report.

(1) Includes net appreciation (decline) in fair value of investments.

See accompanying independent auditor's report.

Table 4

2010	2011	2012	2013	2014	2015	2016
$ 2,085,370	$ 2,104,072	$ 2,386,439	$ 2,519,720	$ 2,778,676	$ 2,717,320	$ 2,753,686
151,046	228,469	413,262	484,194	315,337	374,350	120,428
39,268	24,628	16,812	5,025	15,533	11,498	24,638
15,713	16,206	15,740	15,509	14,162	23,641	9,065
7,962	8,023	8,065	8,115	8,366	8,354	8,606
16,820	34,071	13,095	32,658	12,756	24,129	51,180
2,316,179	**2,415,469**	**2,853,413**	**3,065,221**	**3,144,830**	**3,159,292**	**2,967,603**
377,193	295,139	356,480	431,967	405,554	263,376	344,422
875,977	864,528	878,796	1,061,239	1,314,929	1,126,168	1,227,936
2,274	2,270	2,196	2,194	2,197	2,194	2,195
1,255,444	**1,161,937**	**1,237,472**	**1,495,400**	**1,722,680**	**1,391,738**	**1,574,553**
1,060,735	1,253,532	1,615,941	1,569,821	1,422,150	1,767,554	1,393,050
(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)
(1,069,267)	(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)
$ (8,532)	**$ 182,549**	**$ 516,190**	**$ 354,057**	**$ (517,133)**	**$ (295,745)**	**$ (134,626)**
0.18%	0.20%	0.18%	0.15%	0.13%	0.16%	0.14%

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
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
2016	763,636	763,643	764,968	382,753	78,686	2,753,686

Source: Comprehensive Annual Financial Report.

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

(2) Measure R is a voter-approved half-cent sales tax that took effect in July 1, 2009 for Los Angeles County to finance new transportation projects and programs.

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

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

See accompanying independent auditor's report.

Business-type Activities — Transit Operations — Program Revenues by Source
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
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
2016	340,274	199,956	901,770 (3)	22,647	8,134	72,801	1,545,582

Source: Comprehensive Annual Financial Report.

(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 transfers out.

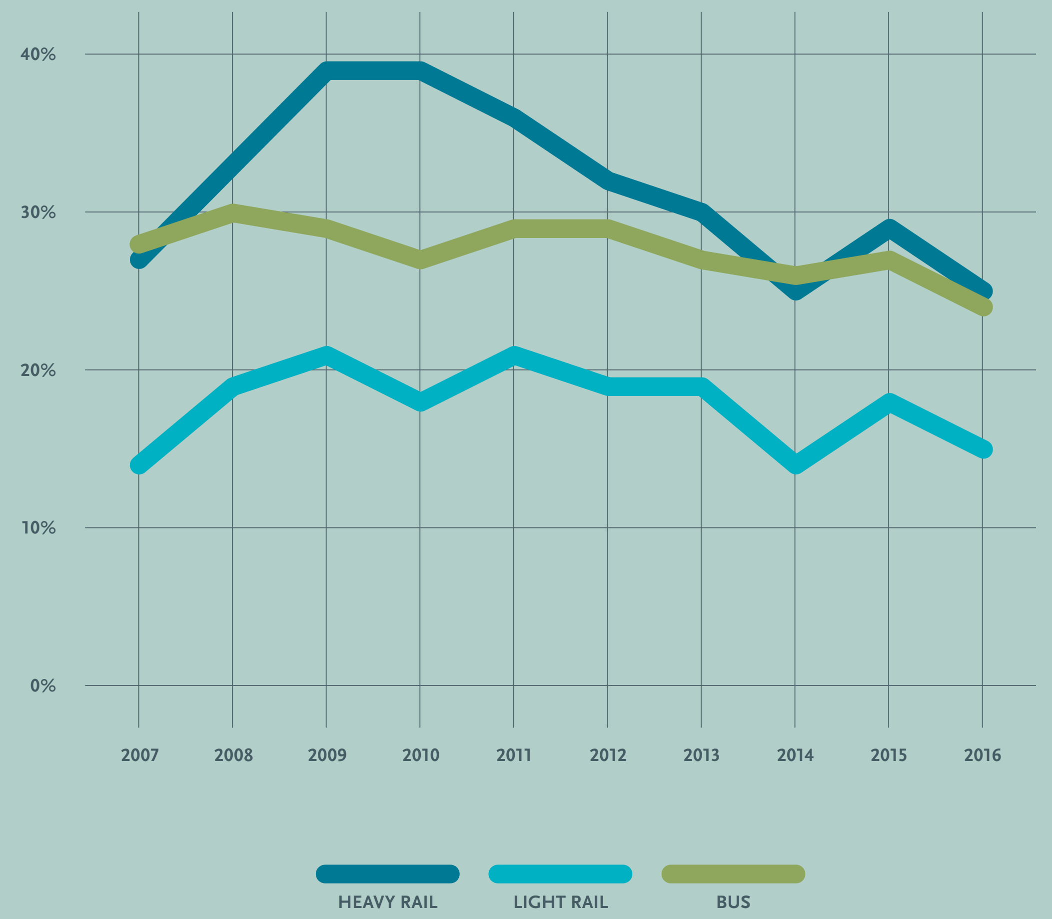
See accompanying independent auditor's report.

