Los Angeles County
Metropolitan Transportation Authority
California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

FY17

Los Angeles County
Metropolitan Transportation Authority
Los Angeles, California

FY17

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

PREPARED BY THE ACCOUNTING DEPARTMENT

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

Metro®

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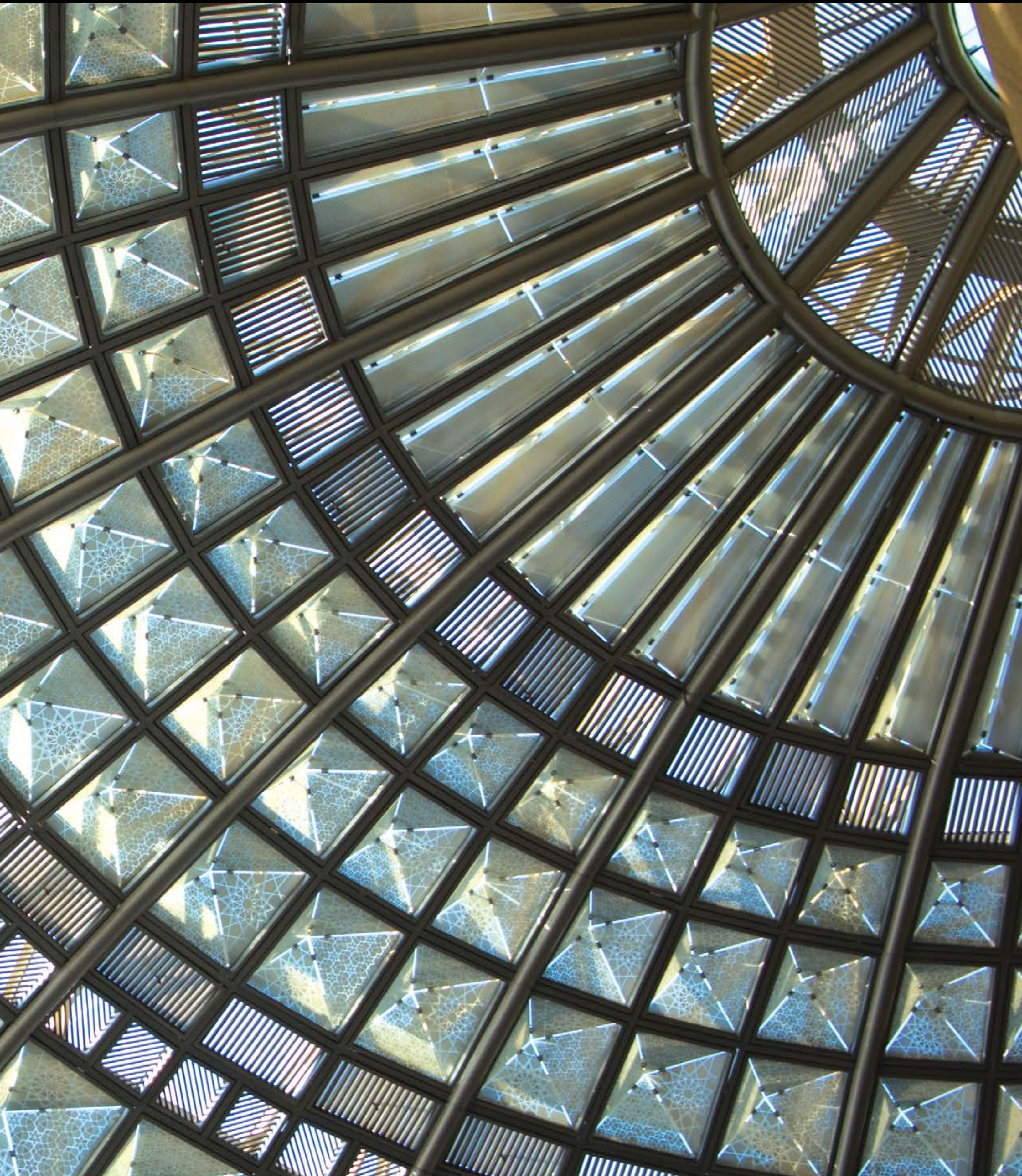
Introductory Section



Metro

Los Angeles County
Metropolitan Transportation Authority

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December 19, 2017

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, 2017 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 auditor's reports on the internal control structure and compliance with applicable laws and regulations are set forth in a separate Single Audit report.

Crowe Horwath LLP, a firm of licensed Certified Public Accountants, has 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, 2017, 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, 2017. 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 29, 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 about 400 million bus and rail boardings a year within its 1,419-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 FY18 Budget - LACMTA starts the financial cycle by updating the Ten-Year Budget which is a financial forecast based on known parameters and future assumptions. This Ten-Year Budget includes revenue and expense/expenditure forecasts, which take into account historical trends for all funds and major programs. It also identifies where deficits might occur over the next decade and provides mitigation solutions to address deficits as necessary. In addition, it highlights instances where expense/expenditure growth patterns may not be consistent with the related revenue growth. LACMTA's FY18 budget is a component of the Ten-Year Budget process with a specific focus on the imbalance between revenue and expense/expenditure for that year.

The $6.1 billion FY18 adopted budget is only 1.5% over the FY17 budget. This is less than the increase in the Consumer Price Index (CPI), which is an indicator of inflation, clearly demonstrating our commitment to fiscal discipline and tight budget controls. As we work to deliver the promises of Measure R and now Measure M, it is LACMTA's duty to exercise careful planning and responsibly spend every dollar the voting public has entrusted us with.

Every dollar in the FY18 budget has been explicitly linked to one of our agency goals. This new practice enables us to track our ongoing costs in relation to our objectives, which will result in a quantifiable measure of the efforts expended to move toward specific achievements. This approach is designed to further reinforce Metro's commitment to tight budget controls, strategic monitoring of performance and the improvement of accountability.

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, commuter rail services, ADA paratransit, Metrolink Access Services 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 million residents and a workforce of more than 4.8 million people 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. It has one of the largest manufacturing centers in the nation, is a global gateway for trade and tourism and draws entrepreneurs and risk-takers from around the world. Other major industries include health care, education and knowledge creation and business services.

In 2016, real Gross Domestic Product (GDP) in the County grew at 2.2%, a slowdown from the prior year when the economy grew by 3.6%. However, this year's growth was faster than the national rate of growth. Real GDP growth is expected to be 2.7% for the next two years, also outpacing the nation.

In 2016, the average unemployment rate in the County reached 5.1%, the lowest unemployment rate since 2007 and less than half the peak rate of 12.5% reached in August 2010. It is expected to decline slowly over the next two years, falling to 5% in 2017 and reaching 4.9% in 2018 as the County reaches full employment. Job growth has been positive since 2011, averaging 2.0% annually since 2012. This is expected to slow down to 1.5% for the next two years as there are fewer jobs needed to be added and as the labor market tightens.

Non-farm employment was up over the prior year by 88,000 wage and salary jobs reaching almost 4.4 million jobs, an increase of 2.1% over 2015. Personal income in the County has been rising, posting consecutive year-over-year increases since 2013 and is forecast to continue growing to $610 billion in 2018. In addition to total personal income, real per capita income has also been rising since 2013 and is predicted to reach $51,610 in 2018. In 2016, the number of permits issued for new home construction in the County declined 10.8% from the previous year to 20,213. New home construction peaked in the County in 2004 at 26,935 units permitted before falling to a low of 5,653 units in 2009. Since then, new home construction has increased at a gradual pace, with the exception of 2016. One notable change in new residential construction in the County that has occurred in the aftermath of the recession is the rising share of permits for multi-family homes relative to single-family construction. Between 2000 and 2005, the average share of single-family permits averaged 46% of total new home construction. Since then, the share has steadily declined, falling to just 23% in 2016.

In 2016, the median home price in the County increased over the previous year by 6% to an estimated $519,300. It had fallen to a low of $316,469 in this cycle after reaching a peak of $532,281 in 2007. The median home price in the County has increased by 64% since bottoming out in 2011 and ended last year just 2.4% below its former peak.

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 Strategic Budget. 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 Strategic Budget 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

LACMTA's FY18 budget includes funding from Measure M, the Los Angeles County transportation sales tax measure that was approved by the voters in November 2016. This exciting new local revenue stream will supplement existing funding sources as Metro Rail expansion continues in FY18. Construction is ongoing on three major rail lines: the Regional Connector, the Crenshaw/LAX and the Westside Purple Line Extension Sections 1 and 2. LACMTA will break ground on the Airport Metro Connector, as we commence real estate acquisitions, final design efforts and early construction mobilization for the 96th Street Transit Station. LACMTA is also working to complete environmental studies and preliminary engineering for the Gold Line Foothill Extension 2B to Claremont, slated to break ground in FY19. With so many projects in the works, there is a bright future ahead as LACMTA continues to improve our transportation infrastructure.

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, 2016. 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

I 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. I would like to acknowledge the Board and our CEO for their continuous support in maintaining the highest standard of professionalism in the management of LACMTA's finances. Finally, I want to thank our independent auditors, Crowe Horwath LLP, for their efforts throughout this audit engagement.

Respectfully submitted,

Nalini Ahuja
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County

Metropolitan Transportation Authority

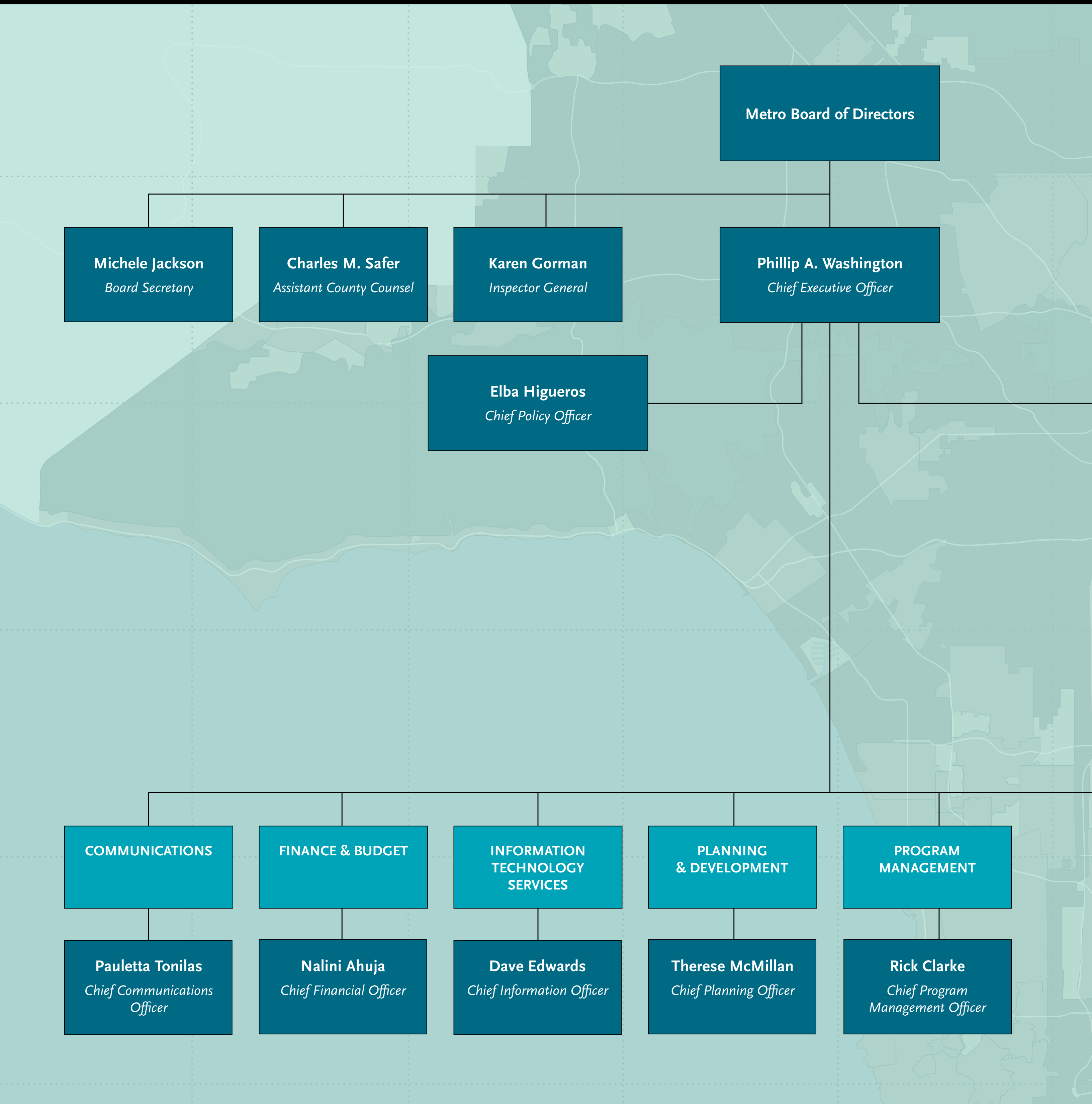
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Metro Organizational Chart




Stephanie Wiggins
Deputy Chief Executive Officer
MANAGEMENT AUDIT SERVICES
Diana Estrada
Chief Auditor
HUMAN CAPITAL & DEVELOPMENT
Joanne Peterson
Chief Human Capital & Development Officer
SYSTEMS SECURITY & LAW ENFORCEMENT
Alex Wiggins
Chief Systems Security & Law Enforcement Officer
CONGESTION REDUCTION
Shahrzad Amiri
Executive Officer Congestion Reduction
VENDOR/CONTRACT MANAGEMENT
Debra Avila
Chief Vendor/Contract Management Officer
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 Officer

Board of Directors

(Updated as of July 2017)


1

Eric Garcetti
Chair
Mayor, City of Los Angeles


2

Sheila Kuehl
First Vice Chair
Los Angeles County Board Supervisor, District 3


3

James Butts
Second Vice Chair
Appointee of Los Angeles County City Selection Committee, Southwest Corridor sector


4

Kathryn Barger
Los Angeles County Supervisor, District 5


5

Mike Bonin
Appointee of Mayor of the City of Los Angeles


6

Jacquelyn Dupont-Walker
Appointee of Mayor of the City of Los Angeles


7

John Fasana
Appointee of Los Angeles County City Selection Committee, San Gabriel Valley Sector


8

Robert Garcia
Appointee of Los Angeles County City Selection Committee, Southeast Long Beach Sector


9

Janice Hahn
Los Angeles County Supervisor, District 4


10

Paul Krekorian
Appointee of Mayor of the City of Los Angeles


11

Ara Najarian
Appointee of Los Angeles County City Selection Committee, North County/San Fernando Valley Sector


12

Hilda L. Solis
Los Angeles County Supervisor, District 1


13

Mark Ridley-Thomas
Los Angeles County Supervisor, District 2


14

Carrie Bowen
Non-Voting
Appointee of 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, *Inspector General, Chief Ethics Officer*
Charles Safer, *Assistant County Counsel*

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*
Dan Levy, *Chief Civil Rights Programs Officer*
James Gallagher, *Chief Operations Officer*
Debra Avila, *Chief Vendor/Contract Management*
Elba Higueros, *Chief Policy Officer*
Joanne Peterson, *Chief Human Capital & Development Officer*
Therese McMillan, *Chief Planning Officer*
Alex Wiggins, *Chief Systems Security & Law Enforcement Officer*
Joshua L. Schank, *Chief Innovation Officer*
Shahrzad Amiri, *Executive Officer, Congestion Reduction Programs*


Ace Beverage Co.
TIMES CONSOLIDATION

Financial Section

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the fiscal year ended June 30, 2017, 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 76%, 76%, and 62% 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, 2017, and the respective changes in its financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note J to the financial statements, LACMTA implemented Governmental Account Standards Board (GASB) Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans” for its other postemployment benefit (OPEB) plan. Note disclosures and required supplementary information requirements were enhanced related to the measurement of OPEB liabilities for which assets have been accumulated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 18 through 29, the schedule of changes in the CalPERS net pension liability and related ratios, schedule of CalPERS contributions, the schedule of changes in Employee’s Retirement Income Plans’ net pension liabilities and related ratios, the schedule of contributions to Employee’s Retirement Income Plans, schedule of funding progress – OPEB, schedule of changes in net OPEB liability and related ratios, schedule of investments returns – OPEB, schedule of contributions – OPEB, and the budgetary comparison information on pages 108 through 127, 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 130 through 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 2 through 11 and 142 through 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 19, 2017, 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

Los Angeles, California
December 19, 2017

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2017

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, 2017. This discussion and analysis is designed to:

> Provide an overview of LACMTA's financial activities
> Highlight significant financial issues
> Discuss changes in LACMTA's financial position
> Explain any material deviations from the approved budget
> Identify individual major fund issues

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

FINANCIAL HIGHLIGHTS

> LACMTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2017 by $9,432,714. Of this amount, a negative amount of $559,010 is reported as unrestricted net position.

> LACMTA's total net position increased by $172,222 or 1.86%, over the previous year. Business-type activities net position decreased by $13,402 or 0.19% and governmental activities net position increased by $185,624 or 9.19%. The decrease in the business-type activities net position was mainly due to the decrease in federal and local funding for major construction projects that were mostly funded from long-term debt in the current year. The increase in the governmental activities net position was mainly due to the increase in sales tax revenues and federal funding for planning activities mainly attributable to the Green Line Extension to LAX Airport and the Southern California Regional Interconnector projects.

> At the close of fiscal year 2017, the LACMTA's governmental funds reported combined fund balances totaling $1,414,554, a decrease of $109,696 compared to the prior year. Of this amount, $1,014,432 was restricted, $11,891 was committed, $22,180 was assigned and $366,051 was unassigned and available for spending at LACMTA's discretion.

> At the end of fiscal year 2017, the unrestricted fund balance, the total of the committed, assigned and unassigned components of fund balance, for the general fund was $400,122 or approximately 221.39% of total General fund expenditures.

> During fiscal year 2017, long-term debt increased by $694,518 or 15.39%, compared to the previous fiscal year, despite the repayment of short-term borrowings. This was mainly due to the issuance of new Proposition C and Measure R bonds. Also, drawdowns were made on the Transportation Infrastructure Finance and Innovation (TIFIA) bonds that partially finance the Crenshaw/LAX Transit Corridor, the Regional Connector and the Westside Purple Line Extension Sections 1 projects in fiscal year 2017.

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 30 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 page 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 as 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 36-39.

Governmental Funds
Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds use the current financial resources measurement focus. Thus, they report near term inflows 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 and 34.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information provided for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation statements on pages 33 and 35 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 121-127, for the nonmajor funds on page 132 and for the aggregate remaining Special Revenue funds on page 133.

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 40 and 41.

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 42-105.

Other Information

In addition to the 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, 2017 increased by $172,222 or 1.86%, when compared to June 30, 2016. The increase in net position was mostly due to the increase in sales tax revenues and federal funding mostly attributable to planning activities on the system connectivity projects.

The following table is a summary of the Statement of Net Position as of June 30, 2017 and 2016:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Current & other assets	$ 1,545,623	$ 1,619,349	$ 1,735,808	$ 1,944,725	$ 3,281,431	$ 3,564,074
Capital assets	12,690,340	11,783,581	768,977	769,834	13,459,317	12,553,415
Total Assets	**14,235,963**	**13,402,930**	**2,504,785**	**2,714,559**	**16,740,748**	**16,117,489**
Deferred outflows of resources	267,442	255,866	-	-	267,442	255,866
Total assets & deferred outflows of resources	**14,503,405**	**13,658,796**	**2,504,785**	**2,714,559**	**17,008,190**	**16,373,355**
Long-term liabilities	5,618,437	4,891,603	-	17,629	5,618,437	4,909,232
Other liabilities	1,648,008	1,428,987	298,528	676,297	1,946,536	2,105,284
Total liabilities	**7,266,445**	**6,320,590**	**298,528**	**693,926**	**7,564,973**	**7,014,516**
Deferred inflows of resources	10,503	98,347	-	-	10,503	98,347
Total liabilities & deferred inflows of resouces	**7,276,948**	**6,418,937**	**298,528**	**693,926**	**7,575,476**	**7,112,863**
Net investment in capital assets	7,797,783	7,762,367	768,977	769,834	8,566,760	8,532,201
Restricted for:						
Debt service	459,949	420,543	-	-	459,949	420,543
Proposition A ordinance projects	-	-	134,674	86,647	134,674	86,647
Proposition C ordinance projects	-	-	214,721	266,232	214,721	266,232
Measure R ordinance projects	-	-	362,645	369,215	362,645	369,215
PTMISEA projects	-	-	11	13,907	11	13,907
TDA and STA projects	-	-	159,013	165,757	159,013	165,757
Other nonmajor governmental projects	-	-	93,951	111,773	93,951	111,773
Unrestricted (deficit)	(1,031,275)	(943,051)	472,265	237,268	(559,010)	(705,783)
Total Net Position	**$ 7,226,457**	**$ 7,239,859**	**$ 2,206,257**	**$ 2,020,633**	**$ 9,432,714**	**$ 9,260,492**

The decrease in current and other assets of $73,726 or 4.55%, in the business-type activities was primarily due to the early termination of leases with Comerica Bank related to the lease/leaseback obligation.

The increase in capital assets of $906,759 or 7.70%, in the business-type activities was mainly due to the on-going construction activities for the Regional Connector Transit Corridor, the Crenshaw/LAX Transit project and the Westside Purple Line Extension - Sections 1 and 2, as described in more detail on pages 25-27.

The increase in deferred outflows of resources of $70,814 or 27.68%, in the business-type activities over the fiscal year 2016 was mainly due to the increase in the pension plan actuarial liability resulting mainly from the differences between projected and actual earnings.

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2017

The increase in other liabilities of $219,021 or 15.33%, in the business-type activities was primarily due to the increase in net pension liability attributed to the increase in normal service costs and interests on the unfunded portion of the pension plan and the increase in net OPEB obligations to the unfunded actuarial required contribution.

The decrease in the business-type unrestricted net position of $88,224 or 9.36%, was mainly due to lower passenger fare revenues and the increase in operating and maintenance costs resulting from higher healthcare, pension and security costs. The increase in operating costs was offset by the increase in federal funding for revenue service operations of the Gold Line Foothill and EXPO Extensions light rail lines that were placed in service toward the end of the fiscal year 2016.

The decrease in current and other assets of $208,917 or 10.74%, in the governmental activities was mainly due to the decrease in decrease in temporary borrowings by the Enterprise fund from the General fund for operating and major capital projects.

The decrease in long-term liabilities of $17,629 in the governmental activities was due to the final settlement of the Grand Central Housing bonds in fiscal year 2017 funded by the settlement of the related notes receivable.

The decrease in other liabilities of $377,769 or 55.86%, in the governmental activities was primarily due to the payment of the Kiewit case related to the I-405 Sepulveda widening project that was accrued in fiscal year 2016. In addition, the decrease in other liabilities was due to the recognition of lease and rental revenue that were collected in advance in prior years.