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
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%
2016	25%	15%	24%	22%

FAREBOX RECOVERY PERCENTAGE BY MODE
LAST TEN FISCAL YEARS



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	TOTAL DEBT SERVICE EXPENDITURES	TOTAL GENERAL EXPENDITURES	PERCENT OF DEBT SERVICE TO GENERAL EXPENDITURES
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%
2016	182,066	140,575	322,641	3,917,887	8.24%

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 COVERAGE REQUIREMENT	DEBT SERVICE RATIO
Proposition A	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
	2016	763,636	190,909	572,727	125,253	4.57
Proposition C	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
	2016	763,643	152,729	610,914	132,161	4.62
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
	2016	764.968	114,745	650,223	53,605	12.13

Source: Comprehensive Annual Financial Report.

(1) % Local return of net sales tax revenue - Proposition A 25%, Proposition C 20%, and Measure R 15%.

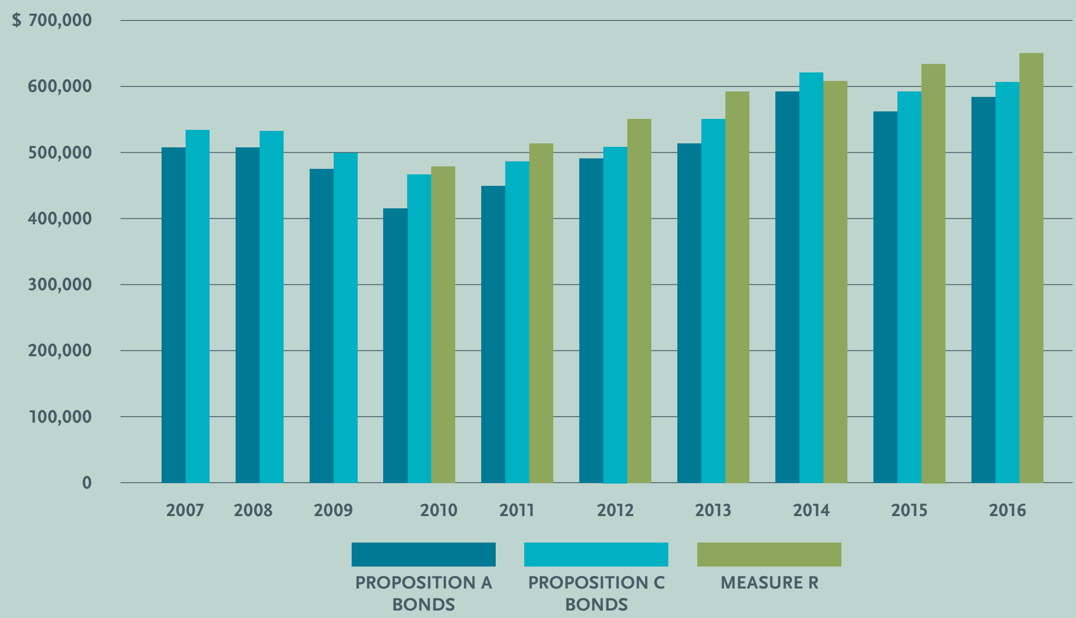
(2) Measure R took effect in July 1, 2009.

See accompanying independent auditor's report.

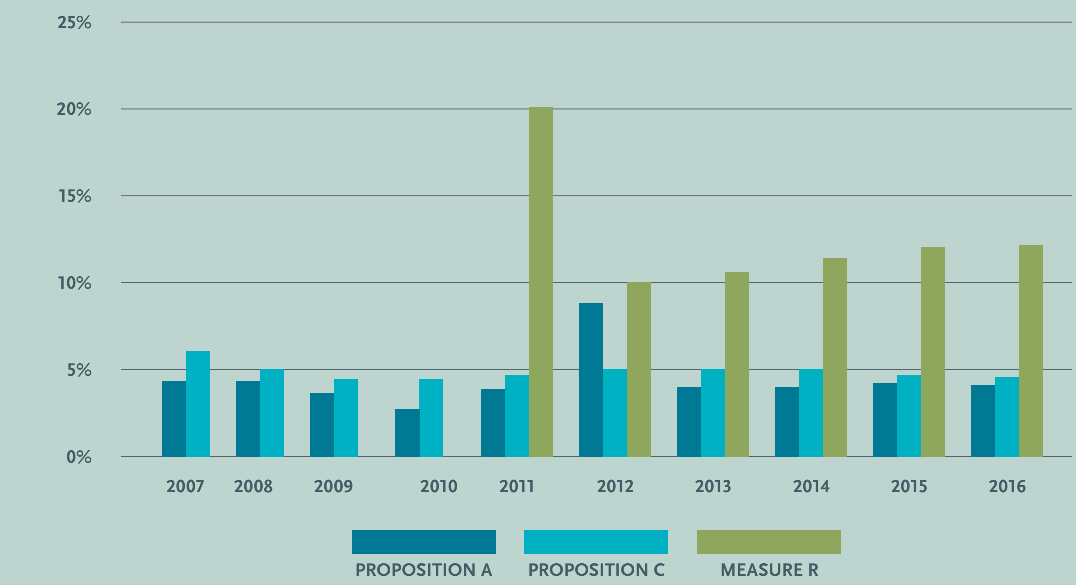
Graphic Presentation of Table 9
Proposition A, Proposition C, and Measure R Debt Service Coverage Ratios

(Amounts expressed in thousands)

AMOUNT AVAILABLE FOR DEBT SERVICE ON SALES TAX BONDS



DEBT SERVICE COVERAGE RATIO



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)

	2007	2008	2009
Governmental activities:			
Redevelopment and housing bonds	$ 27	$ 26	$ 25
Total Governmental activities	**27**	**26**	**25**
Business-type activities:			
Sales tax revenue and refunding bonds	3,062	2,951	2,873
Sales tax revenue bonds – local allocation	4	2	-
Lease/leaseback obligation	814	845	871
General revenue bonds	236	221	203
Commercial paper and revolving lines of credit	189	184	279
Capitalized lease	13	27	19
Capital grant receipts revenue bonds	240	217	132
Notes obligation - TIFIA (CPC)	-	-	-
Total Business-type activities	**4,558**	**4,447**	**4,377**
Total Primary government	**$ 4,585**	**$ 4,473**	**$ 4,402**
Percentage of Personal Income (1)	1.12%	1.05%	1.08%
Per Capita (1)	$ 469.10	$ 456.57	$ 448.95

Source: Comprehensive Annual Financial Report.