Statement of Activities

The following table is a summary of the Statement of Activities for the years ended June 30, 2017 and 2016:

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	$ 423,143	$ 443,856	$ 19,427	$ 9,009	$ 442,570	$ 452,865
Operating grants and contributions	252,344	200,193	130,836	44,805	383,180	244,998
Capital grants and contributions	340,376	457,106	-	-	340,376	457,106
General revenues:						
Sales tax	-	-	2,834,411	2,753,686	2,834,411	2,753,686
Investment income	11,474	8,798	17,195	19,471	28,669	28,269
Net appreciation in fair value of investments	558	121	(6,615)	5,167	(6,057)	5,288
Gain (loss) on disposition of capital assets	(799)	427	1,200	-	401	427
Miscellaneous	10,635	9,672	59,464	59,786	70,099	69,458
Total program revenues	**1,037,731**	**1,120,173**	**3,055,918**	**2,891,924**	**4,093,649**	**4,012,097**
Program expenses:						
Bus and rail operations	2,311,422	2,085,787	-	-	2,311,422	2,085,787
Union station operations	9,664	9,172	-	-	9,664	9,172
Toll operations	27,073	24,815	-	-	27,073	24,815
Transit operators programs	-	-	351,667	357,346	351,667	357,346
Local cities programs	-	-	543,972	548,101	543,972	548,101
Congestion relief operations	-	-	50,034	42,279	50,034	42,279
Highway projects	-	-	181,211	594,069	181,211	594,069
Regional multimodal capital programs	-	-	114,253	52,363	114,253	52,363
Paratransit programs	-	-	103,560	105,042	103,560	105,042
Other transportation subsidies	-	-	93,316	64,237	93,316	64,237
General government	-	-	135,255	109,983	135,255	109,983
Total program expenses	**2,348,159**	**2,119,774**	**1,573,268**	**1,873,420**	**3,921,427**	**3,993,194**
Increase (decrease) in net position before transfers	(1,310,428)	(999,601)	1,482,650	1,018,504	172,222	18,903
Transfers	1,297,026	1,527,676	(1,297,026)	(1,527,676)	-	-
Increase (decrease) in net position	**(13,402)**	**528,075**	**185,624**	**(509,172)**	**172,222**	**18,903**
Net position – beginning of year	7,239,859	6,711,784	2,020,633	2,529,805	9,260,492	9,241,589
Net position – end of year	**$ 7,226,457**	**$ 7,239,859**	**$ 2,206,257**	**$ 2,020,633**	**$ 9,432,714**	**$ 9,260,492**

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2017

Business-type activities recovered from operating revenues 24.70% of total operating expenses, excluding depreciation, compared to 28.40% 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.

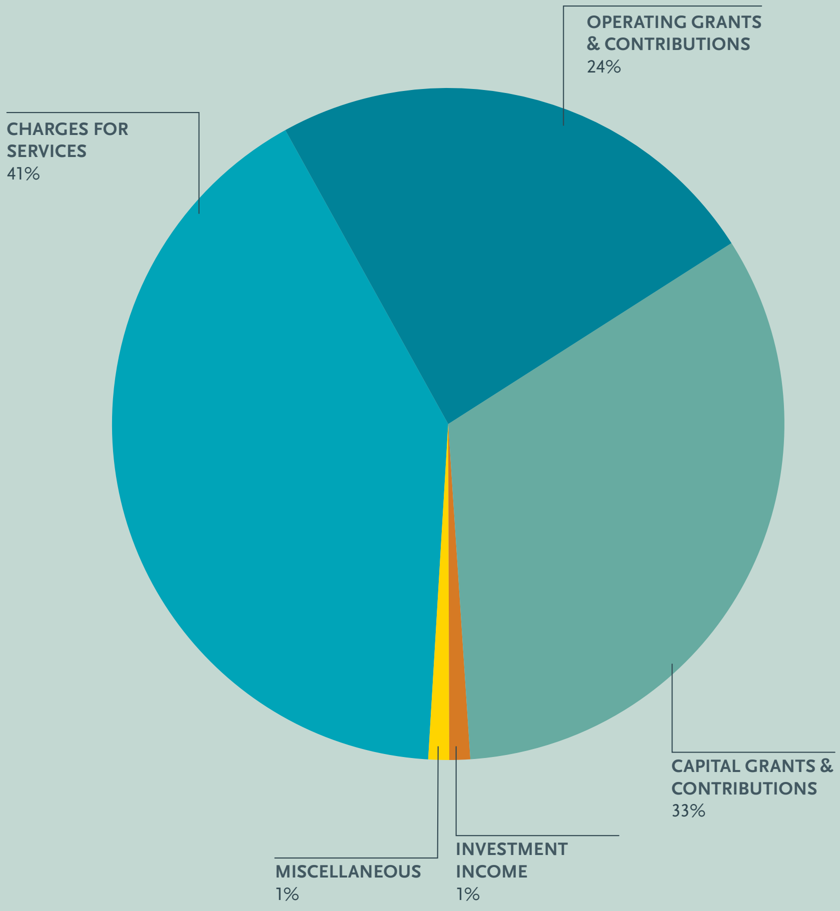
Operating grants and contributions in the governmental activities increased by $86,031 or 192.01%, compared to the previous year, due to the increase in federal funding mainly attributed to the planning activities related to the system-wide connectivity projects.

Most of the governmental program expenses relate to subsidies for countywide transportation planning and development programs. These programs are primarily funded by local sales taxes. Subsidies totaled $1,256,002, an increase of 2.29% from the prior year and they represented the largest governmental expense. Subsidies are pass-through federal, state and local funding to other agencies in Los Angeles County for public transit, traffic system, street and road maintenance and other transit related improvement projects.

Highway project expenses in the governmental activities decreased by $412,858 or 69.50%, compared to the previous year. The decrease was mainly due to the one-time expenditure for a case settlement and other costs on the I-405 Carpool Lane project that were accrued in fiscal year 2016.

Below is a graphical depiction of the components of business-type revenues for the fiscal year ended June 30, 2017:

REVENUES BY SOURCE — BUSINESS-TYPE ACTIVITIES

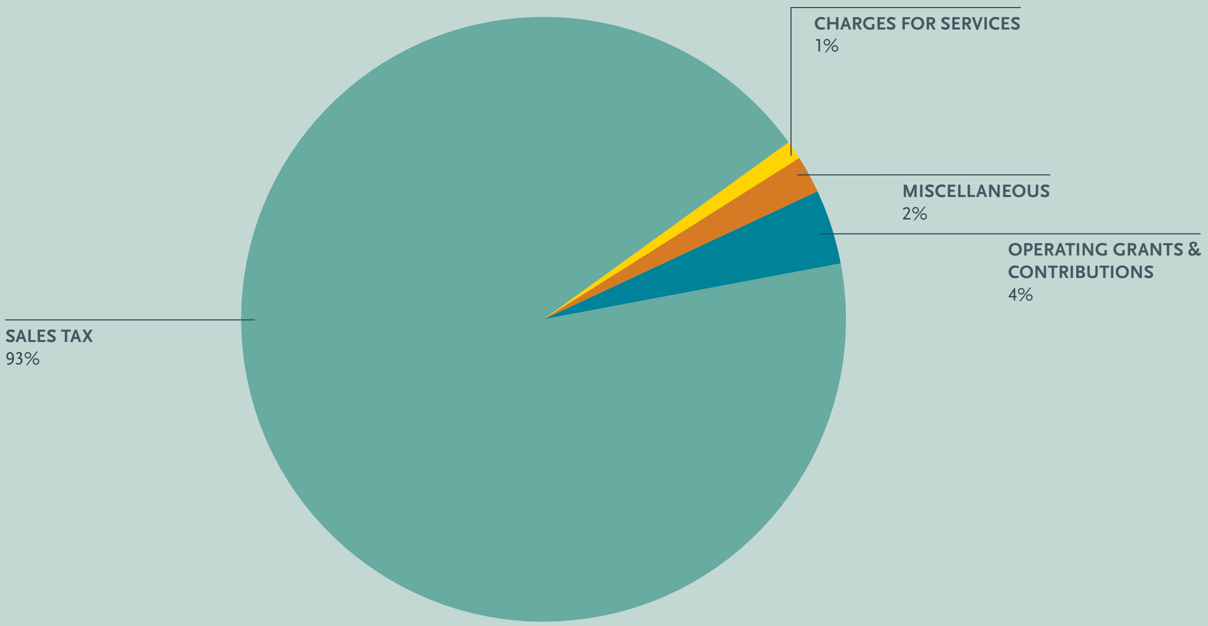


Management's Discussion and Analysis (Unaudited)

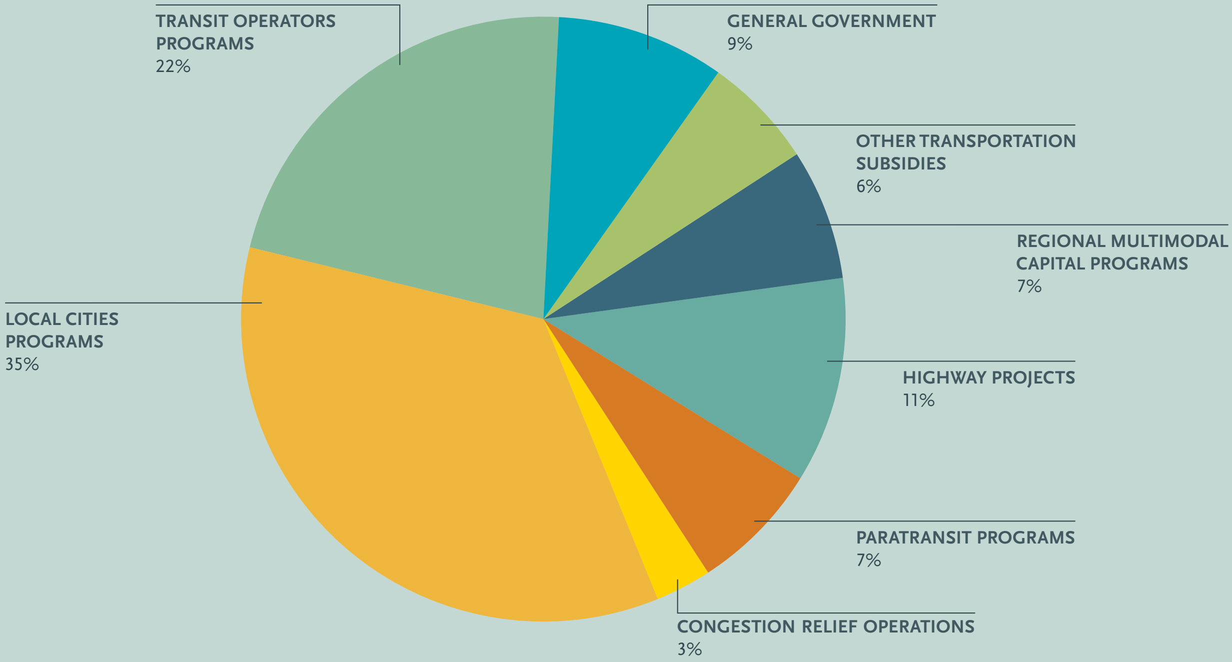
For the Fiscal Year Ended June 30, 2017

Below are graphical depictions of the components of governmental revenues and expenses for the fiscal year ended June 30, 2017:

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 decrease of $13,402 or 0.19%, in net position was primarily due to the increase in long-term debt that funded a significant portion of capital asset additions in fiscal year 2017 and also due to increased unfunded net pension obligation.

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 $366,051 represents uncommitted available resources as of the end of the fiscal year. LACMTA's governmental funds ended the fiscal year with $1,414,554 in total fund balance.

The major governmental funds are discussed below:

The General fund balance decreased by $74,274 mainly due to an increase in expenditures incurred for governmental and oversight activities, planning, debt service requirements and capital projects. Of the $449,539 fund balance, $83,488 is restricted, committed, or assigned for future expenditures.

The Proposition A fund balance increased by $48,027 mainly due to an increase in sales tax revenue and lower funding to the Enterprise fund for bus and rail operations and maintenance. The total fund balance of $134,674 was restricted as to use by the Proposition A ordinance.

The Proposition C fund balance decreased by $51,511 mainly due to the increase in funding provided to the Enterprise fund for bus and rail operations and maintenance, the bus midlife program and debt service costs, which was partially offset by an increase in sales tax revenues. The Proposition C ordinance restricts the use of the fund balance of $214,721.

The Measure R fund balance decreased by $6,570 due to the net increase in funding provided to the Enterprise fund for major construction projects and debt service costs, which was partially offset by the increase in sales tax revenues. In addition, the increase revenue related to the Crenshaw/LAX Transit Corridor and Westside Purple Line extension projects were offset by the decrease in funding due to the completion of the Gold Line Foothill and EXPO Extensions light rail lines in fiscal year 2016. The restricted fund balance of $362,645 will be used to fund future programs eligible under the Measure R ordinance.

The PTMISEA fund balance decreased by $13,896 mainly due to funding of various capital projects expenditures. In addition, there were no revenues received in fiscal year 2017. LACMTA has fully drawn down the Prop 1B PTMISEA fund. The PTMISEA fund reported a restricted fund balance of $11 representing the remaining cash and investments of the fund.

The Transportation Development Act fund balance decreased by $16,349 mainly due to higher funding to the Enterprise fund provided for bus and rail operations and maintenance. The fund balance of $149,408 is restricted under the Transportation Development Act's provisions.

The State Transit Assistance fund balance increased by $22,699 mainly due to a decrease in funding to the Enterprise fund for bus and rail operations and maintenance. The fund balance of $9,605 is restricted under the STA ordinance.

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 4.03% of LACMTA's total governmental fund revenues, while expenditures represent 9.56% of total governmental fund expenditures.

The original budget increased by $37,520 due to higher 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, receipts of Federal alternative fuel tax credits and from the sale of low carbon fuel credits . Total actual revenues were higher than budget by $61,602 mainly due to the extension of the Federal alternative fuel tax credits program 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 $21,177 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 $70,787 compared to budget was mainly due to lower funding of various planning project expenditures.

CAPITAL ASSETS ADMINISTRATION

As of June 30, 2017, LACMTA had $13,459,317 invested in capital assets, net of accumulated depreciation, as shown below, a 7.22% increase from the previous fiscal year.

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Land	$ 1,362,478	$ 1,190,396	$ 768,977	$ 769,834	$ 2,131,455	$ 1,960,230
Buildings and improvements	6,410,238	6,601,499	-	-	6,410,238	6,601,499
Equipment	62,422	52,211	-	-	62,422	52,211
Vehicles	1,211,091	983,529	-	-	1,211,091	983,529
Construction in progress	3,644,111	2,955,946	-	-	3,644,111	2,955,946
Total Capital Assets	**$ 12,690,340**	**$ 11,783,581**	**$ 768,977**	**$ 769,834**	**$ 13,459,317**	**$ 12,553,415**

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

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 Gold line Foothill extension is being built in two segments, Segment 2A and 2B.

- 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 2A has 6 new stations and approximately 11.1 miles including additional 5 miles of freight rail track relocations and improvements. The fist segment, Segment 2 A, commenced revenue operation in March 2016. As of June 30, 2017, $676.7 million had been expended.

- Segment 2B will extend from Azusa to the City of Montclair and is currently budgeted at $36 million for California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) regulatory compliance, preliminary engineering and planning activities. Segment 2B has 6 new grade passenger stations and approximately 12.3 miles of double light rail main track. This project also includes improvements to existing bridges and roadways, retaining walls, sound walls and associated parking facilities, power systems, train control systems, 4 new grade crossings and bridges. The new stations, track and improvements have not yet been budgeted. As of June 30, 2017, $16.6 million had been expended. The expected revenue operation for Segment 2B is October 2017.

The Regional Connector Transit Corridor Project (Project) has an approved Life-of-Project (LOP) budget of $1.81 billion. This Project has received a Full Funding Grant Agreement (FFGA) from the FTA and Transportation Infrastructure Finance Innovation Act (TIFIA) Loan Agreement from the U.S. Department of Transportation (USDOT) to construct the 1.9-mile 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. The Project Budget includes environmental planning, preliminary engineering, final design, real estate acquisitions, construction phases, testing and start-up, finance costs and concurrent non-FFGA activities. As of June 30, 2017, $837.1 million had been expended. The expected revenue operation for the Regional Connector is December 2021.

The Crenshaw/LAX Transit Project (Project) approved LOP budget of $2.06 billion. This Project covers the design and construction of a new 8.5-mile double-track light rail line, including eight new stations, the procurement of a minimum of 22 light rail vehicles, and 49% of the cost of the construction of a full service operations and maintenance facility known as the Division 16: Southwestern Yard (SWY). This Project has received a TIFIA Loan Agreement from USDOT. The Project will extend from the EXPO light rail line (at the intersection of Exposition and Crenshaw Boulevards) and the Green Line light rail 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 as part of the Airport Metro Connector project. The expected revenue operation for the Project is October 2019. As of June 30, 2017, $1.5 billion had been expended.

The Westside Purple Line Extension Project is an $8.68 billion project that will extend the existing Purple Line by 9.1 miles beginning at the Wilshire/Western Station to Westwood/VA Hospital Station. This project consists of three Sections as described below:

> The Westside Purple Line Extension Section 1 Project (Project) has an approved LOP budget of $2.8 billion. The Project will extend 3.92 miles from the existing Wilshire/Western Station to a terminus station at the intersection of Wilshire and La Cienega Boulevards. The Project includes three underground stations, an expansion and modifications to the existing Division 20 Yard and Maintenance Facility and procurement of 34 heavy rail vehicles. The Design/Build Contract of $1.6 billion was awarded to Skanska-Traylor-Shea, Joint Venture for the tunneling, subway stations, track 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. This Project has received the FFGA from the FTA and the TIFIA Loan Agreement from the USDOT. The Westside Purple Line Extension Section 1 is expected to begin revenue operation in November 2023. As of June 30, 2017, $1.1 billion has been expended.

The Westside Purple Line Extension Section 2 Project (Project) has an approved Life-of-Project budget of $2.4 billion. The Project will extend 2.59 miles from the future Wilshire/La Cienega Station to Century City Constellation. This Project has received the FFGA from the FTA the TIFIA Loan Agreement from the USDOT. The Project includes two underground stations and procurement of 20 heavy rail vehicles. The Design/Build Contract of $1.4 billion was awarded in April 2017 to Tutor Perini/O&G, a Joint Venture for the tunneling, subway stations, track work and systems integration. The Project is expected to begin revenue operation in August 2025. As of June 30, 2017, $303.7 million has been expended.

The Westside Purple Line Extension Section 3 Project (Project) has an estimated total budget of $3.48 billion. Metro requested entry into the FTA New Starts Engineering Phase in April 2017. The Section 3 Project will extend 2.59 miles from the future Century City Constellation Station to the Westwood/VA Hospital Station. The Project consists of the design and construction of two underground stations. This Project has received the FFGA from the FTA and the TIFIA Loan Agreement from the USDOT. The Project is expected to begin revenue operation in March 2026. As of June 30, 2017, $33.8 million has been expended.

LACMTA has executed a contract with Kinkisharyo International, LLC (KI) to procure up to 235 light rail vehicles (LRVs). The current approved LOP 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 delivery was completed on April 2017. A portion of the 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 seventy five (75) new P3010 LRVs have been conditionally accepted and placed into revenue service, fifteen (15) at Gold line Foothill Extension line and sixty (60) at the Blue and EXPO lines. As of June 30, 2017, $383.4 million had been expended.

Additional information on capital assets can be found on page 67.

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2017

LONG-TERM DEBT ADMINISTRATION

As of June 30, 2017, LACMTA had a total of $5,206,314 in long-term debt outstanding. Of this amount, $3,717,200 related to bonds secured by sales tax revenues, $105,750 secured by farebox and other general revenues and $228,015 related to lease/leaseback obligations. The remaining balance consisted of commercial paper notes and other debt as shown below:

LONG-TERM DEBT
(Amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Sales tax revenue bonds and refunding bonds	$ 3,717,200	$ 2,810,114	$ -	$ -	$ 3,717,200	$ 2,810,114
Lease/lease to service obligations	228,015	424,806	-	-	228,015	424,806
General revenue refunding bonds	105,750	113,405	-	-	105,750	113,405
Notes payable	567,778	490,168	-	17,629	567,778	507,797
Commercial paper and revolving lines of credit	194,212	384,495	-	-	194,212	384,495
Total long-term debt	4,812,955	4,222,988	-	17,629	4,812,955	4,240,617
Unamortized bond premium	393,460	271,290	-	-	393,460	271,290
Unamortized bond discount	(101)	(111)	-	-	(101)	(111)
Total long-term debt, net	**$ 5,206,314**	**$ 4,494,167**	**$ -**	**$ 17,629**	**$ 5,206,314**	**$ 4,511,796**

Long-term debt increased by $694,518 mainly due to the issuance of new sales tax revenue bonds, including premium, net of annual payments and amortizations. Notes payable also increased due to additional drawdowns from existing Measure R and TIFIA loans approved for the Crenshaw/LAX Project, the Regional Connector Project and the Westside Purple Line Extension Sections 1, plus interest accretion on outstanding TIFIA loan balances.

The Redevelopment Housing bonds recorded under governmental activities were fully settled in fiscal year 2017 from the proceeds of related notes receivable.

During fiscal year 2017, LACMTA issued $454,845 of Proposition C Senior Sales Tax Revenue Bonds and $522,120 of Measure R Senior Sales Tax Revenue Bonds as discussed in more details on page 114. The bonds were issued to finance current capital expenditures and to repay short-term borrowings from commercial paper notes totaling $50,000 for Proposition C and revolving credit lines with an aggregate principal amount of $300,000 for Measure R that resulted in a net reduction in outstanding balances on commercial paper notes and revolving credit lines. The short-term borrowings temporarily financed immediate cash flow requirements for capital project expenditures.

LACMTA terminated two leases under its lease/leaseback service agreement with Comerica Bank in November 2016 at no additional cost. Comerica Bank exercised its purchase option on three lots of equipment, thereby reducing the lease/leaseback obligation by $204,192.

BOND RATINGS

LACMTA's bonds are rated by Standard & Poor's, Moody's and Fitch. As of June 30, 2017, 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 91-101.

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

The FY18 budget is balanced at $6.1 billion in total agency expenditures - an increase of only 1.4% from the prior year. This change is less than the Consumer Price Index (CIP), an indicator of inflation, clearly demonstrating Metro's commitment to fiscal discipline and tight budget controls.

For the FY18 Budget, every dollar has been linked to one of the agency's nine goals:

> Advance safety and security for customers, the public and Metro employees
> Exercise fiscal discipline to ensure financial stability
> Plan and deliver capital projects on time and on budget while increasing opportunities for small business development and innovation
> Improve customer experience and expand access to transportation options
> Increase transit use and ridership
> Implement an industry-leading State of Good Repair program
> Invest in workforce development
> Promote extraordinary innovation
> Contribute to the implementation of agency-wide and department Affirmative Action and Equal Employment Opportunity goals

The budget assumes the following major resources and expenditures:

Revenue Resources

> Sales tax and TDA revenues are expected to grow at 2.8% over the FY17 forecast.
> Measure M revenues are budgeted at 95% of the estimated annual receipts of Proposition A, Proposition C and Measure R, based on historical experience with the inaugural year of a new sales tax.
> Measure R funds will continue to be budgeted and expended in accordance with the ordinance, project delivery schedules and cash flow needs.
> Fare revenues are assumed to remain flat over FY17, with no projected increase in ridership.
> State Transit Assistance (STA) revenues for bus and rail operations and capital in FY18 are expected to be $60 million region-wide representing a 13.4% increase over the FY17 budget based on State Controllers' Office (SCO) estimates.
> Grant reimbursements, sales tax carryover and TIFIA loan drawdowns will total $2.0 billion in FY18 and are in line with planned expenditure activities.

> ExpressLanes toll revenues are expected to generate $63 million in FY18 which equates to a 5.0% increase from the FY17 budget based on actuals year to date.
> Advertising revenues of $25 million based on a fixed guaranteed amount.

Expenditures

> The FY18 budget assumes no increase in bus revenue service hours. Although service will not increase, Revenue Service Hours have been reallocated to improve reliability on our OWL network, augment and right-size service to increase peak frequencies on priority bus lines and incorporate service support for rail line maintenance and special events.
> Rail Revenue Service Vehicle Hours will increase by 129,000 or 11.6% with the addition of more rail cars available to meet the growing demand on Expo and Gold Lines, as well as providing the necessary service to meet the growing demand for rail service to sports venues and special events. Rail Revenue Service will also be maximized while crews perform the necessary repair work on the rail lines.
> The FY18 budget includes the addition of 129 Full Time Equivalents (FTEs) to address new Measure M planning, funding and oversight needs, the Transit Project delivery schedule and piloting programs to improve customer experience on Metro's systems.
> Wage/salary increases and health/welfare benefits for represented employees are based on Board adopted contracts.

For details of LACMTA's FY18 budget, please visit LACMTA's website at *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 *metro.net*.

Statement of Net Position

June 30, 2017 (Amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents – unrestricted	$ 32,268	$ 533,310	$ 565,578
Cash and cash equivalents – restricted	456,620	-	456,620
Investments – unrestricted	121,212	663,791	785,003
Investments – restricted	173,837	-	173,837
Receivables, net	395,668	602,223	997,891
Internal balances	63,516	(63,516)	-
Inventories	62,640	-	62,640
Prepaid and other current assets	11,847	-	11,847
Lease accounts	228,015	-	228,015
Capital assets:			
Land and construction in progress	5,006,589	768,977	5,775,566
Other capital assets, net of depreciation	7,683,751	-	7,683,751
TOTAL ASSETS	14,235,963	2,504,785	16,740,748
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on debt refunding	11,677	-	11,677
Deferred outflows from pension	255,765	-	255,765
TOTAL DEFERRED OUTFLOWS OF RESOURCES	267,442	-	267,442
LIABILITIES			
Accounts payable and accrued liabilities	365,535	271,355	636,890
Accrued interest payable	64,660	-	64,660
Net pension liability	600,732	-	600,732
Net OPEB obligation	553,821	-	553,821
Pollution remediation obligation	7,395	-	7,395
Unearned revenues	18,283	20,380	38,663
Other liabilities	37,582	6,793	44,375
Long-term liabilities:			
Due within 1 year	411,050	-	411,050
Due in more than 1 year	5,207,387	-	5,207,387
TOTAL LIABILITIES	7,266,445	298,528	7,564,973
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	10,503	-	10,503
TOTAL DEFERRED INFLOWS OF RESOURCES	10,503	-	10,503
NET POSITION			
Net investment in capital assets	7,797,783	768,977	8,566,760
Restricted for:			
Debt service	459,949	-	459,949
Proposition A ordinance projects		134,674	134,674
Proposition C ordinance projects		214,721	214,721
Measure R ordinance projects		362,645	362,645
PTMISEA projects		11	11
TDA and STA projects		159,013	159,013
Other nonmajor governmental projects		93,951	93,951
Unrestricted (deficit)	(1,031,275)	472,265	(559,010)
TOTAL NET POSITION	$ 7,226,457	$ 2,206,257	$ 9,432,714

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

Statement of Activities

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	PROGRAM REVENUES				NET (EXPENSE) REVENUE & CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
FUNCTIONS / PROGRAMS							
Business-type activities:							
Bus and rail operations	$ 2,311,422	$ 343,285	$ 252,344	$ 340,376	$ (1,375,417)	$ -	$ (1,375,417)
Union Station operations	9,664	8,588	-	-	(1,076)	-	(1,076)
Toll operations	27,073	71,270	-	-	44,197	-	44,197
Total business-type activities	**2,348,159**	**423,143**	**252,344**	**340,376**	**(1,332,296)**	**-**	**(1,332,296)**
Governmental activities:							
Transit operators programs	351,667	-	-	-	-	(351,667)	(351,667)
Local cities programs	543,972	-	-	-	-	(543,972)	(543,972)
Congestion relief operations	50,034	-	-	-	-	(50,034)	(50,034)
Highway projects	181,211	-	32,225	-	-	(148,986)	(148,986)
Regional multimodal capital programs	114,253	-	2,023	-	-	(112,230)	(112,230)
Paratransit programs	103,560	-	-	-	-	(103,560)	(103,560)
Other transportation subsidies	93,316	-	-	-	-	(93,316)	(93,316)
General government	135,255	19,427	96,588	-	-	(19,240)	(19,240)
Total governmental activities	**1,573,268**	**19,427**	**130,836**	**-**	**-**	**(1,423,005)**	**(1,423,005)**
Total	**$ 3,921,427**	**$ 442,570**	**$ 383,180**	**$ 340,376**	**(1,332,296)**	**(1,423,005)**	**(2,755,301)**

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
General revenues:			
Sales tax	-	2,834,411	2,834,411
Investment income	11,474	17,195	28,669
Net appreciation (decline) in fair value of investments	558	(6,615)	(6,057)
Gain (loss) on disposition of capital assets	(799)	1,200	401
Miscellaneous	10,635	59,464	70,099
Total general revenues	**21,868**	**2,905,655**	**2,927,523**
Transfers	1,297,026	(1,297,026)	-
Change in net position	(13,402)	185,624	172,222
Net position – beginning of year	**7,239,859**	**2,020,633**	**9,260,492**
Net Position – end of year	**$ 7,226,457**	**$ 2,206,257**	**$ 9,432,714**

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

Balance Sheet
Governmental Funds

June 30, 2017 (Amounts expressed in thousands)

	MAJOR FUNDS							NONMAJOR FUNDS	
		SPECIAL REVENUE FUNDS							
	GENERAL FUND	PROP A	PROP C	MEASURE R	PTMISEA	TDA	STA	OTHER GOVT FUNDS	TOTAL GOVT FUNDS
ASSETS									
Cash & cash equivalents – unrestricted	$ 77,953	$ 11,366	$ 54,992	$ 118,673	$ 11	$ 237,528	$ 13,175	$ 19,612	$ 533,310
Investments – unrestricted	291,155	18,103	87,589	189,017	-	-	-	77,927	663,791
Receivables:									
Accounts	3,177	-	-	618	-	-	-	-	3,795
Interest	1,899	239	-	2,514	-	336	32	94	5,114
Intergovernmental	9,083	-	33,922	4,933	-	-	-	35	47,973
Sales taxes	-	150,046	150,067	148,587	-	76,019	20,622	-	545,341
Due from other funds	140,877	186	7	38	-	4,578	-	5,444	151,130
TOTAL ASSETS	$ 524,144	$ 179,940	$ 326,577	$ 464,380	$ 11	$ 318,461	$ 33,829	$ 103,112	$1,950,454
LIABILITIES									
Accounts payable & accrued liabilities	$ 26,081	$ 44,179	$ 89,383	$ 100,600	$ -	$ 8,552	$ 1,670	$ 890	$ 271,355
Due to other funds	27,372	1,087	613	44	-	160,501	22,554	2,475	214,646
Unearned revenues	14,484	-	28	-	-	-	-	-	14,512
Other liabilities	1,032	-	-	-	-	-	-	5,761	6,793
TOTAL LIABILITIES	68,969	45,266	90,024	100,644	-	169,053	24,224	9,126	507,306
DEFERRED INFLOWS OF RESOURCES									
Deferred revenues	5,636	-	21,832	1,091	-	-	-	35	28,594
TOTAL DEFERRED INFLOWS OF RESOURCES	5,636	-	21,832	1,091	-	-	-	35	28,594
FUND BALANCES									
Restricted	49,417	134,674	214,721	362,645	11	149,408	9,605	93,951	1,014,432
Committed	11,891	-	-	-	-	-	-	-	11,891
Assigned	22,180	-	-	-	-	-	-	-	22,180
Unassigned (deficit)	366,051	-	-	-	-	-	-	-	366,051
TOTAL FUND BALANCES	449,539	134,674	214,721	362,645	11	149,408	9,605	93,951	1,414,554
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 524,144	$ 179,940	$ 326,577	$ 464,380	$ 11	$ 318,461	$ 33,829	$ 103,112	$1,950,454

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

PROP A: Proposition A

PROP C: Proposition C

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

June 30, 2017 (Amounts expressed in thousands)

Fund balance – total governmental funds (page 32)	$ 1,414,554
Government capital assets are not financial resources and, therefore, are not reported in the funds.	768,977
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.	28,594
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.	(5,868)
Net position of governmental activities (page 30)	**$ 2,206,257**

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

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

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	MAJOR FUNDS							NONMAJOR FUNDS	
		SPECIAL REVENUE FUNDS							
	GENERAL FUND	PROP A	PROP C	MEASURE R	PTMISEA	TDA	STA	OTHER GOVT FUNDS	TOTAL GOVT FUNDS
REVENUES									
Sales tax	$ -	$ 789,342	$ 789,269	$ 787,891	$ -	$ 393,882	$ 74,027	$ -	$2,834,411
Intergovernmental	49,247	-	58,619	34,516	-	-	-	13,070	155,452
Investment income	6,878	798	420	5,911	61	2,303	143	681	17,195
Net decline in fair value of investments	(1,686)	(160)	(1,881)	(2,587)	(17)	-	-	(284)	(6,615)
Lease and rental	19,427	-	-	-	-	-	-	-	19,427
Licenses and fines	571	-	-	-	-	-	-	8,271	8,842
Other	49,515	-	-	-	-	-	-	-	49,515
TOTAL REVENUES	123,952	789,980	846,427	825,731	44	396,185	74,170	21,738	3,078,227
EXPENDITURES									
Current:									
Administration and other transportation projects	114,318	-	348,953	137,593	-	-	-	15,716	616,580
Transportation subsidies	48,102	305,986	444,086	316,004	-	127,881	13,943	-	1,256,002
Debt & interest expenditures:									
Principal	17,629	-	-	-	-	-	-	-	17,629
Interest and fiscal charges	686	-	-	-	-	-	-	-	686
TOTAL EXPENDITURES	180,735	305,986	793,039	453,597	-	127,881	13,943	15,716	1,890,897
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(56,783)	483,994	53,388	372,134	44	268,304	60,227	6,022	1,187,330
OTHER FINANCING SOURCES (USES)									
Transfers in	74,441	7,017	409,797	4,380	-	-	-	-	495,635
Transfers out	(91,932)	(442,984)	(514,696)	(383,084)	(13,940)	(284,653)	(37,528)	(23,844)	(1,792,661)
TOTAL OTHER FINANCING SOURCES (USES)	(17,491)	(435,967)	(104,899)	(378,704)	(13,940)	(284,653)	(37,528)	(23,844)	(1,297,026)
NET CHANGE IN FUND BALANCES	(74,274)	48,027	(51,511)	(6,570)	(13,896)	(16,349)	22,699	(17,822)	(109,696)
Fund balances – beginning of year	523,813	86,647	266,232	369,215	13,907	165,757	(13,094)	111,773	1,524,250
FUND BALANCES – END OF YEAR	$449,539	$ 134,674	$ 214,721	$ 362,645	$ 11	$ 149,408	$ 9,605	$ 93,951	$1,414,554

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

PROP A: Proposition A

PROP C: Proposition C

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, 2017 (Amounts expressed in thousands)

Net change in fund balances – total governmental funds (page 34)	$ (109,696)
Government funds accounts for principal payment as expenditures. The payment of principal of long term debts consumes current financial resources but has no effect on net assets. Principal payments included in the fund statements.	17,629
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.	2,951
The sale of capital assets is recorded as revenue in governmental funds. However, in the Statement of Activities, the proceed is recognized as a reduction on the cost of asset sold.	(857)
Payment of long-term liabilities are reported as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances. However, this amount is a reduction of liabilities in the Statement of Net Position and therefore, is not reported in the Statement of Activities.	300,000
Revenues accrued in the Statement of Activities but not reported in the Statement of Revenues, Expenditures and Changes in Fund Balances. These unearned revenues were not available in the current period.	28,594
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.	(52,997)
Change in net position of governmental activities (page 31)	**$ 185,624**

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

Statement of Net Position
Proprietary Fund — Enterprise Fund
June 30, 2017 (Amounts expressed in thousands)

ASSETS	
Current assets:	
Cash and cash equivalents – unrestricted	$ 32,268
Cash and cash equivalents – restricted	242,916
Investments – unrestricted	121,212
Investments – restricted	6,519
Receivables, net	383,280
Inventories	62,640
Due from other funds	63,516
Prepaid and other current assets	11,847
Total current assets	**924,198**
Noncurrent assets:	
Cash and cash equivalents – restricted	213,704
Investments – restricted	167,318
Notes receivable	12,388
Lease accounts	228,015
Capital assets:	
Land and construction in progress	5,006,589
Other capital assets, net of depreciation	7,683,751
Total noncurrent assets	**13,311,765**
Total Assets	**14,235,963**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on debt refunding	11,677
Deferred outflows from pension	255,765
Total deferred outflows of resources	**267,442**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 14,503,405**
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	$ 365,535
Accrued interest payable	64,660
Claims payable	90,764
Compensated absences payable	78,876
Bonds and notes payable	241,410
Other current liabilities	37,582
Total current liabilities	**878,827**
Noncurrent liabilities:	
Claims payable	220,177
Compensated absences payable	22,306
Net pension liability	600,732
Net OPEB obligation	553,821
Pollution remediation obligation	7,395
Bonds and notes payable	4,964,904
Unearned revenues	18,283
Total noncurrent liabilities	**6,387,618**
Total liabilities	**7,266,445**
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension	10,503
Total deferred inflows of resources	**10,503**
NET POSITION	
Net investment in capital assets	7,797,783
Restricted for debt service	459,949
Unrestricted (deficit)	(1,031,275)
Total net position	**$ 7,226,457**

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, 2017 (Amounts expressed in thousands)

OPERATING REVENUES	
Passenger fares	$ 319,345
Auxiliary transportation	23,940
Lease and rental	8,588
Toll revenues	71,270
Total operating revenues	**423,143**
OPERATING EXPENSES	
Salaries and wages	530,313
Fringe benefits	515,639
Professional and technical services	280,039
Material and supplies	101,018
Casualty and liability	48,842
Fuel, lubricants and propulsion power	78,116
Purchased transportation	46,913
Depreciation	577,633
Other	112,253
Total operating expenses	**2,290,766**
OPERATING LOSS	(1,867,623)
NON-OPERATING REVENUES (EXPENSES)	
Local grants	3,091
State grants	65
Federal grants	249,188
Investment Income	11,474
Net appreciation in fair value of investments	558
Interest expense	(57,393)
Loss on disposition of capital assets	(799)
Other revenue	10,635
Total net non-operating revenues	**216,819**
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(1,650,804)
CAPITAL GRANTS AND CONTRIBUTIONS	
Local grants	37,641
State grants	60
Federal grants	302,675
Transfers in – capital	308,980
Total capital grants and contributions	**649,356**
TRANSFERS	
Transfers in	1,382,122
Transfers out	(394,076)
Total transfers – operating	**988,046**
CHANGE IN NET POSITION	(13,402)
Net position – beginning of year	7,239,859
NET POSITION – END OF YEAR	**$ 7,226,457**

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, 2017 (Amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 465,798
Payments to suppliers	(653,661)
Payments to employees	(958,079)
Net cash used for operating activities	**(1,145,942)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating transfers from other funds	797,282
Federal operating grants received	148,452
State and local operating grants received	6,523
Net cash flows from non-capital financing activities	**952,257**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the issuance of debts	1,501,843
Proceeds from disposition of capital assets	3,434
Federal capital grants received	306,690
State and local capital grants received	12,852
Transfer from other funds for capital project reimbursements	308,980
Payments for matured bonds and notes payable	(556,597)
Acquisition and construction of capital assets	(1,476,465)
Interest paid	(78,574)
Loan to cities for capital projects	(9,966)
Net cash flows from capital and related financing activities	**12,197**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturity of investments	9,636,039
Purchase of investments	(9,445,364)
Investment earnings	12,947
Net cash flows from investing activities	**203,622**
Net increase in cash and cash equivalents	**22,134**
Cash and cash equivalents – beginning of year	**466,754**
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 488,888**

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	**$**	**(1,867,623)**
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		577,633
Other non-operating revenues		10,635
Increase in deferred outflows from pension		(16,007)
Decrease in receivables		30,373
Increase in prepaid and other current assets		(2,622)
Increase in inventories		(1,339)
Increase in accounts payable and accrued liabilities		21,952
Decrease in pollution remediation obligation		(43)
Increase in compensated absences payable		4,048
Increase in claims payable		10,639
Increase in payroll liabilities		2,032
Increase in net pension liability		113,412
Increase in net OPEB obligation		72,232
Decrease in other current liabilities		(15,067)
Increase in unearned revenues		1,647
Decrease in deferred inflows from pension		(87,844)
Total adjustments		**721,681**
Net cash used for operating activities	**$**	**(1,145,942)**
Non-cash investing, capital and financing activities:		
Capital grants and contributions included in intergovernmental receivable	$	118,203
Bond premium/discount amortization	$	36,308
Interest accretion on loans included in capital assets	$	15,144
Interest accretion on lease/leaseback obligations	$	14,584
Capital assets included in accounts payable and accrued liabilities	$	12,160
Loss on disposition of capital assets	$	799
Net appreciation in fair value of investments	$	558

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, 2017 (Amounts expressed in thousands)

ASSETS	
Cash and cash equivalents	$ 8,891
Investments:	
Bonds	225,279
Domestic stocks	196,211
Non-domestic stocks	6,656
Pooled investments	1,290,434
Receivables:	
Member contributions	1,512
Securities sold	1,136
Interest and dividends	1,865
Prepaid items and other assets	43
Total assets	**1,732,027**
LIABILITIES	
Accounts payable and other liabilities	1,514
Securities purchased	12,652
Total liabilities	**14,166**
NET POSITION	
Held in trust for pension and OPEB benefits	**$ 1,717,861**

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, 2017 (Amounts expressed in thousands)

ADDITIONS	
Contributions:	
Employer	$ 91,464
Member	31,500
Total Contributions	**122,964**
From investing activities:	
Net appreciation in fair value of investments	169,875
Investment income	23,080
Investment expense	(4,773)
Other income	471
Total investing activities	**188,653**
Total additions	**311,617**
DEDUCTIONS	
Retiree benefits	115,605
Administrative expenses	1,551
Total deductions	**117,156**
Net increase in net position	**194,461**
Net Position – Beginning of Year	**1,523,400**
NET POSITION – END OF YEAR	**$ 1,717,861**

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

Notes to the Financial Statements

June 30, 2017

The notes to the financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

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

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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 *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.

LACMTA also has the following nonmajor Special Revenue funds:

> **Measure M –** The "Los Angeles County Traffic Improvement Plan" is used to account for the proceeds of the voter-approved half-cent sales tax that became effective July 1, 2017. Measure M is an ordinance authorizing an additional 1/2 of 1% sales tax approved by the voters of Los Angeles County on November 8, 2016 and which continued the existing Measure R half-cent sales tax rate when Measure R expires on July 1, 2039. Revenues will be allocated as follows: 1) 16% for local returns; 2) 35% for Metro rail capital - new rail; 3) 1% for Metrolink capital improvements; 4) 17% for highway construction; 5) 25% for rail and bus operations; 6) 2% for

state of good repair; 7) 2% for ADA paratransit; and 8) 2% for active transportation program. Measure M will become a major Special Revenue fund for the fiscal year ending June 30, 2018.

- **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:

- **Employees' 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 acquisition 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. State receivables involve funding for construction of various highways in partnership with the California Department of Transportation. 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 72-81.

Long-term Obligations

In the government-wide and Proprietary 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 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 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 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 inflow of resources should be reported until it becomes available. LACMTA considers receivables that are not collected within 90 days from the close of the fiscal year as revenues that are not available in the current year and therefore, not susceptible to accrual. These represent governmental revenues for grants receivable from federal, state and local sources that are reported as deferred 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

In the Government-wide and Proprietary 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 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 implemented the new reporting requirements for its postemployment benefit plans for the fiscal year ended 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 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. The provisions of this statement were not applicable to LACMTA during fiscal year 2017.

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. The provisions of this statement were not applicable to LACMTA as of June 30, 2017.

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. The adoption of this statement had no effect on LACMTA's net position or changes therein as of June 30, 2017.

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. 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 implemented the new reporting requirements of GASB 82 for the fiscal year ended 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 the 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.

In November 2016, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: a) pension (and other employee benefit) trust funds, b) investment trust funds, c) private-purpose trust funds and d) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this statement are effective for reporting period beginning after December 31, 2018. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2020, if applicable.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits (OPEB). Specifically, this Statement addresses the following topics: a) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation; b) reporting amounts previously reported as goodwill and "negative" goodwill; c) classifying real estate held by insurance entities; d) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; e) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; f) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus; g) recognizing on-behalf payments for pensions or OPEB in employer financial statements; h) presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB; i) classifying employer-paid member contributions for OPEB; j) simplifying certain aspects of the alternative measurement method for OPEB; k) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The requirements of this statement are effective for reporting period beginning after June 15, 2017. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2018, if applicable.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to provide guidance for the accounting of in-substance debt defeasance where existing resources -- as opposed to the proceeds of refunding debt -- are used to fund an irrevocable trust. The debt will be considered defeased whether the trust is funded with existing resources or refunding debt proceeds. However, in the financial statements using the economic resources measurement focus, governments must recognize any difference between the reacquisition price (the amount placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of defeasance. The Statement also requires disclosure of cases where risk-free trust assets can be substituted with assets that are not risk-free. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2018.

In May 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflows of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. LACMTA plans to implement the new reporting requirements for the fiscal year ending June 30, 2018.


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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 committed or assigned 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, 2017

III. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

As of June 30, 2017, the following are LACMTA's cash and investments:

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Cash deposits	$ 34,677	$ 39,982	$ 74,659
State/county investment pool	-	332,606	332,606
Debt securities:			
Medium term notes	34,545	182,210	216,755
Mortgage backed securities	20,756	-	20,756
Commercial paper	3,694	17,348	21,042
Asset backed securities	43,619	-	43,619
Fixed income:			
Mutual funds and marketable securities	506,425	102,807	609,232
U.S. Agencies securities	-	352,295	352,295
U.S. Treasury obligations	140,221	169,853	310,074
Total cash and investments	**$ 783,937**	**$ 1,197,101**	**$ 1,981,038**

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES	TOTAL
Reported in the Statement of Net Position and Balance Sheet:			
Cash and cash equivalents – unrestricted, current	$ 32,268	$ 533,310	$ 565,578
Cash and cash equivalents – restricted, current	242,916	-	242,916
Investments – unrestricted, current	121,212	663,791	785,003
Investment – restricted, current	6,519	-	6,519
Cash and cash equivalents – restricted, noncurrent	213,704	-	213,704
Investments – restricted, noncurrent	167,318	-	167,318
Total cash and investments	**$ 783,937**	**$ 1,197,101**	**$ 1,981,038**

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, 2017

As of June 30, 2017, the following are LACMTA's investments set forth by level, within the fair value hierarchy:

	BUSINESS-TYPE ACTIVITIES		
	LEVEL 1	LEVEL 2	TOTAL
Debt Securities:			
Medium term notes	$ -	$ 34,545	$ 34,545
Mortgage backed securities	-	20,756	20,756
Commercial paper	-	3,694	3,694
Asset backed securities	-	43,619	43,619
Fixed Income:			
Mutual funds and marketable securities	33,700	472,725	506,425
U.S. Agencies securities	-		-
U.S. Treasury obligations	140,221	-	140,221
Total	**$ 173,921**	**$ 575,339**	**$ 749,260**

Notes to the Financial Statements

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GOVERNMENTAL ACTIVITIES			TOTAL		
LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2	TOTAL
$ -	$ 182,210	$ 182,210	$ -	$ 216,755	$ 216,755
-	-	-	-	20,756	20,756
-	17,348	17,348	-	21,042	21,042
-	-	-	-	43,619	43,619
-	102,807	102,807	33,700	575,532	609,232
-	352,295	352,295	-	352,295	352,295
169,853	-	169,853	310,074	-	310,074
$ 169,853	**$ 654,660**	**$ 824,513**	**$ 343,774**	**$ 1,229,999**	**$ 1,573,773**

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

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

LACMTA's most recent investment policy, adopted by the Board on January 18, 2017, requires LACMTA's investment program to meet three criteria in the order of their importance:

Safety – preservation of capital, diversification and the protection of investment principal.
Liquidity – investment portfolios will remain sufficiently liquid to enable LACMTA to meet operating requirements that might be reasonably anticipated.
Return on Investments – LACMTA will maximize yield on the portfolio consistent with the safety and liquidity objectives.

Notes to the Financial Statements

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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 (1)	MAXIMUM INVESTMENT IN ONE ISSUER	MINIMUM RATINGS
Bonds issued by LACMTA	5 years	100%	100%	None
U.S. Treasury obligations	5 years	100%	100%	None
U.S. Unsecured unsubordinated obligations	5 years	30%	10%	AA
Local Agency within the State of California	5 years	25%	25%	A1 short term or 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%	25%	A1 short term or AA long term
Bankers acceptance	180 days	40%	10%	A1 short term or AA long term
Commercial paper	270 days	25%	10%	None
Negotiable certificates of deposit	5 years	30%	10%	A
Repurchase agreements	90 days	20%	20%	None
Medium-term notes	5 years	30%	10%	A
Pooled funds and mutual funds	n/a	20%	10%	AAA
Asset-backed securities	5 years	15% combined with any mortgage-backed securities	15%	AAA
Mortgage-backed securities	5 years	15% combined with any asset-backed securities	15%	AAA
Local Agency Investment Fund (LAIF)	n/a	Set by LAIF	Set by LAIF	n/a
Local Government Investment Pool (LGIP)	n/a	Set by LGIP	Set by LGIP	n/a

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, 2017, LACMTA's carrying amount of cash comprises $1,032 in cash on hand and $73,627 in checking accounts for a combined total of $74,659. LACMTA's total bank balance was $75,350 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.