(1) See the Schedule of Demographic and Economic Statistics for population and personal income data.

See accompanying independent auditor's report.

Table 10

	2010	2011	2012	2013	2014	2015	2016
	$ 24	$ 23	$ 22	$ 21	$ 20	$ 19	$ 18
	24	**23**	**22**	**21**	**20**	**19**	**18**
	2,834	3,448	3,361	3,107	3,237	3,037	2,810
	-	-	-	-	-	-	-
	912	851	785	815	718	468	425
	185	166	161	155	149	142	113
	144	144	34	148	139	84	385
	5	2	0.8	-	-	-	-
	90	-	-	-	5	4	2
	-	-	-	-	-	37	488
	4,170	**4,611**	**4,342**	**4,225**	**4,248**	**3,772**	**4,223**
	$ 4,194	**$ 4,634**	**$ 4,364**	**$ 4,246**	**$ 4,268**	**$ 3,791**	**$ 4,241**
	1.00%	1.05%	0.92%	0.89%	0.85%	0.70%	0.72%
	$ 426.26	$ 467.94	$ 438.73	$ 422.24	$ 421.57	$ 373.31	$ 414.12

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)
2007	9,774	36,553	$ 137,820,418	$ 409,232,169	39	5.1%
2008	9,797	36,856	131,881,774	424,773,112	41	7.6%
2009	9,805	37,077	112,744,727	408,269,611	42	11.6%
2010	9,839	37,339	116,942,334	418,046,367	42	12.5%
2011	9,903	37,676	126,440,737	441,724,254	45	12.2%
2012	9,947	38,038	135,295,582	475,931,985	48	10.9%
2013	10,056	38,367	140,079,708	478,371,346	48	9.8%
2014	10,124	38,725	147,446,927 (5)	499,767,889	49	8.3%
2015	10,155	38,907	155,201,610 (6)	544,324,900	54	6.7%
2016	10,241	39,255	163,364,136 (6)	592,854,410 (6)	58	5.3%

Sources:

(1) California Department of Finance.

(2) State Board of Equalization.

(3) U.S. Department of Commerce, Bureau of Economic Analysis. Personal Income includes net earnings by place of residence; dividends, interest and rent; and personal current transfer receipts received by the residence of Los Angeles

(4) California Employment Development Labor Market Information Division, not seasonally adjusted.

(5) Updated based on 2014 publication (State Board of Equalization).

(6) Data not available, estimates only, based on % change from current fiscal year to prior fiscal year.

See accompanying independent auditor's report.

Ten Largest Employers in Los Angeles County
Last Ten Fiscal Years

(Numbers of employees expressed in thousands)

	2007 [2]		
MAJOR EMPLOYERS	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT
County of Los Angeles	93,354	1	2.03%
Los Angeles Unified School District	80,802	2	1.76%
City of Los Angeles (including DWP) [4]	51,150	4	1.11%
University of California, Los Angeles	36,354	5	0.79%
Federal Government (Non-Defense Dept.) [4]	56,100	3	1.22%
Kaiser Permanente	27,635	7	0.60%
State of California (non-education)	32,300	6	0.70%
Northrop Grumman Corp.	21,000	8	0.46%
Target Corp.	12,066	9	0.26%
Providence Health & Services	7,058	10	0.15%
University of Southern California	-	-	-
Total	**417,819**		**9.08%**
Total Employment in LA County [3]	**4,602,700**		

Sources:
(1) Los Angeles Almanac research.

(2) Los Angeles Economic Development.

(3) California Employment Development Dept, Labor Market Information Division.

(4) Includes U.S. Postal Service.