(1) The percentage of portfolio authorization is based on market value.

LACMTA is a voluntary participant for its investments with the California Local Agency Investment Fund (LAIF) totaled $81,086. 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 $251,520 as of June 30, 2017. 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 Equivalents and Investments – Unrestricted
As of June 30, 2017, LACMTA had the following unrestricted cash equivalents and investments:

INVESTMENT TYPE	TOTAL	WEIGHTED AVERAGE DURATION (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Asset-backed securities	$ 43,619	0.0477	4.61%	Not Rated to AAA
Commercial paper	21,042	0.0001	2.23%	Not Rated
Medium-term notes	216,755	0.5793	22.92%	Not Rated to AAA
Mortgage-backed securities	20,756	0.0634	2.19%	Not Rated
Mutual funds & marketable securities	121,348	0.0649	12.83%	Not Rated to AAA
U.S. Agency securities	352,295	0.6823	37.26%	Not Rated to AAA
U.S. Treasury obligations	169,853	0.4144	17.96%	Not Rated to AAA
Total	**$ 945,668**		**100.00%**	
Portfolio weighted average duration		**1.8521**		

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

Cash Equivalents and Investments – Restricted
The following table shows the cash equivalents and 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, 2017:

INVESTMENT TYPE	TOTAL	WEIGHTED AVERAGE MATURITIES (IN YEARS) PER INVESTMENT TYPE	CONCENTRATION OF INVESTMENTS	RATINGS
Mutual funds & marketable securities	$ 487,884	0.3914	77.68%	Not Rated
U.S. Treasury obligations	140,221	0.0207	22.32%	Not Rated to AAA
Total	**$ 628,105**		**100.00%**	
Portfolio weighted average		**0.41210**		

Risk
In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No.3*, certain required disclosures regarding investment policies and practices with respect to credit risk, concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk are discussed in the following paragraphs:

> **Credit Risk**

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above summarize the fair value of investments that are included in the restricted and unrestricted cash and 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, 2017.

As of June 30, 2017, with the exception of investments that are explicitly guaranteed by the U.S. government, 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:

	TOTAL	CONCENTRATION OF CREDIT RISK
First American	$ 339,851	21.59%
Dreyfus	141,614	9.00%
Federal National Mortgage Association (FNMA)	137,073	8.71%
Federal Home Loan Bank (FHLB)	122,415	7.78%

> **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, 2017, 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, 2017, 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	GOVT ACTIVITIES	TOTAL
Accounts	$ 16,366	$ 3,795	$ 20,161
Interest	116	5,114	5,230
Intergovernmental	367,731	47,973	415,704
Sales Tax	-	545,341	545,341
Notes	12,388	-	12,388
Leases and other	50	-	50
Gross Receivables	396,651	602,223	998,874
Less: Allowances for doubtful accounts	(983)	-	(983)
Receivables, net	**$ 395,668**	**$ 602,223**	**$ 997,891**

Receivables as of June 30, 2017 for governmental activities by individual major funds and nonmajor funds are as follows:

	RECEIVABLES				
FUND NAME	ACCOUNTS	INTEREST	INTER- GOVT	SALES TAX	TOTAL
General Fund	$ 3,177	$ 1,899	$ 9,083	$ -	$ 14,159
Prop A	-	239	-	150,046	150,285
Prop C	-	-	33,922	150,067	183,989
Measure R	618	2,514	4,933	148,587	156,652
TDA	-	336	-	76,019	76,355
STA	-	32	-	20,622	20,654
Other Governmental	-	94	35	-	129
Total	**$ 3,795**	**$ 5,114**	**$ 47,973**	**$ 545,341**	**$ 602,223**

PROP A: Proposition A

PROP C: Proposition C

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C. INTERNAL BALANCES

The following is a summary of due to/from other funds at June 30, 2017:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS: ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	MEASURE R	TDA	OTHER GOVT	TOTAL
General Fund	$ 26,614	$ -	$ -	$ 7	$ -	$ -	$ 751	$ 27,372
Prop A	1,087	-	-	-	-	-	-	1,087
Prop C	497	78	-	-	38	-	-	613
Measure R	44	-	-	-	-	-	-	44
TDA	152,796	7,705	-	-	-	-	-	160,501
STA	22,554	-	-	-	-	-	-	22,554
Other	2,289	-	186	-	-	-	-	2,475
Enterprise Fund	(205,881)	133,094	-	-	-	4,578	4,693	(63,516)
Total	**$ -**	**$ 140,877**	**$ 186**	**$ 7**	**$ 38**	**$ 4,578**	**$ 5,444**	**$ 151,130**

Due to/from other funds include 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, 2017 were as follows:

TRANSFERS OUT	TRANSFERS IN: ENTERPRISE FUND	GENERAL FUND	PROP A	PROP C	MEASURE R	GRAND TOTAL
General Fund	$ 82,969	$ -	$ -	$ 4,583	$ 4,380	$ 91,932
Prop A	402,436	40,548	-	-	-	442,984
Prop C	491,871	15,808	7,017	-	-	514,696
Measure R	360,729	3,422	-	18,933	-	383,084
PTMISEA	13,940	-	-	-	-	13,940
TDA	279,285	5,368	-	-	-	284,653
STA	37,528	-	-	-	-	37,528
Other Govt.	22,344	500	-	1,000	-	23,844
Enterprise Fund	(394,076) (1)	8,795	-	385,281	-	-
Grand Total	**$ 1,297,026**	**$ 74,441**	**$ 7,017**	**$ 409,797**	**$ 4,380**	**$ 1,792,661**

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

PROP A: Proposition A

PROP C: Proposition C

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

The transfers from the General fund to the Enterprise fund were funding for bus and rail operations and maintenance costs and capital expenditures for the Union Station renovation and Regional Connector projects. Transfers to the Proposition C fund were funding for debt service, freeway service patrol operations, planning activities on the Regional Bikeways, the Wilshire Bus lane and the Caltrans highway maintenance projects. The transfers to the Measure R fund were funding mostly for the planning costs related to the Metro Gold Line Eastside Extension Phase 2, the Sepulveda Pass Transit Corridor, the Green Line Extension and the Regional Connector projects.

The Proposition A fund transfers to the Enterprise fund were funding mainly for debt service and for bus and rail operations and maintenance costs. Transfers to the General fund included the 5% Prop A administration fees and funding for the debt service on the Prop A Grand Central Redevelopment Housing Bonds (CRA) through October 2017.

The transfers from the Proposition C fund to the Enterprise fund were funding for bus and rail operations and maintenance costs, debt service, capital expenditures mostly related to the bus midlife program and the Crenshaw/LAX Transit Corridor projects. The Proposition C fund transfers to the General fund included the 1.50% Proposition C administration fee and funding for planning activities attributed mostly to the ride share services. The transfers to the Proposition A fund represents the fiscal year 2016 growth over inflation.

The transfers from the Measure R fund to the Enterprise fund were funding for bus and rail operations and maintenance costs, debt service and for capital expenditures mostly attributed to the Westside Purple Line extension sections 1 and 3. The Measure R fund transfers to the General fund were funding for planning activities mostly attributed to the rail-to-rail projects. The transfers from the Measure R fund to the Proposition C fund were funding for commuter rail services.

The transfers from the PTMISEA fund to the Enterprise fund were funding mostly for the Regional Connector and Crenshaw/LAX Transit Corridor projects. The funding from this source ended in fiscal year 2017.

Most of the TDA fund transfers to the Enterprise fund were funding for bus and rail operations and maintenance costs, debt service related to the Range Resources Corporation(RRC) Solar System and capital expenditures for facilities improvement, systems upgrade and replacement of non-revenue vehicles and equipment. The TDA fund transfers to the General fund were funding for administrative costs allocable to the General fund.

The transfers from the STA fund to the Enterprise fund were funding for bus and rail operations and maintenance costs.

The transfers from the Other Governmental funds to the Enterprise fund were funding for rail operations and maintenance costs on the new segment of the EXPO and Goldline Foothill light rail extension lines from the State's CAP and Trade Program and capital expenditures mostly for the Emergency Security Operations Center (ESOC) provided by the Proposition 1B Transit Security and Systems fund.

The transfers from the Enterprise fund to the General Fund were funding for subsidies under the Metro ExpressLanes Fund's Net Toll Revenue Reinvestment Program. The Enterprise fund transfers to the Proposition C included funding for the case settlement related to the I-405 Carpool Lane and for planning activities related to regional surface transportation improvement and local transit system management projects.

D. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	BALANCE JULY 1, 2016	INCREASES	DECREASES	BALANCE JUNE 30, 2017
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 1,190,396	$ 172,082	$ -	$ 1,362,478
Construction in progress	2,955,946	1,120,362	(432,197)	3,644,111
Total capital assets, not being depreciated	**4,146,342**	**1,292,444**	**(432,197)**	**5,006,589**
Capital assets, being depreciated:				
Buildings and improvements	10,854,098	177,700	-	11,031,798
Equipment	748,059	36,959	(435,818)	349,200
Vehicles	2,464,773	413,720	(108,597)	2,769,896
Total capital assets, being depreciated	**14,066,930**	**628,379**	**(544,415)**	**14,150,894**
Less accumulated depreciation for:				
Buildings and improvements	(4,252,600)	(368,960)		(4,621,560)
Equipment	(695,848)	(26,735)	435,805	(286,778)
Vehicles	(1,481,243)	(181,938)	104,376	(1,558,805)
Total accumulated depreciation	**(6,429,691)**	**(577,633)**	**540,181**	**(6,467,143)**
Total capital assets, being depreciated, net	**7,637,239**	**50,746**	**(4,234)**	**7,683,751**
Business-type activities capital assets	**11,783,581**	**1,343,190**	**(436,431)**	**12,690,340**
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	769,834	-	(857)	768,977
Governmental activities capital assets	**769,834**	**-**	**(857)**	**768,977**
Total capital assets	**$ 12,553,415**	**$ 1,343,190**	**$ (437,288)**	**$ 13,459,317**

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

BUSINESS-TYPE ACTIVITIES	
Bus and rail operations	$ 571,787
Union Station operations	2,084
Toll operations	3,762
Total depreciation expense – Business-type activities	**$ 577,633**

During the fiscal year, the total interest cost incurred amounted to $149,454, of which $92,061 has been capitalized and reported in the construction in progress account.

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, 2017.

	BALANCE JULY 1, 2016	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2017	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Long-term debt	$ 4,494,167	$ 1,516,425	$ 804,278	$ 5,206,314	$ 241,410
Claims payable	300,302	101,403	90,764	310,941	90,764
Compensated absences payable	97,134	84,103	80,055	101,182	78,876
Total business-type activities	4,891,603	1,701,931	975,097	5,618,437	411,050
GOVERNMENTAL ACTIVITIES					
Bonds payable	17,629	-	17,629	-	-
Total long-term liabilities	$ 4,909,232	$ 1,701,931	$ 992,726	$ 5,618,437	$ 411,050

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, 2017 will be sufficient to cover any costs arising from claims filed, or to be filed for incidents that occurred through that date. The liability is based, in part, upon an independent actuarial estimate of reserves required for unsettled claims including losses that have been incurred but not reported and legal expenses but excluding direct administration costs both by LACMTA employees and third party administrators.

LACMTA is partially self-insured for public liability and property damage for non-construction activities up to $7,500 per occurrence. LACMTA has acquired outside insurance coverage for losses of $300,000 in excess of self-insurance retentions.

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June 30, 2017

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, 2017, a designated investment has been set aside in the amount of $103,974 equal to the property and casualty liabilities.

The workers' compensation program is both self-insured and self-administered by LACMTA. As of June 30, 2017, a designated investment has been set aside in the amount of $206,967 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, 2017 and 2016:

	PROPERTY & CASUALTY		WORKERS' COMPENSATION		TOTAL	
	2017	2016	2017	2016	2017	2016
Unpaid claims and claim adjustment reserves – beginning of year	$ 101,103	$ 100,359	$ 199,199	$ 194,941	$ 300,302	$ 295,300
Provisions for insured events	41,015	39,740	60,547	53,348	101,562	93,088
Interest income	(68)	2,475	(91)	5,098	(159)	7,573
Total incurred claims and claims adjustment expense	**142,050**	**142,574**	**259,655**	**253,387**	**401,705**	**395,961**
Payment attributable to insured events	(38,076)	(41,471)	(52,688)	(54,188)	(90,764)	(95,659)
Total unpaid claims and claim adjustment reserves – end of year	**$ 103,974**	**$ 101,103**	**$ 206,967**	**$ 199,199**	**$ 310,941**	**$ 300,302**

As of June 30, 2017, $90,764 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, 2017:

	BALANCE JULY 1, 2016	EARNED	USED	BALANCE JUNE 30, 2017	DUE WITHIN ONE YEAR
Union Employees:					
Vacation leave	$ 29,716	$ 31,724	$ (30,291)	$ 31,149	$ 30,291
Sick leave	34,570	17,168	(16,184)	35,554	16,184
TOWP	9,259	11,642	(10,745)	10,156	9,995
Sub-total	**73,545**	**60,534**	**(57,220)**	**76,859**	**56,470**
Non-Union Employees:					
Vacation leave	390	9	(84)	315	84
Sick leave	2,258	35	(291)	2,002	291
TOWP	20,941	23,525	(22,460)	22,006	22,031
Sub-total	**23,589**	**23,569**	**(22,835)**	**24,323**	**22,406**
Total	**$ 97,134**	**$ 84,103**	**$ (80,055)**	**$ 101,182**	**$ 78,876**

As of June 30, 2017, $78,876 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 PLANS

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 2017. 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, 2017. 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 LACMTA 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, 2017, the deferred compensation plans had assets stated at fair value of $345,383.

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 2017. 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, 2017.

The LACMTA 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, 2017, the 401(k) savings plan had assets at fair value totaling $438,940.

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 $48,000 (not in thousands) if the employee is less than age 50. Also, the maximum annual combined contribution per calendar year using both plans is $54,000 (not in thousands) if an employee is age 50 or greater, or $60,000 (not in thousands) if an employee is enrolled in the 457 three-year” catch-up plan 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) - Miscellaneous Plan

> **Plan Description**

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

> **Benefits Provided**

Most full-time employees of PTSC are covered under the Plan. There are two classes of 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 *CalPERS.ca.gov*.

> **Employees Covered by Benefit Terms**

The following employees were covered based on the CalPERS actuarial valuation report dated June 30, 2015:

Active employees	1,938
Inactive employees	859
Terminated employees	470
Retired members and beneficiaries	867
Total	**4,134**

> **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 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 2017, the contribution rate was 16.03% of covered payroll and contributions totaled $30,333. This rate includes the mandatory employee contribution rate of 7.00% that is currently paid by PTSC for all Classic Members. PEPRA members pay 6.75% 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, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled forward to determine the June 30, 2016 total pension liability.

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

The June 30, 2016 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
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, 2015 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**

There were no changes of assumptions between the prior year measurement date ended June 30, 2015 and June 30, 2016.

> **Discount Rate**

The Plan used the long-term actuarially determined discount rate of 7.65% to measure the total pension liability on the assumption that employer and employees will make their required contributions as scheduled in all future years the projected cash flows used in the determination of the discount rate. The "GASB Crossover Testing Report" conducted by CaLPERS actuary team concluded that it was not necessary to incorporate the use of the municipal bond rate in the calculation of the discount rate as the plan did not run out of assets using the actuarially assumed discount rate of 7.65%. The discount rate of 7.65% used for the June 30, 2016 measurement date is calculated not net of pension plan administrative expenses.

(1) Mortality table used was developed based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using scale AA published by the Society of Actuaries.

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. 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. 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	20.00%	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	1.00%	(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 June 30,2015	**$ 588,228**	**$ 508,379**	**$ 79,849**
Changes for the year			
Service cost	24,955	-	24,955
Interest on the total pension liability	45,436	-	45,436
Changes of assumptions	-	-	-
Difference between expected and actual experience	2,012	-	2,012
Contribution – employer	-	17,510	(17,510)
Contribution – employee	-	12,822	(12,822)
Net investment income	-	2,850	(2,850)
Benefit payments, including refunds of employee contributions	(17,554)	(17,554)	-
Administrative expense	-	(310)	310
Net changes during 2015 – 2016	**54,849**	**15,318**	**39,531**
Balance at June 30, 2016	**$ 643,077**	**$ 523,697**	**$ 119,380**

No significant changes between the measurement date at June 30, 2016 and the reporting date at June 30, 2017 were known to management to have significant effect on the net pension liability.

(1) An expected inflation rate of 2.50% was used for this period.

(2) An expected inflation rate of 3.00% was used for this period.

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	$ 206,948	$ 119,380	$ 46,383

> **Pension Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued audited 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 *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, 2017, the plan recognized pension expense of $22,618. 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, 2016:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes of assumptions	$ -	$ 5,917
Differences between expected and actual experiences	5,614	-
Net differences between projected and actual earnings on pension plan investments	28,415	-
Employer contributions for fiscal year 2017	30,333	-
Total	**$ 64,362**	**$ 5,971**

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2016, totaling $30,333, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2018.

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
2017	$ 4,045
2018	4,045
2019	12,547
2020	7,475
2021	-
Total	**$ 28,112**

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

For the measurement period ending June 30, 2016, the EARSL for the plan is 4.40 years which was calculated by dividing the total service years of 18,143 (amount not in thousands) which represents the sum of remaining service lifetimes of the active employees, by 4,134 (amount not in thousands) which represents the total number of participants (active, inactive and retired). The remaining service life times is equal to zero for inactive employees and retirees. 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 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), 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 retirement plan to pay for its benefit payments and other liabilities.

An annual audited stand-alone financial report for the Plans can be obtained by requesting a copy from the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952 or by visiting LACMTA's website at *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 active employees accruing benefits and retirees and beneficiaries receiving benefits based on the actuarial valuations as of December 31, 2015 and January 1, 2016 for ATU:

	SMART – TD	TCU	ATU	NC	AFSCME	TOTAL
Retirees and beneficiaries receiving benefits and terminated/transferred employees entitled to receive benefits	2,613	510	1,196	1,173	163	5,655
Active employees accruing benefits under CalPERS	n/a	n/a	n/a	227	46	273
Active employees:						
Vested	1,461	285	1,024	33	33	2,836
Non-vested	2,322	450	1,156	-	-	3,928
Total	**6,396**	**1,245**	**3,376**	**1,433**	**242**	**12,692**

> **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 uses the Entry Age Normal Method

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 FY17 were actuarially determined by the funding valuation reports dated December 31, 2015 for the SMART-TD, TCU, AFSCME and NC retirement plans and January 1, 2016 for the ATU retirement plan. The actuarially required contribution rate of salary for ATU employees is 6.57% , TCU plan is 6.35% and SMART-TD is 9.78%, LACMTA's required contributions for the ATU Plan was 17.57% of covered payroll. The plans covering SMART-TD, TCU, AFSCME and Non-Contract, the required contributions were determined to be $22,011, $5,957, $1,575 and $4,565, respectively. LACMTA's actual contributions for all plans covering SMART-TD, TCU, AFSCME, NC and ATU were $22,011, $5,957, $1,575, $4,565 and $25,423, respectively.

> Net Pension Liability

Net pension liabilities for the SMART-TD, TCU, AFSCME and NC pension plans were measured as of June 30, 2016 and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2015 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, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 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, 2016 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, 2016 as applicable to the plans:

	SMART-TD / TCU / AFSCME / NC	ATU
Actuarial Cost Method	Entry age normal	Early age normal
Actuarial assumption:		
Discount rate	7.00%	7.00%
Inflation	3.00%	2.50%
Salary growth rate	Varies by age	2.25% - 12.00% based on age (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, 2016, there were no change in assumptions.

> 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.

Notes to the Financial Statements
June 30, 2017

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:

	LONG-TERM EXPECTED REAL RATE OF RETURN		TARGET ASSET ALLOCATION
ASSET CLASS	TCU/AFSCME/ SMART-TD/NC	ATU	ALL PLANS
Domestic equities	5.20%	7.35%	39.00%
International equities	5.80%	11.76%	23.00%
Fixed income	0.90%	3.23%	29.00%
Real Estate	3.50%	6.00%	5.00%
Alternative investments	3.90%	5.80%	3.00%
Cash equivalents	0.30%	2.00%	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, 2015 to June 30, 2016.

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITIES (a)	FIDUCIARY NET POSITION (b)	NET POSITION LIABILITIES (a) - (b)
Balances at June 30, 2015	$ 1,632,714	$ 1,225,243	$ 407,471
Changes for the Year:			
Service cost	42,046	-	42,046
Interest	114,484	-	114,484
Difference between expected & actual experience	(1,339)	-	(1,339)
Employer contributions	-	55,935	(55,935)
Employee contributions	-	30,319	(30,319)
Net investment income	-	(3,238)	3,238
Benefit payments, including refunds of employee contributions	(78,217)	(78,217)	-
Administrative expense	-	(1,706)	1,706
Net changes during 2015 – 2016	**76,974**	**3,093**	**73,881**
Balances at June 30, 2016	**$ 1,709,688**	**$ 1,228,336**	**$ 481,352**

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, 2017.

> **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 a percentage-point lower or a percentage-point higher than the current rate:

PLAN'S NET PENSION LIABILITY	DISCOUNT RATE –1% 6.00%	CURRENT DISCOUNT RATE 7.00%	DISCOUNT RATE +1% 8.00%
SMART-TD	$ 319,915	$ 240,324	$ 173,868
ATU	192,218	136,708	89,718
TCU	63,154	47,153	33,822
NC	55,852	41,947	30,020
AFSCME	20,953	15,220	10,321

> **Pension Plans 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 $67,011, 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, 2016:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes of assumptions	$ 41,569	$ -
Differences between expected and actual experiences	18,210	4,586
Net differences between projected and actual earnings on pension plan investments	72,093	-
Employer contributions for fiscal year 2017	59,531	-
Total	**$ 191,403**	**$ 4,586**

The deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date of June 30, 2016 totaling $59,531, will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2018.

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, 2017	DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES
2017	$ 26,155
2018	26,155
2019	47,001
2020	26,822
2021	1,170
2022	(17)
Total	**$ 127,286**

> **Payable/Receivable to the Pension Plan**

At June 30, 2017, the pension plans reported a net receivable of $641 for the outstanding amount of Medicare Part B premium reimbursements to the retirees advanced by the pension plans for the year ended June 30, 2017.

> **Aggregate Pension Expense**

For FY17, LACMTA recognized aggregate pension expenses of $89,629 across all five LACMTA administered pension plans and the Miscellaneous plan administered by CalPERS.

J. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

> **Plan Administration**

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. The benefits, coverage levels, employee contributions and employer contributions are either governed/amended by the policies established by the LACMTA's Board, collective bargaining agreements, or the Union Health and Welfare Trusts. Generally, eligibility for coverage is based on the employee's service and age. As of January 1, 2017, plan membership consisted of the following (not in thousands):

Actives	9,854
Retirees	2,645
Total	**12,499**

> **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.

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.

> **Benefits Provided**

LACMTA pays for a portion of eligible retirees' medical, dental and vision plan premiums for groups covered under the LACMTA and Union plans. Employees who meet the eligibility requirements receive benefits for themselves and their dependents.

Funding Policy (Contributions)

> **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. Dollar 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. For the fiscal year ended June 30, 2017, LACMTA contributed $49,099.

Actuarial Methods and Assumptions Under GASB 45

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.

The costs shown in the report were developed using the Projected Unit Credit cost method of funding, which funds each participant's benefits under the plan as they would accrue. Under this PUC cost method, the total benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service. When this method is introduced, there is an initial liability for benefits credited for service prior to that date and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a chosen period in accordance with an amortization schedule. The plan's normal cost is the sum of the individual normal costs. The plan's accrued liability is the sum of the accrued liabilities for all participants under the plan. Such accrued normal costs and liabilities reflect the accrued benefits as modified to obtain the benefits payable on those dates and the probability of the individual separating on those dates.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 20 year open amortization period
- Level percentage of pay amortization (assuming 3.5% annual increase)

The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

The actuarial value of the assets is based on a five-year moving average of expected and market values determined as follows:

> At each December 31, an expected asset value is calculated as the sum of the previous year's market value increased with a year's interest at the expected long-term return on asset assumption plus net cash flow adjusted for interest (at the same rate) to the end of the year;
> The investment gain (or loss) is the difference between the current market value and the expected asset value. It is spread over five years at 20% per year;
> The preliminary actuarial asset value is the sum of the expected asset value plus the amortization of investment gains (or losses) during the current and preceding four plan years; and
> The (final) actuarial asset value is the preliminary value limited to no more than 120% of the market value and no less than 80% of the market value.

Annual OPEB Cost and Net OPEB Obligation

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 3.50% per year.

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, 2017, using the January 1, 2017 actuarial valuation are as follows:

Annual required contribution	$ 127,764
Interest on net OPEB obligation	19,264
Adjustment to ARC	25,697
Total annual OPEB cost	121,331
Less contributions made	(49,099)
Increase in net OPEB obligation	72,232
Net OPEB obligation – beginning of year	481,589
Net OPEB obligation – end of year	**$ 553,821**

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, 2017, 2016 and 2015 are as follows:

YEAR ENDED	ANNUAL OPEB COST	% OF OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
2017	$ 121,331	40.48%	$ 553,821
2016	117,135	38.16%	481,589
2015	84,133	59.89%	409,158

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, 2017 is illustrated as follows:

ACTUARIAL VALUATION DATE	ACTUARIAL ACCRUED LIABILITY (a)	ACTUARIAL VALUE OF ASSETS (b)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (a) - (b)	FUNDED RATIO (b) / (a)	ANNUAL COVERED PAYROLL (c)	UAAL AS A % OF COVERED PAYROLL (a) - (b) / (c)
January 1, 2017						
LACMTA	$ 198,722	$ 43,378	$ 155,344	21.83%	$ 244,598	63.51%
ATU	934,813	204,057	730,756	21.83%	198,900	367.40%
TCU	88,505	19,319	69,186	21.83%	48,490	142.68%
SMART-TD	265,811	58,023	207,788	21.83%	242,308	85.75%

LACMTA has recorded the net OPEB obligation as of June 30, 2017 under GASB Statement No. 45, however, since the Plan is a fiduciary fund of LACMTA and does not issue a separate audited financial statements, LACMTA is required to include the disclosures and supplementary information under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The remaining information included in this footnote, along with the Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions - OPEB and Schedule of Investment Returns, is required by GASB Statement No. 74.

For the year ending June 30, 2018, LACMTA will adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will mirror the recent changes to pension accounting made under GASB Statement No. 68. This statement will result in a net OPEB liability, which is equal to the total OPEB liability less the Plan fiduciary net position, along with related deferred outflows/inflows and other income statement activity.

Net OPEB Liability

The total OPEB liability used in the calculation of the Net OPEB Liability was determined by the actuarial valuation as of January 1, 2017 applied to all periods included in the measurement, unless otherwise specified. The actuarial assumptions used in the January 1, 2017 valuation were rolled forward to the June 30, 2017 measurement date.

Total OPEB liability	$ 1,601,274
Plan fiduciary net position	338,940
Net OPEB Liability	**$ 1,262,334**
Plan Fiduciary Net Position as a percentage of the total OPEB liability	21.17%

> **Actuarial Assumptions**

ACTUARIAL COST METHOD	ENTRY AGE NORMAL
Discount rate	3.70%
Payroll increases	3.50%, including inflation
Investment rate of return	7.00%, including inflation
Inflation	2.50%
Mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2016 improvements from 2006
Healthcare cost trend rates	Medical Pre 65: 7.71% in 20017 reducing to 4.50% ultimate in 2025
	Medical Post 65: 8.42% in 2017 reducing to 4.50% ultimate in 2025
	Dental and Vision: 4.50% per year
	Administrative: 3.00% per year

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.

The actuarial assumptions used in the January 1, 2017 valuation were based on the census data provided as of January 1, 2017 and only current active and retired participants are valued in this actuarial study. Future new entrants or any projected growth in LACMTA's employee population are not considered.

To project the long-term expected rate of return on the Plan's investments, a building-block method was used to estimate ranges of expected future real rates of return (expected returns, net of the Plan investment expense and inflation) for each major asset class.

The long-term expected rate of return, the long-term market return expectations as well as the expected Plan fund cash flows were taken into account in projecting the long-term expected rate of return. These cash flows were developed assuming that both members and employers will make the required contributions, on time and as scheduled, in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the long-term (30 plus years, amount stated not in thousands) net of administrative expenses.

Expected nominal returns for the long-term were used to calculate the present value of benefits for the Plan. The table below reflects long-term expected real rates of return by asset class. The projected rates of return were calculated using the capital market assumptions.

ASSET CLASS	STRATEGIC ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
U.S. Equity	39.00%	5.50%
International Equity	26.00%	5.50%
U.S. Fixed Income	26.00%	3.00%
REITS	3.50%	3.90%
Private Real Estate	3.50%	5.50%
Liquidity	2.00%	0.75%

> Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 was 3.70%. The development of the discount rate was based on the assumptions that: 1) the required contribution from members and LACMTA will be on time and as scheduled and projected benefit payments assumed to be paid mid-year have been determined based on the closed group of active, retired members and beneficiaries as of June 30, 2017 and 2) the projected investment earnings are based on assumed investment rate of return of 7.00% per annum. Under these assumptions, the assets are projected to be enough to pay plan benefits through 2025. Thereafter, the July 1, 2017 Bond Buyer General Obligation 20-Bond Municipal Bond Index of 3.58% is applied to projected benefit payments.

> Investments

Investment Policy

Pursuant to a resolution adopted by LACMTA's Board of Directors, the Chief Executive Officer appointed a three-person Investment Advisory Committee (the "Committee") as trustee of the Plan to oversee the policies and procedures related to the operation and administration of the Plan. The Committee has authority to implement the investment policy and guidelines related to the investment of the Plan's assets. The Committee is composed of the Chief Financial Officer as Chairman, the Treasurer and the Chief Risk, Safety and Asset Management Officer.

It is the goal and objective of the Committee to achieve long-term growth by maximizing the long-term rate of return on investments and minimizing the risk of loss in fulfilling the Plan's current and long-term obligations. The Plan's assets are managed by investment managers who have to comply with policies and procedures set forth in the investment policy.

To achieve the Trust's investment objectives and to balance between risk and return, the Committee allocated assets into two broad classes called Investment Assets and Liquidity Assets. The Investment Assets will be invested based on the target range in order to achieve an average total annual rate of return that is equal to or greater than the Plan's actuarial discount rate of 7.5. The Liquidity Assets will be mainly cash and cash equivalents used to pay for benefits and expenses of the Plan.

The Committee has adopted the following asset allocation as of June 30, 2017:

ASSET CLASSES	ASSET WEIGHTINGS	
	RANGE	TARGET
Domestic Equity	34% - 44%	39%
International Equity	21% - 31%	26%
Other Equity/Inflation Hedge	2% - 12%	7%
Fixed Income	21% - 31%	26%
Cash Equivalent	0% - 10%	2%

Concentrations

The table below presents the organizations wherein the total investment holdings were 5.0% ($16,947 as computed), or more of the Plan's fiduciary net position as of June 30, 2017 disclosed in accordance with GASB 74 as follows:

ASSET NAME	MARKET VALUE
Vanguard Stock Market Index fund	$ 116,260
Vanguard Small Cap Index fund	17,060
Vanguard Total International Stock Index fund	49,174
Mondrian All Countries World EX-US	28,234
WCM Focused International Growth Fund LP	20,000

Rate of Return

For the fiscal year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rates

The following presents the net OPEB liability of the Plan, as well the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.70%) or 1-percentage-point higher (4.70%) than the current discount rate for the fiscal year ended June 30, 2017:

	DISCOUNT RATE –1% 2.70%	CURRENT DISCOUNT RATE 3.70%	DISCOUNT RATE +1% 4.70%
Total OPEB Liability	$ 1,872,539	$ 1,601,274	$ 1,386,220
Plan Fiduciary Net Position	338,940	338,940	338,940
Net OPEB Liability	**$ 1,533,599**	**$ 1,262,334**	**$ 1,047,280**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Plan, as well the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the Trend Rate for the fiscal year ended June 30, 2017:

	1% DECREASE	TREND RATES [1]	1% INCREASE
Total OPEB Liability	$ 1,365,998	$ 1,601,274	$ 1,904,567
Plan Fiduciary Net Position	338,940	338,940	338,940
Net OPEB Liability	**$ 1,027,058**	**$ 1,262,334**	**$ 1,565,627**

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 and 2017.

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

(1) Current healthcare cost trend rates:

- Medical Pre 65: 7.71% in 2017 decreasing to 4.50% ultimate in 2025.
- Medical Post 65: 8.42% in 2017 decreasing to 4.50% ultimate in 2025.

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, 2017.

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, 2017 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, 2017, LACMTA has an estimated pollution remediation obligation of $7,395 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, 2017

L. LONG-TERM DEBT

LACMTA's long-term debt activities for the year ended June 30, 2017 are summarized as follows:

TYPE OF ISSUE	BALANCE JULY 1, 2016	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2017	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Sales tax revenue and refunding bonds	$ 2,810,114	$ 1,097,751 (1)	$ 190,665	$ 3,717,200	$ 202,995
Lease/leaseback to service obligations	424,806	14,584 (2)	211,375	228,015	(10,329) (4)
General revenue refunding bonds	113,405	-	7,655	105,750	8,140
Notes payable	490,168	79,070 (3)	1,460	567,778	1,008
Commercial paper & revolving credits	384,495	166,532	356,815	194,212	-
Total long-term debt	4,222,988	1,357,937	767,970	4,812,955	201,814
Add: Unamortized bond premium (5)	271,290	158,488	36,318	393,460	39,605
Less: Unamortized bond discount (5)	(111)	-	(10)	(101)	(9)
Net Business-type activities long-term debt	**4,494,167**	**1,516,425**	**804,278**	**5,206,314**	**241,410**
GOVERNMENTAL ACTIVITIES					
Redevelopment and housing bonds	17,629	-	17,629	-	-
Total long-term debt	**$ 4,511,796**	**$1,516,425**	**$ 821,907**	**$ 5,206,314**	**$ 241,410**

(1) Includes Transportation Infrastructure Finance and Innovation Act (TIFIA) loan proceeds of $36,655 plus interest accretion of $1,880 and $82,222 plus interest accretion of $29, that partially financed the Regional Connector Transit Corridor and the West Side Purple Line Extension Section 1 projects, respectively.

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

(3) Represents TIFIA loan proceeds of $65,835 and interest accretion of $13,235 to partially finance the Crenshaw/LAX project.

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

(5) Unamortized bond premium and bond discount are associated with the issuance of sales tax revenue and refunding bonds and general revenue refunding bonds.

Notes to the Financial Statements

June 30, 2017

Sales tax revenue and refunding bonds outstanding as of June 30, 2017 are as follows:

BOND SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY
PROPOSITION A				
2007A	$ 46,635	2007	2016	5.00%
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				
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%
2017A	454,845	2017	2042	4.00 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 (1)	160,000	2014	2036	3.50%
2014B (1)	856,000	2014	2037	3.23%
2016A	522,120	2016	2039	3.00 to 5.00%
				Sub-total
				Total

(1) Represents Measure R Junior Subordinate Bonds issued to evidence LACMTA's obligation under the TIFIA loan related to the Regional Connector Transit Corridor and West Side Purple Line Extension Section 1 projects.

BALANCE JULY 1, 2016	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2017	DUE WITHIN ONE YEAR
$ 12,450	$ -	$ (12,450)	$ -	$ -
20,615	-	(935)	19,680	970
165,745	-	(16,710)	149,035	21,680
61,725	-	(27,690)	34,035	29,025
91,110	-	-	91,110	-
51,380	-	-	51,380	4,570
248,395	-	(9,780)	238,615	19,260
135,715	-	(5,655)	130,060	5,940
26,480	-	(985)	25,495	1,185
185,605	-	(14,845)	170,760	7,410
999,220	**-**	**(89,050)**	**910,170**	**90,040**
70,035	-	(385)	69,650	405
165,460	-	(30,805)	134,655	31,885
54,155	-	(12,530)	41,625	13,180
90,995	-	(5,925)	85,070	6,110
37,150	-	-	37,150	-
14,635	-	-	14,635	-
74,885	-	-	74,885	-
116,065	-	(12,265)	103,800	12,840
302,730	-	(7,310)	295,420	7,675
59,770	-	(4,215)	55,555	4,430
61,180	-	-	61,180	-
86,570	-	-	86,570	4,260
-	454,845	-	454,845	-
1,133,630	**454,845**	**(73,435)**	**1,515,040**	**80,785**
573,950	-	-	573,950	-
78,105	-	(18,180)	59,925	19,040
25,209	38,535	-	63,744	-
-	82,251	-	82,251	-
-	522,120	(10,000)	512,120	13,130
677,264	**642,906**	**(28,180)**	**1,291,990**	**32,170**
$ 2,810,114	**$ 1,097,751**	**$ (190,665)**	**$ 3,717,200**	**$ 202,995**

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 provided 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, 2017, these lease/leaseback agreements totaled $228,015. 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 five of the eight affected leases and has entered into collateral posting agreements for one other lease. 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 $37,817 plus legal costs.

Lease/leaseback obligations activities for the fiscal year ended June 30, 2017 are as follows:

LEASE	INTEREST RATE	BALANCE JULY 1, 2016	ADDITIONS (1)	REDUCTIONS	BALANCE JUNE 30, 2017	DUE WITHIN ONE YEAR (2)
Comerica/CIBC/ Northwest Lease	6.79% - 7.64%	$ 231,638	$ 5,184	$ (135,219)	$ 101,603	$ (3,601)
Comerica Lease	7.12%	70,804	1,930	(72,734)	-	-
First Hawaiian Lease	6.61%	59,309	3,544	(2,962)	59,891	(3,216)
Fleet Lease	6.79% - 7.64%	63,055	3,926	(460)	66,521	(3,512)
Total		**$ 424,806**	**$ 14,584**	**$ (211,375)**	**$ 228,015**	**$ (10,329)**

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 refunding bonds outstanding as of June 30, 2017 are as follows:

SERIES	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	BALANCE JUNE 30, 2017
2010A Bonds	$ 79,620	2010	2021	3.00 - 5.00%	$ 40,980
2015 Bonds	64,770	2015	2027	3.00 - 5.00 %	64,770
Total					**$ 105,750**

Notes Payable

Notes payable principal outstanding as of June 30, 2017 are as follows:

LENDER	ORIGINAL BORROWING	YEAR ISSUED	FINAL MATURITY	INTEREST RATES TO MATURITY	BALANCE JUNE 30, 2017
Western Alliance	$ 16,407	2008	2018	4.04%	$ 1,008
TIFIA Loan – CPC	545,900	2012	2034	2.43%	566,770
Total					**$ 567,778**

The notes payable outstanding balance of $1,008 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.

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

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

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 a maturity date of June 1, 2034. As of June 30, 2017, LACMTA has drawn $545,900, the full amount of the TIFIA loan. The outstanding balance of $566,770 includes $20,870 interest accretion through June 30, 2017. Interest on the note is payable semi-annually on June 1 and December 1 of each year commencing December 1, 2020 and principal is due and payable annually on June 1 of each year beginning June 1, 2021.

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 of Measure R Junior Subordinated Bonds 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 a final maturity on June 1, 2036. Annual principal amounts due are payable on June 1 of each year beginning June 1, 2020 and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1 of each year commencing December 1, 2019. As of June 30, 2017, LACMTA has drawn $61,864 of the TIFIA loan.

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 Series 2014B of Measure R Junior Subordinated Bonds to evidence LACMTA's obligation to repay the loan pursuant to the TIFIA loan agreement. The loan is secured by a subordinate pledge of the Measure R sales tax revenues and bears interest at 3.23% per annum with final maturity date of June 1, 2037. Annual principal amounts due are payable on June 1 of each year beginning June 1, 2020 and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1 commencing December 1, 2019. LACMTA has drawn $82,222 of the TIFIA loan as of June 30, 2017.

In December 2016, the USDOT approved a TIFIA loan for the design and construction of the Westside Purple Line Extension Section 2 Project (the Project) in an aggregate principal amount not to exceed $307,000. The USDOT through the Federal Transit Administration (FTA) and LACMTA entered into a FFGA pursuant to which the Project has received a grant in the amount of $1.2 billion. LACMTA issued Measure R Junior Subordinate Sales Tax Revenue Bonds Series 2016A to evidence LACMTA's obligation to repay its obligation 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 2.9% per annum with final maturity on June 1, 2037. Annual principal amounts due are payable on June 1 of each year commencing June 1, 2020 and interest payments on the outstanding principal balances are due and payable semi-annually on June 1 and December 1 of each year commencing December 1, 2019. As of June 30, 2017, there is no outstanding balance on this loan.

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 $200,000 of short-term borrowings 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 November 20, 2020.

As of June 30, 2017, LACMTA's Proposition A CPN program is authorized to issue up to $350,000 aggregate principal amount of Proposition A CPN, with $200,000 in letters of credit in place. The letters of credit supporting the Proposition A commercial paper program will expire on March 7, 2019.

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 March 28, 2019. 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, 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.

As of June 30, 2017, the outstanding balances of the commercial paper notes and revolving lines of credit are as follows:

	PROP A	PROP C	MEASURE R	BALANCE JUNE 30, 2017
Commercial Paper Notes	$ 183,693	$ 10,309	$ -	$ 194,002
Bond purchase agreement	-	-	210	210
Total	**$ 183,693**	**$ 10,309**	**$ 210**	**$ 194,212**

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.

PROP A: Proposition A

PROP C: Proposition C

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.

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 an 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.

Notes to the Financial Statements
June 30, 2017

Annual Debt Service Requirement

LACMTA's annual debt requirement for long-term debt, lease/leaseback obligations and notes payable as of June 30, 2017 are as follows:

Business-type Activities

> Sales Tax Revenue and Refunding Bonds

YEAR ENDING JUNE 30	PROP A PRINCIPAL	PROP A INTEREST	PROP A TOTAL
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	110,820	21,679	132,499
2023-2027	279,240	54,241	333,481
2028-2032	83,660	14,508	98,168
2033-2037	41,160	3,260	44,420
2038-2042	-	-	-
2043-2047	-	-	-
Total	$ 910,170	$ 232,017	$ 1,142,187

YEAR ENDING JUNE 30	PROP C PRINCIPAL	PROP C INTEREST	PROP C TOTAL
2018	$ 80,785	$ 70,482	$ 151,267
2019	94,050	68,520	162,570
2020	98,320	63,765	162,085
2021	98,510	58,901	157,411
2022	98,695	54,044	152,739
2023-2027	379,845	202,653	582,498
2028-2032	241,200	132,963	374,163
2033-2037	218,215	77,155	295,370
2038-2042	174,685	26,846	201,531
2043-2047	30,735	768	31,503
Total	$ 1,515,040	$ 756,097	$ 2,271,137

YEAR ENDING JUNE 30	MEASURE R PRINCIPAL (1)	MEASURE R INTEREST	MEASURE R TOTAL
2018	$ 32,170	$ 59,725	$ 91,895
2019	24,128	67,769	91,897
2020	49,897	61,719	111,616
2021	42,308	59,484	101,792
2022	43,874	57,615	101,489
2023-2027	246,487	255,403	501,890
2028-2032	302,516	187,321	489,837
2033-2037	397,074	101,888	498,962
2038-2042	153,536	11,839	165,375
Total	$ 1,291,990	$ 862,763	$ 2,154,753

(1) Includes Measure R Junior Subordinate Bonds Series 2014A and 2014B with aggregate principal balance of $145,996 outstanding as of June 30, 2017.

PROP A: Proposition A

PROP C: Proposition C

> General Revenue Refunding Bonds and Notes Payable

YEAR ENDING JUNE 30	GENERAL REVENUE REFUNDING BONDS			NOTES PAYABLE		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL [1]	INTEREST	TOTAL
2018	$ 8,140	$ 4,863	$ 13,003	$ (12,906)	$ 13,929	$ 1,023
2019	8,700	4,486	13,186	(14,196)	14,196	-
2020	9,295	4,078	13,373	(13,328)	13,328	-
2021	9,595	3,632	13,227	(59)	14,759	14,700
2022	8,650	3,188	11,838	8,619	14,781	23,400
2023-2027	49,890	9,181	59,071	107,488	69,813	177,301
2028-2032	11,480	287	11,767	312,329	45,270	357,599
2033-2037	-	-	-	179,831	6,449	186,280
Total	$ 105,750	$ 29,715	$ 135,465	$ 567,778	$ 192,525	$ 760,303

> Lease/leaseback Obligations and Total Debt Service - Business-type Activities

YEAR ENDING JUNE 30	LEASE/LEASBACK OBLIGATIONS			TOTAL DEBT SERVICE - BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL [2]	INTEREST	TOTAL	TOTAL ANNUAL PRINCIPAL	DEBT SERVICES INTEREST	BUSINESS-TYPE ACTIVITIES TOTAL
2018	$ (10,329)	$ 11,390	$ 1,061	$ 187,900	$ 202,049	$ 389,949
2019	(7,882)	7,882	-	199,561	200,047	399,608
2020	(12,357)	12,554	197	234,367	187,792	422,159
2021	(17,329)	17,415	86	240,975	181,318	422,293
2022	10,853	(7,132)	3,721	281,511	144,175	425,686
2023-2027	(12,075)	36,959	24,884	1,050,875	628,250	1,679,125
2028-2032	243,025	33,821	276,846	1,194,210	414,170	1,608,380
2033-2037	27,642	-	27,642	863,922	188,752	1,052,674
2038-2042	6,467	-	6,467	334,687	38,685	373,372
2043-2047	-	-	-	30,735	768	31,503
Total	$ 228,015	$ 112,889	$ 340,904	$ 4,618,743	$ 2,186,006	$ 6,804,749

(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 $20,870, was $566,770 as of June 30, 2017.

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

(3) 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.

(4) Total Debt Service represents actual principal & interest paid.

PROP A: Proposition A

PROP C: Proposition C

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 and 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 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, 2017:

SOURCE	GROSS RECEIPTS [3]	ALLOCATION RATE	LOCAL ALLOCATIONS	PLEDGED REVENUE	TOTAL DEBT SERVICE [4]	DEBT SERVICE COVERAGE
Prop A	$ 789,342	25%	$ 197,336	$ 592,006	151,473	3.9
Prop C	789,269	20%	157,854	631,415	125,320	5.0
Measure R	787,891	15%	118,184	669,707	76,438	8.8
General Revenue bonds	373,741	-	-	373,741	13,110	28.5

Significant Changes to Long-Term Bond and Note Obligations

New Bond Issues

In November 2016, LACMTA issued Measure R Senior Sales Tax Revenue Bonds, Series 2016-A with an aggregate principal amount of $522,120 at fixed interest rates ranging from 3% to 5%. The net proceeds, including bond premium of $78,879 and other available funds, were used to pay Measure R eligible capital project expenditures, repay the outstanding balance of the Subordinate Revolving Obligations and the Subordinate Subseries C-1 Bonds with a total principal amount of $300,000 and pay the associated bond issuance costs. Principal payments are due annually on June 1 of each year starting June 1, 2017 and interest payments are due and payable semi-annually on June 1 and December 1 of each year commencing June 1, 2017 with a final maturity on June 1, 2039.