Note:
Information for 2008, 2009, 2010, 2012, 2013, 2015, and 2016 are not available.

See accompanying independent auditor's report.

Table 12

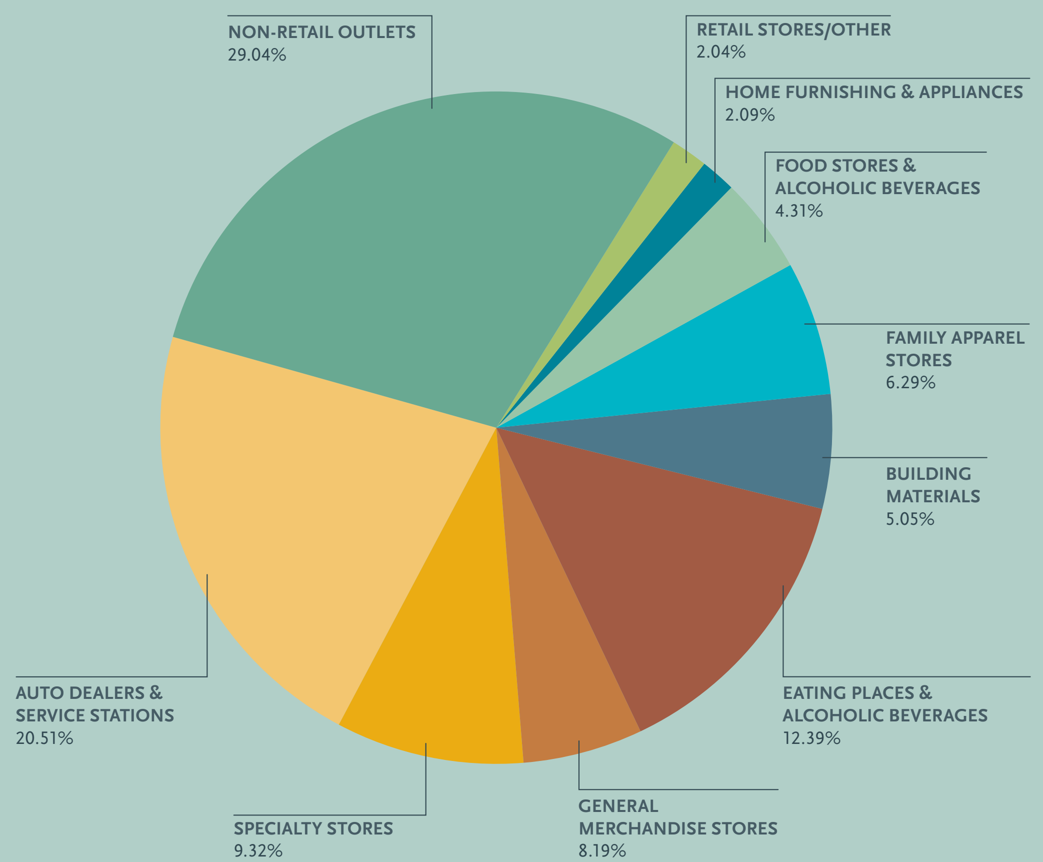
2011 [1]			2014 [1]		
NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT
95,700	1	2.23%	96,500	1	2.10%
73,300	2	1.71%	59,600	2	1.30%
47,700	4	1.11%	46,900	3	1.02%
41,000	5	0.95%	44,000	4	0.96%
48,100	3	1.12%	43,400	5	0.95%
36,500	6	0.85%	36,000	6	0.78%
30,400	7	0.71%	29,200	7	0.64%
18,000	8	0.42%	17,000	8	0.37%
14,250	10	0.33%	15,000	9	0.33%
-	-	-	15,000	10	0.33%
16,600	9	0.39%	-	-	-
421,550		**9.82%**	**402,600**		**8.78%**
4,295,500			**4,589,800**		

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

(Amounts expressed in millions)