In February 2017, LACMTA also issued an aggregate principal amount of $454,845 of Proposition C Sales Tax Revenue Bonds Senior Bonds, Series 2017-A, with fixed interest rates ranging from 4% to 5%. The net proceeds, including bond premium of $79,609 and after payment of associated bond issuance cost and deposit required for reserve funds, were used to finance existing Proposition C eligible capital projects and repay the $50,000 outstanding principal balance of Subordinate Proposition C Sales Tax Revenue Commercial Paper Notes Series A-TE, 19th Note Subseries. Principal payments are due annually on July 1 of each year commencing July 1, 2018 and interest payments are due semi-annually on January 1 and July 1 of each year starting July 1, 2017 with a final maturity on July 1, 2042.

Measure R Junior Subordinate Bonds

In December 2016, the USDOT approved a TIFIA loan for the design and construction of the Westside Purple Line Extension Section 2 for an aggregate principal amount not to exceed $307,000. Details on this loan can be found on page 96.

Commercial Paper Notes

During fiscal year 2017, LACMTA issued an aggregate principal amount of $92,193 of new Proposition A and Proposition C Tax-Exempt Commercial Paper 19th, 20th and 21st Commercial Paper Notes to fund the immediate cash flow requirements of current capital project expenditures as follows:

GROSS	PAR AMOUNT	TYPE OF TAX STATUS	CP NOTES	LETTER OF DEALER	CREDIT BANK
Prop C Series A-TE-BEA	$ 25,000	Tax-Exempt	Fixed Rate	RBC	Bank of America, N.A.
Prop C Series A-TE-BEA	25,000	Tax-Exempt	Fixed Rate	Citigroup	Bank of America, N.A.
Prop A Series A-TE-SMBC	21,000	Tax-Exempt	Fixed Rate	RBC	Sumitomo Mitsui
Prop A Series A-TE-SMBC	6,208	Tax-Exempt	Fixed Rate	Barclays	Sumitomo Mitsui
Prop A Series A-TE-SMBC	6,100	Tax-Exempt	Fixed Rate	Goldman	Sumitomo Mitsui
Prop A Series A-TE-UB	8,885	Tax-Exempt	Fixed Rate	RBC	MUFG Union Bank
Total	**$ 92,193**				

The new issues resulted to a net increase in the commercial paper note obligations to $194,212 as of June 30, 2017.

Notes Payable

In August 2016, LACMTA made the final draw down of $65,835 of the approved TIFIA loan for the Crenshaw/LAX Transit Corridor project. As of June 30, 2017, outstanding principal balance on the TIFIA loan including interest accretion of $20,870 totaled $566,770.

Redevelopment and Housing Bonds

In December, 2016, the remaining principal balance of $12,169 of the 2002 Grand Central Square Qualified Redevelopment Housing Bonds, Series 2002A and $5,460 of the Grand Central Square Multi-Family Housing Revenue Refunding Bond, Series 2007B were fully settled using proceeds from related notes receivable.

PROP A: Proposition A

PROP C: Proposition C

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, 2017, 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 67.

The following is a schedule by years of minimum future rentals to be received on non-cancelable operating leases as of June 30, 2017:

YEAR ENDING JUNE 30	AMOUNT
2018	$ 4,511
2019	4,248
2020	4,302
2021	3,996
2022	3,110
2023-2027	16,131
2028-2032	16,886
2033-2037	19,563
2038-2042	27,835
2043-2047	32,096
2048-2052	37,366
2053-2057	35,111
2058-2062	24,785
2063-2067	24,696
2068-2072	27,309
2073-2077	30,337
2078-2082	33,847
2083-2087	37,916
2088-2092	39,186
2093-2097	39,487
2098-2102	45,805
2103-2107	38,518
Total	$ 547,041

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, 2017 totaled $6,783. Future minimum lease payments for these leases are as follows:

YEAR ENDING JUNE 30	AMOUNT
2018	$ 6,974
2019	7,078
2020	7,245
2021	7,418
2022	7,597
Total	$ 36,312

Notes to the Financial Statements

June 30, 2017

N. CAPITAL AND MOU COMMITMENTS

LACMTA uses encumbrances accounting for its governmental funds. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditures of monies are encumbered to reserve applicable budget appropriations. Encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. Encumbrance balances for the governmental funds as of June 30, 2017 are as follows:

FUND	RESTRICTED	COMMITTED	ASSIGNED	TOTAL
General Fund	$ 49,417	$ 11,891	$ 22,180	$ 83,488
Proposition A	8,337	-	-	8,337
Proposition C	283,255	-	-	283,255
Measure R	231,028	-	-	231,028
TDA	131,003	-	-	131,003
STA	1,708	-	-	1,708
Total	**$ 704,748**	**$ 11,891**	**$ 22,180**	**$ 738,819**

LACMTA's commitments to vendors for capital projects which are in various phases of development as of June 30, 2017 are as follows:

	TOTAL CONTRACT	REMAINING
Rail projects	$ 4,876,628	$ 2,558,102
Bus rapid transit ways	3,885	997
Bus acquisition and others	1,152,538	376,912
Total	**$ 6,033,051**	**$ 2,936,011**

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, 2017, the total outstanding payables and commitments were $3,849 and $38,514, respectively.

A summary of financial information for the SCRRA for the year ended June 30, 2016 (most recent data available) is as follows:

Total assets	$	1,552,173
Deferred outflows of resources		4,096
Total assets & deferred outflows of resources		1,556,269
Total Liabilities		167,535
Deferred inflows of resources		6,591
Total liabilities & deferred inflows of resources		174,126
Net Position	**$**	**1,382,143**
Total Revenues	$	337,121
Total Expenses		318,739
Increase in Net Position	**$**	**18,382**

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 *metrolinktrains.com*.

P. LITIGATION AND OTHER CONTINGENCIES

Litigation

Although various claims have been asserted against LACMTA, it is the opinion of LACMTA that none of the pending claims will materially and adversely affect LACMTA's ability to pay the principal 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

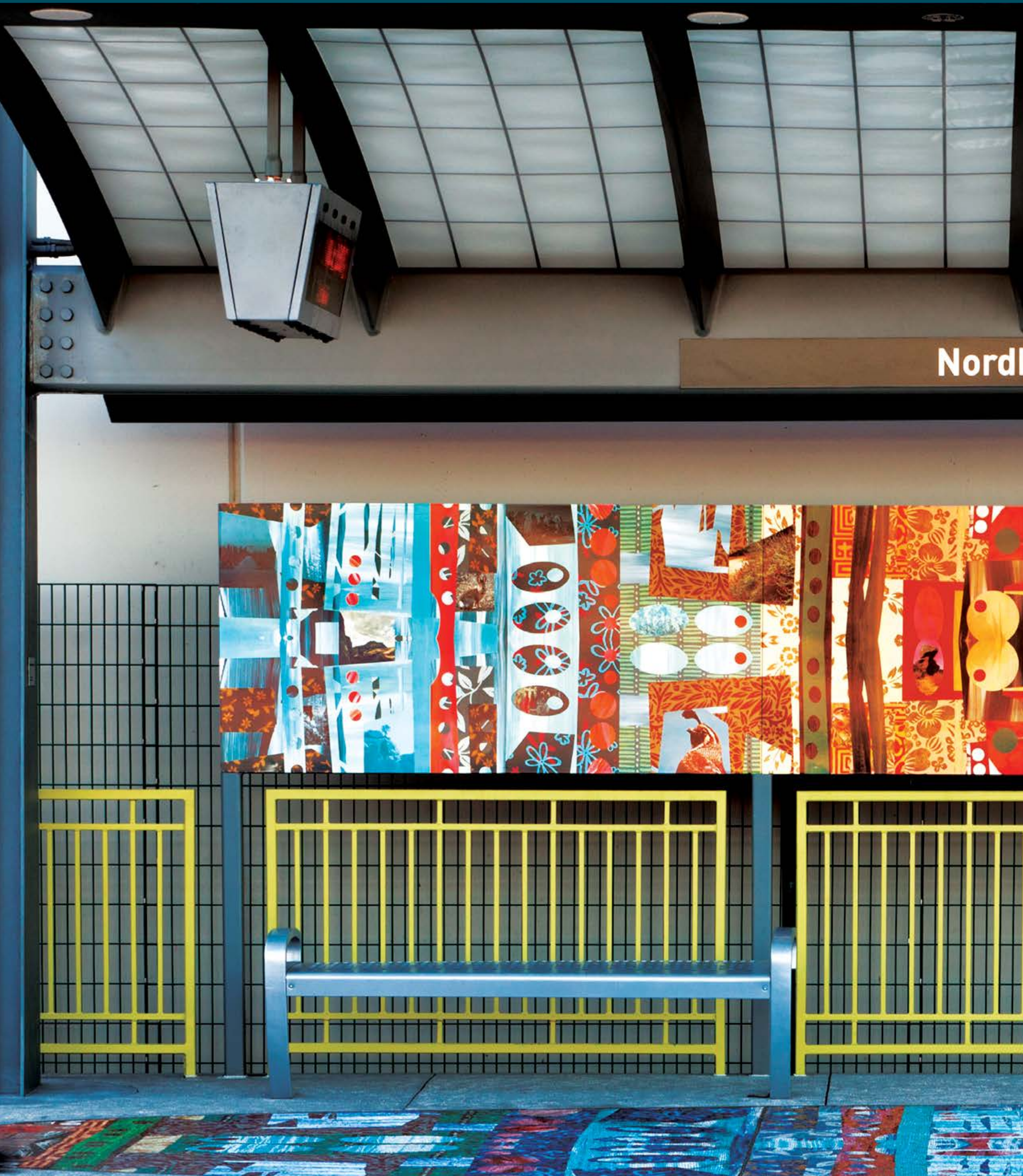
Section 4965 of the Internal Revenue Code of 1986, as amended, imposes a federal excise tax (the Excise Tax) on the net income or proceeds of Sale In/Lease Out transactions entered into by tax-exempt entities, including states and their political subdivisions. Based on Section 4965 and the final Treasury 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 August 2017, LACMTA entered into a letter of credit with Citibank, N.A. for an additional $150,000, which supports $137,770 of principal and $12,230 of interest for the Proposition A commercial paper program, bringing the total amount of letters of credit to $350,000. The letter of credit with Citibank, N.A. expires on August 14, 2020.

In October 2017, LACMTA issued Proposition A Sales Tax Revenue Bonds Series 2017A and Sales Tax Revenue Refunding Bonds Series 2017B for an aggregate principal amount of $471,395 and $85,455, respectively. The proceeds from the Proposition A Bonds Series 2017A, together with the bond premium of $103,433, will be used to redeem $123,693 of outstanding Proposition A commercial paper notes and to finance LACMTA's major capital projects. The net proceeds from the Proposition A Bonds Series 2017B, including bond premium of $16,001, will be used to refund an aggregate principal balance of $91,110 of the Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds, Series 2011B with final maturity of July 1, 2023 in order to achieve a net present value savings of $6,534.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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, 2017 (Amounts expressed in thousands)

	2015	2016	2017
TOTAL PENSION LIABILITY			
Service cost	$ 21,905	$ 23,238	$ 24,955
Interest on total pension liability	37,546	41,535	45,436
Difference between expected and actual experiences	-	7,066	2,012
Changes of assumptions	-	(10,299)	-
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)	(17,554)
Net change in total pension liability	46,052	45,811	54,849
Total pension liability – beginning of year	496,365	542,417	588,228
Total pension liability – end of year	542,417	588,228	643,077
Plan Fiduciary Net Position			
Contributions – Employer	13,313	14,415	17,510
Contributions – Employee	10,565	11,367	12,822
Net investment income	72,179	11,202	2,850
Benefit payments, including refunds of employee contributions	(13,399)	(15,729)	(17,554)
Administrative expense	-	(581)	(310)
Net change in fiduciary net position	82,658	20,674	15,318
Plan fiduciary net position – beginning of year	405,047	487,705	508,379
Plan fiduciary net position – end of year	487,705	508,379	523,697
Plan net pension liability – end of year	**$ 54,712**	**$ 79,849**	**$ 119,380**
Plan fiduciary net position as a percentage of the total pension liability	89.91%	86.43%	81.44%
Covered payroll	$ 145,140	$ 159,124	$ 173,744
Plan net pension liability as a percentage of covered payroll	37.70%	50.18%	68.71%

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, 2015 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**

For the period ended June 30, 2016, the discount rate increased from 7.50% to 7.65%. In 2017, there were no changes in assumptions.

(1) The amounts presented for each reporting fiscal year were determined as of measurement period ended June 30 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, 2017 (Amounts expressed in thousands)

	2015	2016	2017
Actuarially determined contribution	$ 25,270	$ 27,306	$ 30,333
Contributions in relation to the actuarially determined contribution	(25,270)	(27,306)	(30,333)
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**
Covered payroll	$ 158,633	$ 186,951	$ 189,193
Contributions as a percentage of covered payroll	15.93%	14.61%	16.03%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for FY17 were obtained from the June 30, 2014 actuarial valuation report:

Actuarial cost method	**Entry age normal**
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation
Mortality rate table	Derived using CalPERS' membership data
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(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 Sheet Metal, Air, Rail, Transportation, Transportation Division (SMART-TD) — Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	2015	2016	2017
Total Pension Liability – beginning of year	**$ 660,053**	**$ 683,777**	**$ 748,848**
Service cost	19,054	19,135	19,930
Interest	46,123	47,691	52,470
Difference between expected & actual experiences	(317)	19,103	(3,662)
Changes of assumptions	-	23,116	-
Benefit payments paid from trust	(40,145)	(43,015)	(38,001)
Transfer of contributions between plans	(991)	(959)	(1,055)
Net change in total pension liability	23,724	65,071	29,682
Total pension liability – end of year	683,777	748,848	778,530
Fiduciary net position – beginning of year	462,402	541,017	539,161
Contributions – LACMTA	23,568	19,780	21,369
Contributions – Employees	15,920	16,528	18,490
Net investment income	80,714	6,446	(1,404)
Benefit payments	(40,145)	(43,014)	(38,001)
Administrative expenses	(451)	(637)	(356)
Transfer of contributions between plans	(991)	(959)	(1,055)
Net change in fiduciary net position	78,615	(1,856)	(957)
Fiduciary net position – end of year	541,017	539,161	538,204
Net pension liability – end of year	**$ 142,760**	**$ 209,687**	**$ 240,326**
Funded ratio	79.12%	72.00%	69.13%
Covered payroll	$ 173,322	$ 187,395	$ 193,246
Net pension liability as a percentage of covered payroll	82.37%	111.90%	124.36%

Notes to Schedule:

In FY2016, 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 for 23 to 29 years.

In FY2017, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 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 Union Plan (TCU) — Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	2015	2016	2017
Total Pension Liability – beginning of year	**$ 128,421**	**$ 136,120**	**$ 151,272**
Service cost	3,342	3,622	4,317
Interest	9,020	9,615	10,672
Difference between expected & actual experiences	1,246	1,559	(786)
Changes of assumptions	-	5,213	-
Benefit payments paid from trust	(5,787)	(4,716)	(6,268)
Transfer of contributions between plans	(122)	(141)	(123)
Net change in total pension liability	7,699	15,152	7,812
Total pension liability – end of year	136,120	151,272	159,084
Fiduciary net position – beginning of year	90,413	107,551	110,820
Contributions – LACMTA	5,466	4,741	5,615
Contributions – Employees	1,769	2,300	2,557
Net investment income	16,005	1,294	(347)
Benefit payments	(5,787)	(4,716)	(6,268)
Administrative expenses	(193)	(209)	(323)
Transfer of contributions between plans	(122)	(141)	(123)
Net change in fiduciary net position	17,138	3,269	1,111
Fiduciary net position – end of year	107,551	110,820	111,931
Net pension liability – end of year	**$ 28,569**	**$ 40,452**	**$ 47,153**
Funded ratio	79.01%	73.26%	70.36%
Covered payroll	$ 28,978	$ 34,512	$ 37,014
Net pension liability as a percentage of covered payroll	98.59%	117.21%	127.39%

Notes to Schedule:

In FY2016, for the TCU plan, retirement rates changed at services levels of less than 25 years. The retirement rate at exactly 23 years of services was increased and the retirement rates levels were decreased.

In FY2017, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 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 American Federation of State, County and Municipal Employee Plan (AFSCME) — Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	2015	2016	2017
Total Pension Liability – beginning of year	**$ 64,607**	**$ 66,226**	**$ 70,656**
Service cost	391	318	235
Interest	4,384	4,438	4,790
Difference between expected & actual experiences	872	1,839	(999)
Changes of assumptions	-	3,358	-
Benefit payments paid from trust	(4,835)	(6,393)	(5,018)
Transfer of contributions between plans	807	870	708
Net change in total pension liability	1,619	4,430	(284)
Total pension liability – end of year	66,226	70,656	70,372
Fiduciary net position – beginning of year	54,938	61,926	58,392
Contributions – LACMTA	1,964	1,455	1,638
Net investment income	9,219	690	(251)
Benefit payments	(4,835)	(6,393)	(5,018)
Administrative expenses	(167)	(156)	(320)
Transfer of contributions between plans	807	870	708
Net change in fiduciary net position	6,988	(3,534)	(3,243)
Fiduciary net position – end of year	61,926	58,392	55,149
Net pension liability – end of year	**$ 4,300**	**$ 12,264**	**$ 15,223**
Funded ratio	93.51%	82.64%	78.37%
Covered payroll	$ 3,822	$ 3,338	$ 2,936
Net pension liability as a percentage of covered payroll	112.51%	367.41%	518.49%

Notes to Schedule:

In FY2016, for the AFSCME plan, the percentage of participants assumed to elect lump sums decreased from 30% to 25%, the age-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 of 30 years of services was increased (now only applied to the Old Plan participants).

In FY2017, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 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 Non-Contract (NC) — Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	2015	2016	2017
Total Pension Liability – beginning of year	**$ 147,574**	**$ 148,935**	**$ 156,795**
Service cost	628	536	466
Interest	10,011	10,062	10,675
Difference between expected & actual experiences	587	191	(68)
Changes of assumptions		8,044	
Benefit payments paid from trust	(10,540)	(11,661)	(9,697)
Transfer of contributions between plans	675	688	642
Net change in total pension liability	1,361	7,860	2,018
Total pension liability – end of year	148,935	156,795	158,813
Fiduciary net position – beginning of year	113,454	127,728	122,215
Contributions – LACMTA	5,074	4,186	4,531
Net investment income	19,276	1,493	(505)
Benefit payments	(10,540)	(11,661)	(9,697)
Administrative expenses	(211)	(219)	(322)
Transfer of contributions between plans	675	688	642
Net change in fiduciary net position	14,274	(5,513)	(5,351)
Fiduciary net position – end of year	127,728	122,215	116,864
Net pension liability – end of year	**$ 21,207**	**$ 34,580**	**$ 41,949**
Funded ratio	85.76%	77.95%	73.59%
Covered payroll	$ 3,953	$ 3,460	$ 3,522
Net pension liability as a percentage of covered payroll	536.48%	999.42%	1,191.06%

Notes to Schedule:

For the NC plan, the percentage of participants assumed to elect the lump sums decreased from 30% to 25%, the age-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).

In FY2017, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 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 Amalgamated Transportation Union Plan (ATU) — Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	2015	2016	2017
Total Pension Liability – beginning of year	**$ 417,566**	**$ 445,951**	**$ 505,143**
Service cost	12,428	13,928	17,098
Interest	31,401	33,785	35,877
Difference between expected and actual experiences	(1,823)	1,060	4,176
Changes of assumptions	8,999	29,243	-
Benefit payments paid from trust	(22,251)	(18,366)	(19,233)
Transfer of contributions between plans	(369)	(458)	(172)
Net change in total pension liability	28,385	59,192	37,746
Total pension liability – end of year	445,951	505,143	542,889
Fiduciary net position – beginning of year	318,802	379,275	394,655
Contributions – LACMTA	20,126	21,257	22,782
Contributions – Employees	7,648	8,607	9,272
Net investment income	55,695	4,736	(731)
Benefit payments	(22,251)	(18,366)	(19,233)
Administrative expenses	(376)	(396)	(385)
Transfer of contributions between plans	(369)	(458)	(172)
Net change in fiduciary net position	60,473	15,380	11,533
Fiduciary net position – end of year	379,275	394,655	406,188
Net pension liability – end of year	**$ 66,676**	**$ 110,488**	**$ 136,701**
Funded ratio	85.05%	78.13%	74.82%
Covered payroll	$ 113,462	$ 118,355	$ 127,258
Net pension liability as a percentage of covered payroll	58.77%	93.35%	107.42%

Notes to Schedule:

In FY2016, for the ATU plan, the amount reported as assumption of 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 the negotiated rate increases over the next 3 years (4.25%, 2015-2017).

In FY2017, there were no changes in assumptions.

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 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
Totals for the Four Union Groups & Non-Contract (NC) — Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	2015	2016	2017
Total Pension Liability – beginning of year	**$ 1,418,221**	**$ 1,481,009**	**$ 1,632,714**
Service cost	35,843	37,539	42,046
Interest	100,939	105,591	114,484
Difference between expected and actual experiences	565	23,752	(1,339)
Changes of assumptions	8,999	68,974	-
Benefit payments paid from trust	(83,558)	(84,151)	(78,217)
Net change in total pension liability	62,788	151,705	76,974
Total pension liability – end of year	1,481,009	1,632,714	1,709,688
Fiduciary net position – beginning of year	1,040,009	1,217,498	1,225,243
Contributions – LACMTA	56,198	51,419	55,935
Contributions – Employees	25,337	27,435	30,319
Net investment income	180,910	14,659	(3,238)
Benefit payments	(83,558)	(84,151)	(78,217)
Administrative expenses	(1,398)	(1,617)	(1,706)
Net change in fiduciary net position	177,489	7,745	3,093
Fiduciary net position – end of year	1,217,498	1,225,243	1,228,336
Net pension liability – end of year	**$ 263,511**	**$ 407,471**	**$ 481,352**
Funded ratio	82.21%	75.04%	71.84%
Covered payroll	$ 323,537	$ 347,060	$ 363,976
Net pension liability as a percentage of covered payroll	81.45%	117.41%	132.24%

(1) The amounts presented for each fiscal year were determined as of measurement period ended June 30 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, 2017 (Amounts expressed in thousands)

	2015	2016	2017
SHEET METAL, AIR, RAIL, TRANSPORTATION, TRANSPORTATION DIVISION (SMART-TD)			
Actuarially determined contribution	$ 19,780	$ 21,369	$ 22,011
Contributions in relation to the actually determined contribution	(19,780)	(21,369)	(22,011)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 187,395	$ 193,246	$ 193,246
Contributions as a percentage of covered payroll	10.56%	11.06%	11.39%
TRANSPORTATION COMMUNICATION UNION PLAN (TCU)			
Actuarially determined contribution	$ 4,741	$ 5,615	$ 5,957
Contributions in relation to the actually determined contribution	(4,741)	(5,615)	(5,957)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 34,512	$ 37,014	$ 37,014
Contributions as a percentage of covered payroll	13.74%	15.17%	16.09%
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEE PLAN (AFSCME)			
Actuarially determined contribution	$ 1,455	$ 1,638	$ 1,575
Contributions in relation to the actually determined contribution	(1,455)	(1,638)	(1,575)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 3,338	$ 2,936	$ 2,938
Contributions as a percentage of covered payroll	43.59%	55.79%	53.61%
NON-CONTRACT (NC)			
Actuarially determined contribution	$ 4,186	$ 4,531	$ 4,565
Contributions in relation to the actually determined contribution	(4,186)	(4,531)	(4,565)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 3,460	$ 3,522	$ 3,521
Contributions as a percentage of covered payroll	120.98%	128.65%	129.65%
AMALGAMATED TRANSPORTATION UNION PLAN (ATU)			
Actuarially determined contribution	$ 21,257	$ 22,781	$ 25,423
Contributions in relation to the actually determined contribution	(21,257)	(22,781)	(25,423)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 118,355	$ 127,258	$ 141,142
Contributions as a percentage of covered payroll	17.96%	17.90%	18.01%
TOTAL			
Actuarially determined contribution	$ 51,419	$ 55,934	$ 59,531
Contributions in relation to the actually determined contribution	(51,419)	(55,934)	(59,531)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 347,060	$ 363,976	$ 377,861
Contributions as a percentage of covered payroll	14.82%	15.37%	15.75%

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

See accompanying independent auditor's report.

Schedule of Funding Progress (OPEB)

For the Fiscal Year Ended June 30, 2017 (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	ACTUARIAL ACCRUED LIABILITY (a)	ACTUARIAL VALUE OF ASSETS (b)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (a) - (b)	FUNDED RATIO (b) / (a)	ANNUAL COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (a) - (b) / (c)
January 1, 2017						
LACMTA	$ 198,722	$ 43,378	$ 155,344	21.83%	$ 244,598	63.51%
ATU	934,813	204,057	730,756	21.83%	198,900	367.40%
TCU	88,505	19,319	69,186	21.83%	48,490	142.68%
SMART-TD	265,811	58,023	207,788	21.83%	242,308	85.75%
Total	**$ 1,487,851**	**$ 324,777**	**$ 1,163,074**	**21.83%**	**$ 734,296**	**158.39%**
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, 2013						
LACMTA	$ 181,326	$ 35,736	$ 145,590	19.71%	$ 177,369	82.08%
ATU	522,674	103,010	419,664	19.71%	160,829	260.94%
TCU	77,417	15,258	62,159	19.71%	38,395	161.89%
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%**

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.

See accompanying independent auditor's report.

Schedule of Changes in Net OPEB Liability and Related Ratios — Other Postemployment Benefits Plan Last 10 Fiscal Years [1]

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	2017
Total OPEB Liability	
Service cost	$ 86,058
Interest cost	55,923
Differences between expected & actual experience	(179,707)
Changes of assumptions	(191,475)
Benefit payments	(23,558)
Net change in total OPEB Liability	**(252,759)**
Total OPEB Liability – Beginning	**1,854,031**
Total OPEB Liability – Ending	**1,601,272**
Plan Fiduciary Net Position	
Contributions – Employer	31,933
Net investment income	35,665
Benefit payments	(23,558)
Administrative expense	(167)
Net change in Plan Fiduciary Net Position	43,873
Plan Fiduciary Net Position – Beginning	295,067
Plan Fiduciary Net Position – Ending	**338,940**
Net OPEB Liability – Ending	**$ 1,262,332**
Net Position as a Percentage of OPEB Liability	21.17%
Covered payroll	$ 747,036
Net OPEB Liability as a Percentage of Payroll	168.98%

Notes to Schedule:

Only one year is shown as fiscal year 2017 was the first year of implementation of GASB 74 for the Plan.

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

See accompanying independent auditor's report.

Schedule of Investment Returns — Other Postemployment Benefits Plan
Last 10 Fiscal Years (1)

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	2017
Annual money-weighted rate of return, net of investment expense	11.73%

Notes to Schedule:
Only one year is shown as fiscal year 2017 was the first year of implementation of GASB 74 for the Plan.

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

See accompanying independent auditor's report.

Schedule of Contributions — Other Postemployment Benefits Plan
Last 10 Fiscal Years

	2017
Actuarially determined contributions [1]	$ -
Contributions in relation to actuarially determined contributions	-
Contribution deficiency (excess)	**$ -**

Notes to Schedule:
Only one year shown as fiscal year 2017 was the first year of implementation of GASB 74 for the Plan. Additional years will be presented as they become available.

(1) LACMTA's funding is not based on actuarially determined contributions. LACMTA's contributions are neither statutory nor contractually established.

See accompanying independent auditor's report.

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

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 49,432	$ 45,107	$ 49,247	$ 4,140
Investment income	1,080	1,080	6,878	5,798
Net decline in fair value of investments	-	-	(1,686)	(1,686)
Lease and rental	14,983	14,983	19,427	4,444
Licenses and fines	500	500	571	71
Other	19,122	680	49,515	48,835
TOTAL REVENUES	85,117	62,350	123,952	61,602
EXPENDITURES				
Current:				
Administration and other	134,485	147,259	114,318	32,941
Transportation subsidies	52,153	52,476	48,102	4,374
Debt and interest expenditures:				
Principal	1,280	1,280	17,629	(16,349)
Interest and fiscal charges	897	897	686	211
TOTAL EXPENDITURES	188,815	201,912	180,735	21,177
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(103,698)	(139,562)	(56,783)	82,779
OTHER FINANCING SOURCES (USES)				
Transfers in	52,629	63,627	74,441	10,814
Transfers out	(139,251)	(151,905)	(91,932)	59,973
TOTAL OTHER FINANCING SOURCES (USES)	(86,622)	(88,278)	(17,491)	70,787
NET CHANGE IN FUND BALANCES	(190,320)	(227,840)	(74,274)	153,566
Fund balances – beginning of year	523,813	523,813	523,813	-
FUND BALANCES – END OF YEAR	$ 333,493	$ 295,973	$ 449,539	$ 153,566

(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, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS (1)			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 795,700	$ 780,000	$ 789,342	$ 9,342
Investment income	-	-	798	798
Net decline in fair value of investments	-	-	(160)	(160)
TOTAL REVENUES	795,700	780,000	789,980	9,980
EXPENDITURES				
Current:				
Transportation subsidies	312,740	312,740	305,986	6,754
TOTAL EXPENDITURES	312,740	312,740	305,986	6,754
EXCESS OF REVENUES OVER EXPENDITURES	482,960	467,260	483,994	16,734
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	7,017	7,017
Transfers out	(466,034)	(469,254)	(442,984)	26,270
TOTAL OTHER FINANCING SOURCES (USES)	(466,034)	(469,254)	(435,967)	33,287
NET CHANGE IN FUND BALANCES	16,926	(1,994)	48,027	50,021
Fund balances – beginning of year	86,647	86,647	86,647	-
FUND BALANCES – END OF YEAR	$ 103,573	$ 84,653	$ 134,674	$ 50,021

(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, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 795,700	$ 780,000	$ 789,269	$ 9,269
Intergovernmental	16,615	16,991	58,619	41,628
Investment income	-	-	420	420
Net decline in fair value of investments	-	-	(1,881)	(1,881)
TOTAL REVENUES	**812,315**	**796,991**	**846,427**	**49,436**
EXPENDITURES				
Current:				
Administration and other	69,926	369,077	348,953	20,124
Transportation subsidies	473,130	472,721	444,086	28,635
TOTAL EXPENDITURES	**543,056**	**841,798**	**793,039**	**48,759**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**269,259**	**(44,807)**	**53,388**	**98,195**
OTHER FINANCING SOURCES (USES)				
Transfers in	115,702	413,392	409,797	(3,595)
Transfers out	(565,655)	(522,110)	(514,696)	7,414
TOTAL OTHER FINANCING SOURCES (USES)	**(449,953)**	**(108,718)**	**(104,899)**	**3,819**
NET CHANGE IN FUND BALANCES	**(180,694)**	**(153,525)**	**(51,511)**	**102,014**
Fund balances – beginning of year	266,232	266,232	266,232	-
FUND BALANCES – END OF YEAR	**$ 85,538**	**$ 112,707**	**$ 214,721**	**$ 102,014**

(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, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales tax	$ 795,700	$ 780,000	$ 787,891	$ 7,891
Intergovernmental	20,203	13,392	34,516	21,124
Investment income	-	-	5,911	5,911
Net decline in fair value of investments	-	-	(2,587)	(2,587)
TOTAL REVENUES	815,903	793,392	825,731	32,339
EXPENDITURES				
Current:				
Administration and other	137,522	186,982	137,593	49,389
Transportation subsidies	315,076	310,510	316,004	(5,494)
TOTAL EXPENDITURES	452,598	497,492	453,597	43,895
EXCESS OF REVENUES OVER EXPENDITURES	363,305	295,900	372,134	76,234
OTHER FINANCING SOURCES (USES)				
Transfers in	11,736	14,148	4,380	(9,768)
Transfers out	(257,116)	(378,839)	(383,084)	(4,245)
TOTAL OTHER FINANCING SOURCES (USES)	(245,380)	(364,691)	(378,704)	(14,013)
NET CHANGE IN FUND BALANCES	117,925	(68,791)	(6,570)	62,221
Fund balances – beginning of year	369,215	369,215	369,215	-
FUND BALANCES – END OF YEAR	$ 487,140	$ 300,424	$ 362,645	$ 62,221

(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, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Investment income	$ -	$ -	$ 61	$ 61
Net decline in fair value of investments	-	-	(17)	(17)
TOTAL REVENUES	**-**	**-**	**44**	**44**
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,890)	(15)	(13,940)	(13,925)
TOTAL OTHER FINANCING SOURCES (USES)	**(25,890)**	**(15)**	**(13,940)**	**(13,925)**
NET CHANGE IN FUND BALANCES	**(25,890)**	**(15)**	**(13,896)**	**(13,881)**
Fund balances – beginning of year	13,907	13,907	13,907	-
FUND BALANCES – END OF YEAR	**$ (11,983)**	**$ 13,892**	**$ 11**	**$ (13,881)**

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

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

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1] ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales taxes	$ 397,850	$ 390,000	$ 393,882	$ 3,882
Investment income			2,303	2,303
TOTAL REVENUES	397,850	390,000	396,185	6,185
EXPENDITURES				
Current:				
Transportation subsidies	130,463	130,463	127,881	2,582
TOTAL EXPENDITURES	130,463	130,463	127,881	2,582
EXCESS OF REVENUES OVER EXPENDITURES	267,387	259,537	268,304	8,767
OTHER FINANCING SOURCES (USES)				
Transfers out	(242,194)	(243,503)	(284,653)	(41,150)
TOTAL OTHER FINANCING SOURCES (USES)	(242,194)	(243,503)	(284,653)	(41,150)
NET CHANGE IN FUND BALANCES	25,193	16,034	(16,349)	(32,383)
Fund balances – beginning of year	165,757	165,757	165,757	-
FUND BALANCES – END OF YEAR	$ 190,950	$ 181,791	$ 149,408	$ (32,383)

(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, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS (1)			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Sales taxes	$ 52,855	$ 52,855	$ 74,027	$ 21,172
Investment income	-	-	143	143
TOTAL REVENUES	52,855	52,855	74,170	21,315
EXPENDITURES				
Current:				
Transportation subsidies	7,545	7,545	13,943	(6,398)
TOTAL EXPENDITURES	7,545	7,545	13,943	(6,398)
EXCESS OF REVENUES OVER EXPENDITURES	45,310	45,310	60,227	14,917
OTHER FINANCING SOURCES (USES)				
Transfers out	(49,992)	(37,534)	(37,528)	6
TOTAL OTHER FINANCING SOURCES (USES)	(49,992)	(37,534)	(37,528)	6
NET CHANGE IN FUND BALANCES	(4,682)	7,776	22,699	14,923
Fund balances – beginning of year	(13,094)	(13,094)	(13,094)	-
FUND BALANCES – END OF YEAR	$ (17,776)	$ (5,318)	$ 9,605	$ 14,923

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.


Rapid
Metro

Other Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 8,029	$ 11,583	$ 19,612
Investments	11,643	66,284	77,927
Receivables:			
Interest	92	2	94
Intergovernmental	-	35	35
Due from other funds	-	5,444	5,444
TOTAL ASSETS	$ 19,764	$ 83,348	$ 103,112
LIABILITIES			
Accounts payable and accrued liabilities	$ 890	$ -	$ 890
Due to other funds	-	2,475	2,475
Other liabilities	-	5,761	5,761
TOTAL LIABILITIES	890	8,236	9,126
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	-	35	35
TOTAL DEFERRED INFLOWS OF RESOURCES	-	35	35
FUND BALANCES			
Restricted	18,874	75,077	93,951
TOTAL FUND BALANCES	18,874	75,077	93,951
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 19,764	$ 83,348	$ 103,112

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, 2017 (Amounts expressed in thousands)

	SPECIAL REVENUE FUNDS		
	SERVICE AUTHORITY FOR FREEWAY EMERGENCIES	OTHER	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Intergovernmental	$ -	$ 13,070	$ 13,070
Investment income	300	381	681
Net decline in fair value of investments	(159)	(125)	(284)
Licenses and fines	8,271	-	8,271
TOTAL REVENUES	8,412	13,326	21,738
EXPENDITURES			
Current:			
Administration and other	10,492	5,224	15,716
TOTAL EXPENDITURES	10,492	5,224	15,716
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,080)	8,102	6,022
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,500)	(22,344)	(23,844)
TOTAL OTHER FINANCING SOURCES (USES)	(1,500)	(22,344)	(23,844)
NET CHANGE IN FUND BALANCES	(3,580)	(14,242)	(17,822)
Fund balances – beginning of year	22,454	89,319	111,773
FUND BALANCES – END OF YEAR	$ 18,874	$ 75,077	$ 93,951

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, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Investment income	$ 75	$ 75	$ 300	$ 225
Net decline in fair value of investments	-	-	(159)	(159)
Licenses and fines	7,500	7,500	8,271	771
TOTAL REVENUES	**7,575**	**7,575**	**8,412**	**837**
EXPENDITURES				
Current:				
Administration and other	12,932	12,932	10,492	2,440
TOTAL EXPENDITURES	**12,932**	**12,932**	**10,492**	**2,440**
DEFICIENCY OF REVENUES UNDER EXPENDITURES	**(5,357)**	**(5,357)**	**(2,080)**	**3,277**
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000)	(1,000)	(1,500)	(500)
TOTAL OTHER FINANCING SOURCES (USES)	**(1,000)**	**(1,000)**	**(1,500)**	**(500)**
NET CHANGE IN FUND BALANCES	**(6,357)**	**(6,357)**	**(3,580)**	**2,777**
Fund balances – beginning of year	22,454	22,454	22,454	-
FUND BALANCES – END OF YEAR	**$ 16,097**	**$ 16,097**	**$ 18,874**	**$ 2,777**

(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, 2017 (Amounts expressed in thousands)

	BUDGETED AMOUNTS [1]			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES				
Intergovernmental	$ 36	$ 36	$ 13,070	$ 13,034
Investment income	-	-	381	381
Net decline in fair value of investments	-	-	(125)	(125)
TOTAL REVENUES	36	36	13,326	13,290
EXPENDITURES				
Current:				
Administration and other	36	36	5,224	(5,188)
TOTAL EXPENDITURES	36	36	5,224	(5,188)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	8,102	8,102
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,692)	(3,893)	(22,344)	(18,451)
TOTAL OTHER FINANCING SOURCES (USES)	(6,692)	(3,893)	(22,344)	(18,451)
NET CHANGE IN FUND BALANCES	(6,692)	(3,893)	(14,242)	(10,349)
Fund balances – beginning of year	89,319	89,319	89,319	-
FUND BALANCES – END OF YEAR	$ 82,627	$ 85,426	$ 75,077	$ (10,349)

(1) Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.

Combining Statement of Fiduciary Net Position

June 30, 2017 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ASSETS			
Cash and cash equivalents	$ 9	$ 8,882	$ 8,891
Investments:			
Bonds	150,694	74,585	225,279
Domestic stocks	196,055	156	196,211
Non-domestic stocks	6,656	-	6,656
Pooled investments	1,034,901	255,533	1,290,434
Receivables:			
Member contributions	1,173	339	1,512
Securities sold	1,136	-	1,136
OPEB trust fund	756	-	756
Interest and dividends	1,443	422	1,865
Prepaid items and other assets	43	-	43
Total assets	1,392,866	339,917	1,732,783
LIABILITIES			
Accounts payable and other liabilities	1,293	221	1,514
Payable to employee retirement trust fund	-	756	756
Securities purchased	12,652	-	12,652
Total liabilities	13,945	977	14,922
NET POSITION			
Held in trust for pension and OPEB benefits	$ 1,378,921	$ 338,940	$ 1,717,861

Note: Receivable/payable between the fiduciary trust funds were eliminated in the Statement of Net Position – Employee Retirement and OPEB Trust Funds on page 40.

See accompanying independent auditor's report.

Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	EMPLOYEE RETIREMENT TRUST FUNDS	OPEB TRUST FUND	TOTAL
ADDITIONS			
Contributions:			
Employer	$ 59,531	$ 31,933	$ 91,464
Member	30,593	907	31,500
Total contributions	**90,124**	**32,840**	**122,964**
From investing activities:			
Net appreciation in fair value of investments	140,287	29,588	169,875
Investment income	16,324	6,756	23,080
Investment expense	(4,094)	(679)	(4,773)
Other income	471	-	471
Total investing activities	152,988	35,665	188,653
Total additions	**243,112**	**68,505**	**311,617**
DEDUCTIONS			
Retiree benefits	91,140	24,465	115,605
Administrative expenses	1,384	167	1,551
Total deductions	**92,524**	**24,632**	**117,156**
Net increase	150,588	43,873	194,461
Net position – beginning of year	1,228,333	295,067	1,523,400
NET POSITION – END OF YEAR	**$ 1,378,921**	**$ 338,940**	**$ 1,717,861**

See accompanying independent auditor's report.

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

June 30, 2017 (Amounts expressed in thousands)

	SMART-TD	TCU	AFSCME	NC	ATU	TOTAL
ASSETS						
Cash and cash equivalents	$ 4	$ 1	$ -	$ 1	$ 3	$ 9
Investments:						
Bonds	65,934	13,973	6,301	13,238	51,248	150,694
Domestic stocks	85,781	18,180	8,197	17,223	66,674	196,055
Non-domestic stocks	2,912	617	278	585	2,264	6,656
Pooled investments	452,806	95,964	43,270	90,913	351,948	1,034,901
Receivables:						
Member contributions	692	106	-	-	375	1,173
Contribution transfer from other plans	-	-	890	789	-	1,679
Securities sold	497	105	48	100	386	1,136
Interest & dividends	631	134	60	127	491	1,443
Receivable from OPEB trust fund	-	60	101	464	131	756
Prepaid items and other assets	19	4	2	3	15	43
Total assets	**609,276**	**129,144**	**59,147**	**123,443**	**473,535**	**1,394,545**
LIABILITIES						
Contribution transfer to other plans	1,227	179	-	-	273	1,679
Accounts payable & other liabilities	479	141	98	152	423	1,293
Securities purchased	5,536	1,173	529	1,111	4,303	12,652
Total liabilities	**7,242**	**1,493**	**627**	**1,263**	**4,999**	**15,624**
NET POSITION						
Held in trust for pension benefits	**$ 602,034**	**$ 127,651**	**$ 58,520**	**$ 122,180**	**$ 468,536**	**$ 1,378,921**

Note: Inter-plan receivables/payables among the Union Plans were eliminated in the Statement of Fiduciary Net Position found on page 134.

SMART-TD: Sheet Metal, Air, Rail, Transportation, Transportation Division

TCU: Transportation Communication Union Plan

AFSCME: American Federation of State, County Municipal Employee Plan

NC: Non-Contract Employee Plan

ATU: Amalgamated Transportation Union Plan

See accompanying independent auditor's report.

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

For the Fiscal Year Ended June 30, 2017 (Amounts expressed in thousands)

	SMART-TD	TCU	AFSCME	NC	ATU	TOTAL
ADDITIONS						
Contributions:						
Employer	$ 22,011	$ 5,957	$ 1,575	$ 4,565	$ 25,423	$ 59,531
Member	18,148	2,749	-	-	9,696	30,593
Transfer between plans	(1,227)	(179)	890	789	(273)	-
Total contributions	**38,932**	**8,527**	**2,465**	**5,354**	**34,846**	**90,124**
From investing activities:						
Net appreciation in fair value of investments	61,459	12,932	6,128	12,782	46,986	140,287
Investment income	7,147	1,508	713	1,483	5,473	16,324
Investment expense	(1,792)	(379)	(177)	(367)	(1,379)	(4,094)
Other income	232	28	9	35	167	471
Total investing activities	**67,046**	**14,089**	**6,673**	**13,933**	**51,247**	**152,988**
Total additions	**105,978**	**22,616**	**9,138**	**19,287**	**86,093**	**243,112**
DEDUCTIONS						
Retiree benefits	41,731	6,690	5,594	13,761	23,364	91,140
Administrative expenses	414	208	175	212	375	1,384
Total deductions	**42,145**	**6,898**	**5,769**	**13,973**	**23,739**	**92,524**
Change in net position	63,833	15,718	3,369	5,314	62,354	150,588
Net Position – beginning of year	538,201	111,933	55,151	116,866	406,182	1,228,333
Net position – end of year	**$ 602,034**	**$ 127,651**	**$ 58,520**	**$ 122,180**	**$ 468,536**	**$ 1,378,921**

SMART-TD: Sheet Metal, Air, Rail, Transportation, Transportation Division

TCU: Transportation Communication Union Plan

AFSCME: American Federation of State, County Municipal Employee Plan

NC: Non-Contract Employee Plan

ATU: Amalgamated Transportation Union Plan

See accompanying independent auditor's report.

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 No.**

Net Position by Component
Last Ten Fiscal Years

Accrual Basis of Accounting (Amounts expressed in thousands)

	2008	2009	2010
GOVERNMENTAL ACTIVITIES:			
Net investment in capital assets	$ 772,838	$ 772,794	$ 772,794
Restricted for:			
Proposition A ordinance projects	196,639	114,615	80,536
Proposition C ordinance projects	578,028	478,474	116,013
Measure R ordinance projects	-	-	383,665
PTMISEA projects	52,624	118,614	56,696
TDA and STA projects	245,822	171,491	259,618
Other nonmajor governmental projects	369,610	384,875	348,327
Unrestricted	132,436	100,240	234,401
Total governmental activities net position	**2,347,997**	**2,141,103**	**2,252,050**
BUSINESS-TYPE ACTIVITIES:			
Net investment in capital assets	3,911,725	3,900,614	4,366,480
Restricted for debt service	321,823	419,282	446,878
Unrestricted	76,168	212,781	(1,909)
Total business-type activities net position	**4,309,716**	**4,532,677**	**4,811,449**
PRIMARY GOVERNMENT:			
Net investment in capital assets	4,684,563	4,673,408	5,139,274
Restricted for debt service	321,823	419,282	446,878
Restricted for other purpose:			
Proposition A ordinance projects	196,639	114,615	80,536
Proposition C ordinance projects	578,028	478,474	116,013
Measure R ordinance projects	-	-	383,665
PTMISEA projects	52,624	118,614	56,696
TDA and STA projects	245,822	171,491	259,618
Other nonmajor governmental projects	369,610	384,875	348,327
Unrestricted	208,604	313,021	232,492
Total primary government net position	**$ 6,657,713**	**$ 6,673,780**	**$ 7,063,499**

Source: Comprehensive Annual Financial Report.

See accompanying independent auditor's report.