	2007	2008	2009
Non-retail outlets	$ 36,316	$ 36,759	$ 34,301
Auto dealers and service stations	29,387	29,746	20,431
Specialty stores	14,703	14,882	12,896
General merchandise stores	13,825	13,994	10,059
Eating places and alcoholic beverages	14,473	14,650	13,877
Building materials	7,495	7,586	5,755
Family apparel stores	5,829	5,901	7,146
Food stores and alcoholic beverages	4,912	4,972	5,411
Home furnishings and appliances	4,287	4,339	2,058
Retail stores – other	1,184	1,198	811
Total	**$ 132,411**	**$ 134,027**	**$ 112,745**

FY16 TAXABLE TRANSACTIONS BY BUSINESS TYPE
(Amounts expressed in millions)



Source: California State Board of Equalization

(1) Updates 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 current fiscal year to prior fiscal year.

See accompanying independent auditor's report.

Table 13

2010	2011	2012	2013	2014 (1)	2015 (2)	2016 (3)
$ 34,767	$ 37,189	$ 39,977	$ 37,633	$ 35,289	$ 45,957	$ 48,826
22,298	26,081	28,517	28,578	28,639	32,652	35,740
13,125	13,543	13,987	13,374	12,761	15,056	14,991
10,369	10,866	11,158	10,463	9,768	10,505	9,548
14,291	15,287	16,512	16,735	16,958	21,003	23,260
6,130	6,307	6,511	6,072	5,633	7,960	9,088
7,608	8,357	9,167	8,942	8,717	10,604	10,648
5,405	5,591	5,825	5,769	5,713	6,936	7,662
2,158	2,322	2,442	2,388	2,334	2,779	2,823
791	897	1,200	1,594	1,988	2,520	2,925
$ 116,942	**$ 126,440**	**$ 135,296**	**$ 131,548**	**$ 127,800**	**$ 155,972**	**$ 165,511**

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

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

	2007	2008	2009	2010	2011	2012
PASSENGER FARES:						
Heavy Rail	$ 23,739	$ 31,843	$ 29,402	$ 34,983	$ 34,789	$ 33,665
Light Rail	20,752	29,690	28,682	30,725	36,627	37,778
Bus (1)	248,877	275,428	275,906	250,719	274,557	272,571
OPERATING EXPENSES: (excluding depreciation)						
Heavy Rail	$ 87,368	$ 95,930	$ 88,793	$ 90,320	$ 97,631	$ 105,620
Light Rail	144,466	153,267	150,108	167,915	174,704	201,416
Bus (1)	892,512	919,541	939,248	945,990	956,784	924,512
PASSENGER MILES TRAVELED:						
Heavy Rail	194,032	217,965	227,657	231,936	226,974	231,684
Light Rail	291,158	306,848	327,341	333,334	337,518	366,233
Bus (1)	1,497,245	1,462,317	1,517,647	1,486,802	1,492,820	1,519,263
VEHICLE/PASSENGER CAR REVENUE MILES:						
Heavy Rail	5,986	6,003	6,078	5,885	5,908	6,156
Light Rail	8,688	8,812	9,051	9,646	10,155	11,153
Bus (1)	84,700	90,282	88,535	87,128	81,489	76,390
VEHICLE/PASSENGER CAR REVENUE HOURS:						
Heavy Rail	263	265	269	257	259	269
Light Rail	370	376	385	429	458	519
Bus (1)	7,620	7,600	7,514	7,432	7,084	6,804
BUSES/RAIL CARS:						
Heavy Rail	104	104	104	104	104	104
Light Rail	121	121	145	158	167	169
Bus (1)	2,733	2,738	2,460	2,727	2,405	2,429
PASSENGER STATIONS:						
Heavy Rail	16	16	16	16	16	16
Light Rail	49	49	49	53	53	66

Source: National Transit Database Report.

(1) Include Purchase Transportation and Orange Line.

(2) Increase due to opening of a new segment.

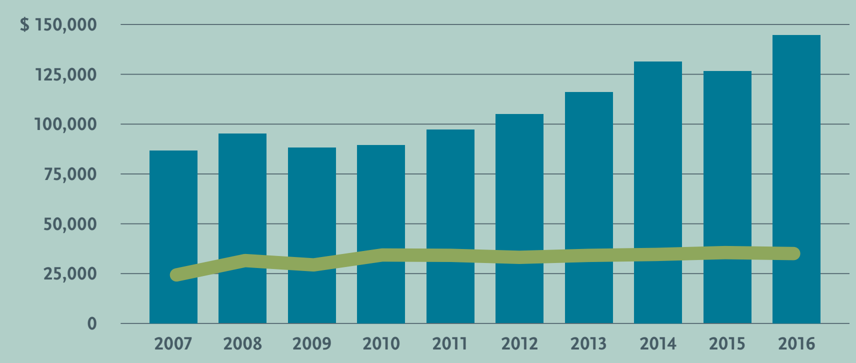
See accompanying independent auditor's report.

Table 14

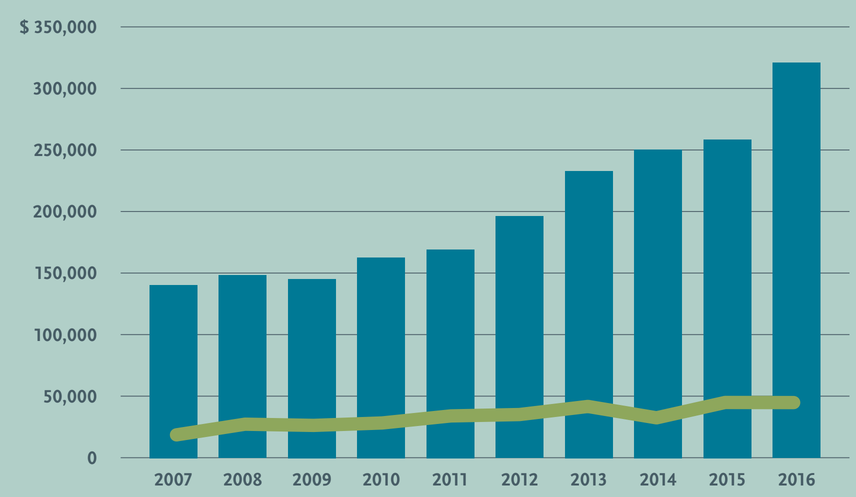
2013	2014 (1)	2015 (2)	2016
$ 34,753	$ 35,300	$ 36,338	$ 35,789
44,565	44,412	47,902	47,807
260,692	259,887	267,408	256,667
$ 117,006	$ 132,142	$ 127,153	$ 145,450
234,856	257,979	265,702	328,351
956,306	980,176	994,171	1,087,236
237,760	254,440	236,023	224,277
408,032	412,776	386,901	427,260
1,496,480	1,494,524	1,444,741	1,337,680
6,865	7,067	6,977	6,884
13,239	13,863	13,702	13,746
75,465	75,664	75,207	76,159
302	320	319	316
654	685	680	663
6,810	6,946	6,972	7,067
104	104	104	104
171	171	171	196 (2)
2,453	2,420	2,457	2,438
16	16	16	16
66	66	66	79 (2)

PASSENGER FARES AND OPERATING EXPENSES BY MODE
(Amounts expressed in thousands)

HEAVY RAIL



LIGHT RAIL



BUS

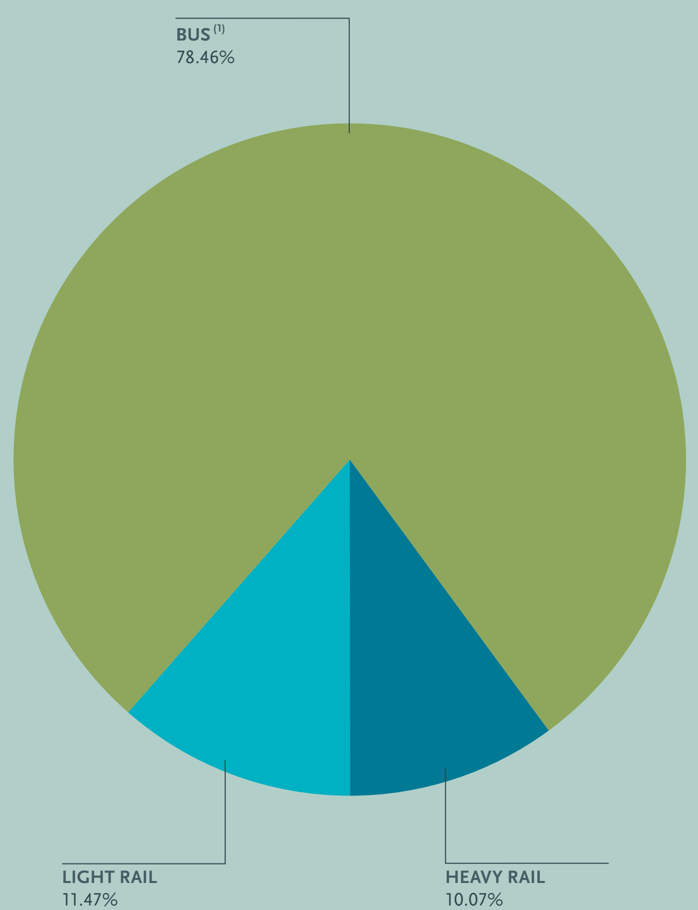
Business-type Activities — Transit Operations — Passenger Boardings by Mode
Last Ten Fiscal Years

(Boardings expressed in thousands)

Table 15

FISCAL YEAR	HEAVY RAIL	LIGHT RAIL	BUS (1)	TOTAL
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	357,301	453,007
2012	47,736	53,781	360,003	461,520
2013	49,516	63,652	359,504	472,672
2014	50,365	63,705	345,055	459,125
2015	47,721	62,775	342,980	437,476
2016	46,003	62,085	320,870	428,958

PASSENGER BOARDINGS
LAST TEN FISCAL YEARS



Source: National Transit Database Report.

(1) Include Purchase Transportation and Orange Line.

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
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
2016	823,371	320,422	99,126	332,746	482,908	2,058,573

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

FUNCTION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Metro Operations	7,701	7,789	7,834	7,678	7,324	7,344	7,477	7,571	7,585	7,859
Countywide Planning & Development	104	116	119	124	84	103	98	101	156	161
Construction Project Management	86	86	93	118	128	171	157	180	193	205
Communications	214	216	221	228	210	196	199	194	271	278
Support Services	750	755	792	831	713	722	757	765	612	690
Chief Executive Office	67	75	73	179	175	209	285	314	428	482
Board of Directors	45	45	45	43	37	38	38	37	36	39
Total	**8,967**	**9,082**	**9,177**	**9,201**	**8,671**	**8,783**	**9,011**	**9,162**	**9,281**	**9,714**

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)								
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
2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA (2)								
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	24%	4%	28%	16%	8%	49%	72%	100%
2015	23%	6%	29%	16%	6%	48%	71%	100%
2016	21%	7%	28%	12%	6%	54%	72%	100%

(1) APTA 2016 Public Transportation Fact Book.

(2) 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)						
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	44%	16%	10%	16%	14%	100%
2014	44%	16%	10%	16%	14%	100%
2015	n/a	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA (3)						
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	49%	21%	9%	18%	3%	100%
2015	50%	20%	8%	18%	4%	100%
2016	50%	20%	6%	20%	4%	100%

(1) Excludes depreciation.

(2) APTA 2013 Public Transportation Fact Book.

(3) 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®