Table 1

2011	2012	2013	2014	2015	2016	2017
$ 772,794	$ 772,794	$ 772,794	$ 772,794	$ 769,942	$ 769,834	$ 768,977
69,049	161,158	191,111	342,565	311,284	86,647	134,674
116,912	134,652	40,057	39,419	278,776	266,232	214,721
611,464	915,357	1,189,279	664,954	255,516	369,215	362,645
-	32,182	158,943	108,904	82,385	13,907	11
264,366	324,010	337,582	203,463	107,393	165,757	159,013
49,968	74,742	79,759	82,725	68,121	111,773	93,951
499,084	486,403	514,563	640,325	656,388	237,268	472,265
2,383,637	**2,901,298**	**3,284,088**	**2,855,149**	**2,529,805**	**2,020,633**	**2,206,257**
4,497,567	4,561,995	4,908,034	5,587,514	7,313,244	7,762,367	7,797,783
440,892	431,009	469,027	504,782	418,006	420,543	459,949
(130,868)	(30,488)	(318,227)	(702,106)	(1,019,466)	(943,051)	(1,031,275)
4,807,591	**4,962,516**	**5,058,834**	**5,390,190**	**6,711,784**	**7,239,859**	**7,226,457**
5,270,361	5,334,789	5,680,828	6,360,308	8,083,186	8,532,201	8,566,760
440,892	431,009	469,027	504,782	418,006	420,543	459,949
69,049	161,158	191,111	342,565	311,284	86,647	134,674
116,912	134,652	40,057	39,419	278,776	266,232	214,721
611,464	915,357	1,189,279	664,954	255,516	369,215	362,645
-	32,182	158,943	108,904	82,385	13,907	11
264,366	324,010	337,582	203,463	107,393	165,757	159,013
49,968	74,742	79,759	82,725	68,121	111,773	93,951
368,216	455,915	196,336	(61,781)	(363,078)	(705,783)	(559,010)
$ 7,191,228	**$ 7,863,814**	**$ 8,342,922**	**$ 8,245,339**	**$ 9,241,589**	**$ 9,260,492**	**$ 9,432,714**

Changes in Net Position
Last Ten Fiscal Years

Accrual Basis of Accounting (Amounts expressed in thousands)

	2008	2009	2010
EXPENSES			
Governmental activities:			
Transit operators programs	$ 209,299	$ 282,305	$ 201,354
Local cities programs	318,492	300,113	370,177
Congestion relief operations	-	-	-
Highway projects	-	-	247,715
Regional multimodal capital programs	316,631	188,316	102,084
Paratransit programs	14,355	14,208	25,283
Other transportation subsidies	57,711	79,910	88,180
Debt service interest	1,408	1,444	1,249
General government	165,783	200,523	218,380
Total government activities	1,083,679	1,066,819	1,254,422
Business-type activities:			
Transit operations	1,747,243	1,807,037	1,808,257
Union Station operations (1)	-	-	-
Toll operations (2)	-	-	-
Total business-type activities expenses	1,747,243	1,807,037	1,808,257
Total expenses	2,830,922	2,873,856	3,062,679
PROGRAM REVENUES			
Governmental activities:			
Charges for services	10,915	10,101	15,713
Operating grants and contributions	191,046	162,387	267,306
Total governmental activities program	201,961	172,488	283,019
Business-type activities:			
Charges for services	357,857	357,895	342,087
Operating grants and contributions	198,443	214,285	239,835
Capital grants and contributions	200,575	424,732	411,392
Total business-type activities program	756,875	996,912	993,314
Total primary government program revenues	958,836	1,169,400	1,276,333
Net (expense) / revenue:			
Governmental activities	(881,718)	(894,331)	(971,403)
Business-type activities	(990,368)	(810,125)	(814,943)
Total net expense	(1,872,086)	(1,704,456)	(1,786,346)
GENERAL REVENUES & OTHER CHANGES IN NET POSITION			
Governmental activities:			
Sales tax	1,801,291	1,596,152	2,085,370
Investment income (3)	70,782	55,284	39,268
Miscellaneous	39,273	41,063	26,979
Transfers	(1,040,999)	(1,005,062)	(1,069,267)
Total government activities	870,347	687,437	1,082,350
Business-type activities:			
Investment income (3)	15,586	7,793	8,102
Miscellaneous (4)	5,237	20,231	16,346
Transfers	1,040,999	1,005,062	1,069,267
Total business-type activities	1,061,822	1,033,086	1,093,715
Total primary government	1,932,169	1,720,523	2,176,065
CHANGE IN NET POSITION			
Governmental activities	(11,371)	(206,894)	110,947
Business-type activities	71,454	222,961	278,772
Total primary government	$ 60,083	$ 16,067	$ 389,719

Source: Comprehensive Annual Financial Report.

(1) LACMTA purchased Union Station in April 2011.

(2) Metro ExpressLanes started operations in November 2012.

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

(4) Includes gain(loss) on sale of capital assets

See accompanying independent auditor's report.

Table 2

2011	2012	2013	2014	2015	2016	2017
$ 238,624	$ 220,782	$ 239,718	$ 346,326	$ 304,916	$ 357,346	$ 351,667
401,957	442,409	431,470	541,736	549,302	548,101	543,972
-	-	-	44,792	43,724	42,279	50,034
108,511	234,690	312,807	521,755	196,158	594,069	181,211
80,221	96,174	146,528	29,080	42,844	52,363	114,253
16,456	10,227	13,097	92,745	83,602	105,042	103,560
56,504	63,875	130,964	62,861	72,088	64,237	93,316
1,205	1,161	1,114	1,064	1,011	954	686
257,433	167,134	218,637	81,380	96,909	109,029	134,569
1,160,911	**1,236,452**	**1,494,335**	**1,721,739**	**1,390,554**	**1,873,420**	**1,573,268**
1,910,466	1,835,735	1,916,041	1,940,775	1,935,989	2,085,787	2,311,422
1,052	4,167	6,586	7,498	9,729	9,172	9,664
-	-	10,102	12,803	20,757	24,815	27,073
1,911,518	**1,839,902**	**1,932,729**	**1,961,076**	**1,966,475**	**2,119,774**	**2,348,159**
3,072,429	**3,076,354**	**3,427,064**	**3,682,815**	**3,357,029**	**3,993,194**	**3,921,427**
16,302	15,740	23,770	5,899	23,704	9,009	19,427
169,261	401,651	502,374	410,545	345,206	44,805	130,836
185,563	**417,391**	**526,144**	**416,444**	**368,910**	**53,814**	**150,263**
375,168	375,917	382,003	400,832	439,028	443,856	423,143
261,068	289,517	272,951	241,808	263,838	200,193	252,344
182,378	207,509	135,653	298,199	486,793	457,106	340,376
818,614	**872,943**	**790,607**	**940,839**	**1,189,659**	**1,101,155**	**1,015,863**
1,004,177	**1,290,334**	**1,316,751**	**1,357,283**	**1,558,569**	**1,154,969**	**1,166,126**
(975,348)	(819,061)	(968,191)	(1,305,295)	(1,021,644)	(1,819,606)	(1,423,005)
(1,092,904)	(966,959)	(1,142,122)	(1,020,237)	(769,293)	(1,018,619)	(1,332,296)
(2,068,252)	**(1,786,020)**	**(2,110,313)**	**(2,325,532)**	**(1,790,937)**	**(2,838,225)**	**(2,755,301)**
2,104,072	2,386,439	2,519,720	2,778,676	2,717,320	2,753,686	2,834,411
24,628	17,829	4,822	14,719	11,498	24,638	10,580
49,218	32,205	42,203	22,244	30,781	59,786	60,664
(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)
1,106,935	**1,336,722**	**1,350,981**	**876,356**	**696,300**	**1,310,434**	**1,608,629**
13,191	15,480	17,977	13,261	17,295	8,919	12,032
4,872	6,653	4,699	11,707	10,293	10.099	9,836
1,070,983	1,099,751	1,215,764	1,939,283	2,063,299	1,527,676	1,297,026
1,089,046	**1,121,884**	**1,238,440**	**1,964,251**	**2,090,887**	**1,546,694**	**1,318,894**
2,195,981	**2,458,606**	**2,589,421**	**2,840,607**	**2,787,187**	**2,857,128**	**2,927,523**
131,587	517,661	382,790	(428,939)	(325,344)	(509,172)	185,624
(3,858)	154,925	96,318	944,014	1,321,594	528,075	(13,402)
$ 127,729	**$ 672,586**	**$ 479,108**	**$ 515,075**	**$ 996,250**	**$ 18,903**	**$ 172,222**

Fund Balances of Governmental Funds
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

	2008	2009	2010
GENERAL FUND			
Reserved	$ 2,890	$ 1,780	$ 1,843
Unreserved	144,513	158,847	178,611
Restricted [1]	-	-	-
Committed [1]	-	-	-
Assigned [1]	-	-	-
Unassigned [1]	-	-	-
Total General Fund	147,403	160,627	180,454
ALL OTHER GOVERNMENTAL FUNDS –			
SPECIAL REVENUE FUNDS			
Reserved	656,807	825,140	1,201,151
Unreserved:			
Proposition A Fund	120,077	(18,093)	23,741
Proposition C Fund	239,583	(44,054)	(871,854)
Measure R Fund	-	-	349,183
PTMISEA Fund	52,624	118,614	56,696
TCRP Fund	-	-	-
Transportation Development Act Fund	17,572	(8,529)	(1,107)
State Transit Act Fund	7,684	33,613	160,797
Nonmajor Governmental Fund	363,345	360,172	319,897
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	1,457,692	1,266,863	1,238,504
Total governmental funds	$ 1,605,095	$ 1,427,490	$ 1,418,958

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

2011	2012	2013	2014	2015	2016	2017
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
7,827	9,023	6,588	4,045	15,753	35,704	49,417
46,564	3,492	8,877	8,779	10,994	13,862	11,891
986	6,818	11,403	10,624	16,162	23,653	22,180
434,371	456,263	448,155	489,143	512,492	450,594	366,051
489,748	**475,596**	**475,023**	**512,591**	**555,401**	**523,813**	**449,539**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
69,049	161,158	191,111	342,565	311,284	86,647	134,674
116,912	134,652	40,057	39,419	278,776	266,232	214,721
611,464	915,357	1,189,279	664,954	255,516	369,215	362,645
-	32,182	158,943	108,904	82,385	13,907	11
214,652	297,064	324,387	199,743	98,839	165,757	149,408
49,714	26,946	13,195	3,720	8,554	-	9,605
49,968	74,742	79,759	82,725	68,121	111,773	93,951
-	-	-	-	-	(13,094)	-
1,111,759	**1,642,101**	**1,996,731**	**1,442,030**	**1,103,475**	**1,000,437**	**965,015**
$ 1,601,507	**$ 2,117,697**	**$ 2,471,754**	**$ 1,954,621**	**$ 1,658,876**	**$ 1,524,250**	**$ 1,414,554**

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

	2008	2009	2010
REVENUES			
Sales tax	$ 1,768,916	$ 1,628,527	$ 2,085,370
Intergovernmental	194,565	162,387	151,046
Investment income (1)	70,782	55,284	39,268
Lease and rental	10,915	10,101	15,713
Licenses and fines	8,407	8,091	7,962
Other	28,706	30,811	16,820
Total revenues	**2,082,291**	**1,895,201**	**2,316,179**
EXPENDITURES			
Current:			
Administration and other	130,090	161,504	377,193
Transportation subsidies	759,447	903,971	875,977
Principal, interest and fiscal charges	2,217	2,269	2,274
Total expenditures	**891,754**	**1,067,744**	**1,255,444**
Excess of revenues over expenditures	1,190,537	827,457	1,060,735
Other financing sources (uses)			
Transfers out, net of transfers in	(1,040,999)	(1,005,062)	(1,069,267)
Total other financing sources (uses)	(1,040,999)	(1,005,062)	(1,069,267)
Net change in fund balances	**$ 149,538**	**$ (177,605)**	**$ (8,532)**
Debt service expenditures expressed as a percentage of non-capital expenditures	0.25%	0.21%	0.18%

Source: Comprehensive Annual Financial Report.

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

(2) The significant increase was due to the full settlement of the Grand Central and Redevelopment Housing bonds using proceeds from the settlement of the related notes receivable.

See accompanying independent auditor's report.

Table 4

2011	2012	2013	2014	2015	2016	2017
$ 2,104,072	$ 2,386,439	$ 2,519,720	$ 2,778,676	$ 2,717,320	$ 2,753,686	$ 2,834,411
228,469	413,262	484,194	315,337	374,350	120,428	155,452
24,628	16,812	5,025	15,533	11,498	24,638	10,580
16,206	15,740	15,509	14,162	23,641	9,065	19,427
8,023	8,065	8,115	8,366	8,354	8,606	8,842
34,071	13,095	32,658	12,756	24,129	51,180	49,515
2,415,469	**2,853,413**	**3,065,221**	**3,144,830**	**3,159,292**	**2,967,603**	**3,078,227**
295,139	356,480	431,967	405,554	263,376	344,422	616,580
864,528	878,796	1,061,239	1,314,929	1,126,168	1,227,936	1,256,002
2,270	2,196	2,194	2,197	2,194	2,195	18,315 (2)
1,161,937	**1,237,472**	**1,495,400**	**1,722,680**	**1,391,738**	**1,574,553**	**1,890,897**
1,253,532	1,615,941	1,569,821	1,422,150	1,767,554	1,393,050	1,187,330
(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)
(1,070,983)	(1,099,751)	(1,215,764)	(1,939,283)	(2,063,299)	(1,527,676)	(1,297,026)
$ 182,549	**$ 516,190**	**$ 354,057**	**$ (517,133)**	**$ (295,745)**	**$ (134,626)**	**$ (109,696)**
0.20%	0.18%	0.15%	0.13%	0.16%	0.14%	0.98%

Governmental Activities — Sales Tax Revenues by Source
Last Ten Fiscal Years

Modified accrual basis of accounting (Amounts expressed in thousands)

Table 5

FISCAL YEAR	PROP A	PROP C	MEASURE R	TRANSPORTATION DEVELOPMENT ACT	OTHER	TOTAL
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 (1)	285,270	117,087	2,085,370
2011	601,883	601,932	598,647	301,610	- (2)	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 (3)	778,600 (3)	714,218 (3)	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
2017	789,342	789,269	787,891	393,882	74,027	2,834,411

Source: Comprehensive Annual Financial Report.

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

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

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

PROP A: Proposition A

PROP C: Proposition C

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
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
2017	319,345	249,188	988,046 (3)	23,940	8,588	71,270	1,660,377

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.

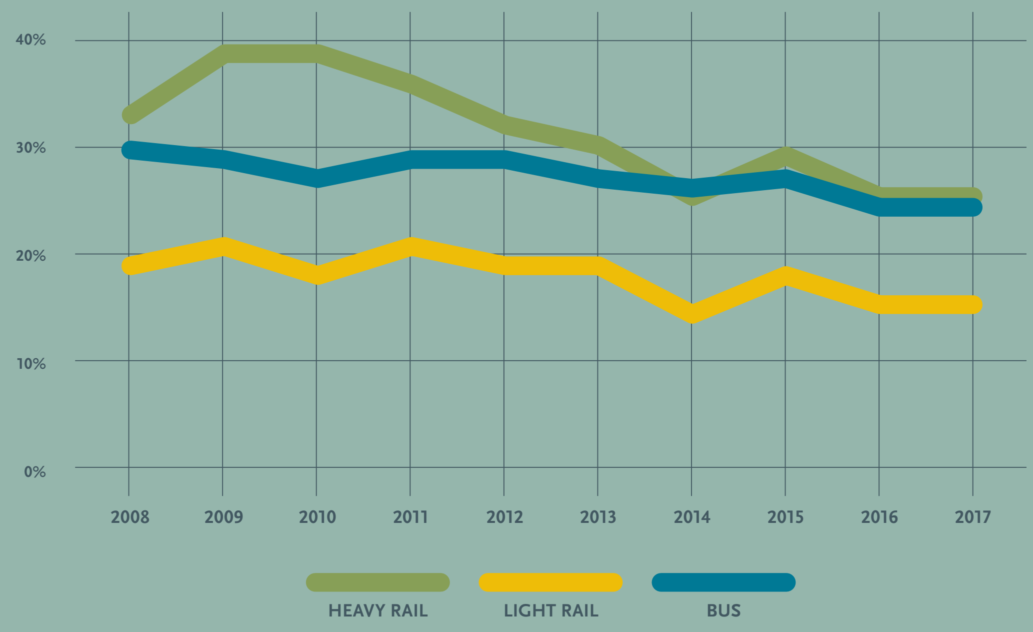
See accompanying independent auditor's report.

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
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%
2017	22%	14%	20%	19%

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	% OF DEBT SERVICE TO GENERAL EXPENDITURES
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%
2017	215,949	134,289	350,238	4,137,376	8.47%

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 COVERAGE RATIO
Proposition A	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	424,310	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
	2017	789,342	197,336	592,006	151,473 [3]	3.91
Proposition C	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	4.30
	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
	2017	789,269	157,854	631,415	125,320	5.04
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
	2017	787.891	118,184	669,707	76,438 [4]	8.76

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 started in 2010.

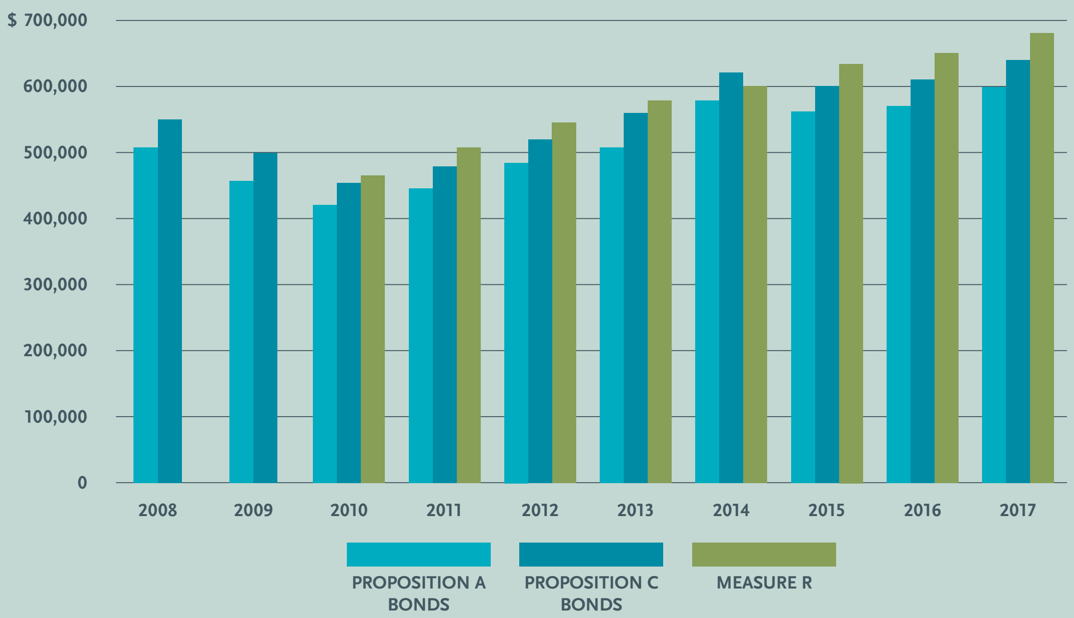
(3) The increase was due to the full settlement of the Grand Central and Housing Development bonds from proceeds of the related notes receivable.

(4) The significant increase was due to principal and interest paid on the new bonds issued in FY17.

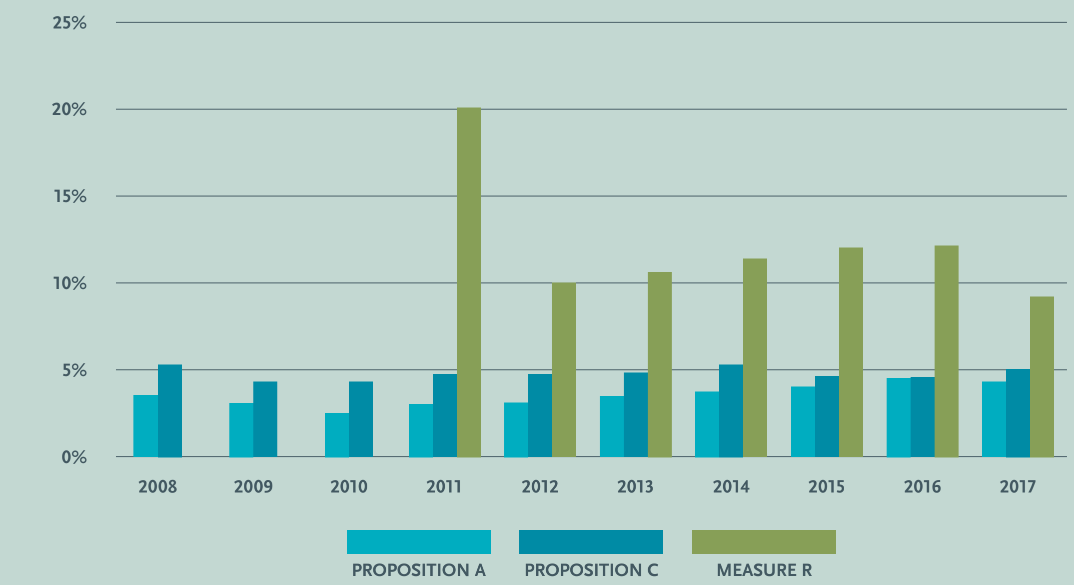
See accompanying independent auditor's report.

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)

	2008	2009	2010
Governmental activities:			
Redevelopment and housing bonds	$ 26	$ 25	$ 24
Total Governmental activities	**26**	**25**	**24**
Business-type activities:			
Sales tax revenue and refunding bonds	2,951	2,873	2,834
Sales tax revenue bonds – local allocation	2	-	-
Lease/leaseback obligation	845	871	912
General revenue bonds	221	203	185
Commercial paper and revolving lines of credit	184	279	144
Capitalized lease	27	19	5
Capital grant receipts revenue bonds	217	132	90
Notes obligation – TIFIA (CPC)	-	-	-
Total Business-type activities	**4,447**	**4,377**	**4,170**
Total Primary government	**$ 4,473**	**$ 4,402**	**$ 4,194**
Percentage of Personal Income (1)	1.05%	1.07%	1.00%
Per Capita (1)	$ 456.57	$ 448.95	$ 426.26

Source: Comprehensive Annual Financial Report.

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

n/a: Data not available

See accompanying independent auditor's report.

Table 10

	2011	2012	2013	2014	2015	2016	2017
	$ 23	$ 22	$ 21	$ 20	$ 19	$ 18	$ -
	23	**22**	**21**	**20**	**19**	**18**	**-**
	3,448	3,361	3,107	3,237	3,037	2,810	3,717
	-	-	-	-	-	-	-
	851	785	815	718	468	425	228
	166	161	155	149	142	113	106
	144	34	148	139	84	385	194
	2	1	-	-	-	-	-
	-	-	-	5	4	2	1
	-	-	-	-	37	488	567
	4,611	**4,342**	**4,225**	**4,248**	**3,772**	**4,223**	**4,813**
	$ 4,634	**$ 4,364**	**$ 4,246**	**$ 4,268**	**$ 3,791**	**$ 4,241**	**$ 4,813**
	1.02%	0.90%	0.88%	0.83%	0.70%	n/a	n/a
	$ 467.94	$ 438.73	$ 422.24	$ 421.57	$ 373.31	n/a	n/a

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)
2008	9,797	36,856	$ 131,881,774	$ 425,573,170	43	7.6%
2009	9,805	37,077	112,744,727	411,495,352	42	11.6%
2010	9,839	37,339	116,942,334	424,813,015	43	12.5%
2011	9,903	37,676	126,440,737	454,935,533	46	12.2%
2012	9,947	38,038	135,295,582	486,733,508	49	10.9%
2013	10,056	38,367	140,079,708	483,578,594	48	9.8%
2014	10,124	38,725	147,446,927	512,846,779	51	8.2%
2015	10,155	38,907	151,033,781 (5)	544,324,900	54	6.6%
2016	n/a	n/a	n/a	n/a	n/a	n/a
2017	n/a	n/a	n/a	n/a	n/a	n/a

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.

Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2015 reflect county population estimates available as of March 2016.

Note: All dollar estimates are not adjusted for inflation Last updated: November 17, 2016 - new estimates for 2015; revised estimates for 2008-2014.

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

(5) Updated based on 2015 publication (State Board of Equalization).

n/a: Information for 2016 and 2017 were not available.

See accompanying independent auditor's report.


Metro Bike
Metro

Ten Largest Employers in Los Angeles County
Last Ten Fiscal Years

(Not in thousands)

	2011 [2]		
MAJOR EMPLOYERS	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT
County of Los Angeles	95,700	1	2.23%
Los Angeles Unified School District	73,300	2	1.71%
City of Los Angeles (including DWP) [1]	47,700	4	1.11%
University of California, Los Angeles	41,000	5	0.95%
Federal Government (Non-Defense Dept.) [1]	48,100	3	1.12%
Kaiser Permanente	36,500	6	0.85%
State of California (non-education)	30,400	7	0.71%
University of Southern California	16,600	9	0.39%
Northrop Grumman Corp	18,000	8	0.42%
Target Corp	14,250	10	0.33%
Providence Health & Services	-	-	-
Total ten largest employers	**421,550**		**9.82%**
All other employers	3,906,350		90.18%
Total Employment in LA County [3]	**4,327,900**		**100.00%**

(1) Includes U.S. Postal Service.

Sources:
(2) Los Angeles Almanac research.

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

Note: Information for 2008, 2009, 2010, 2012, 2013, 2015 and 2017 are not available.

See accompanying independent auditor's report.

Table 12

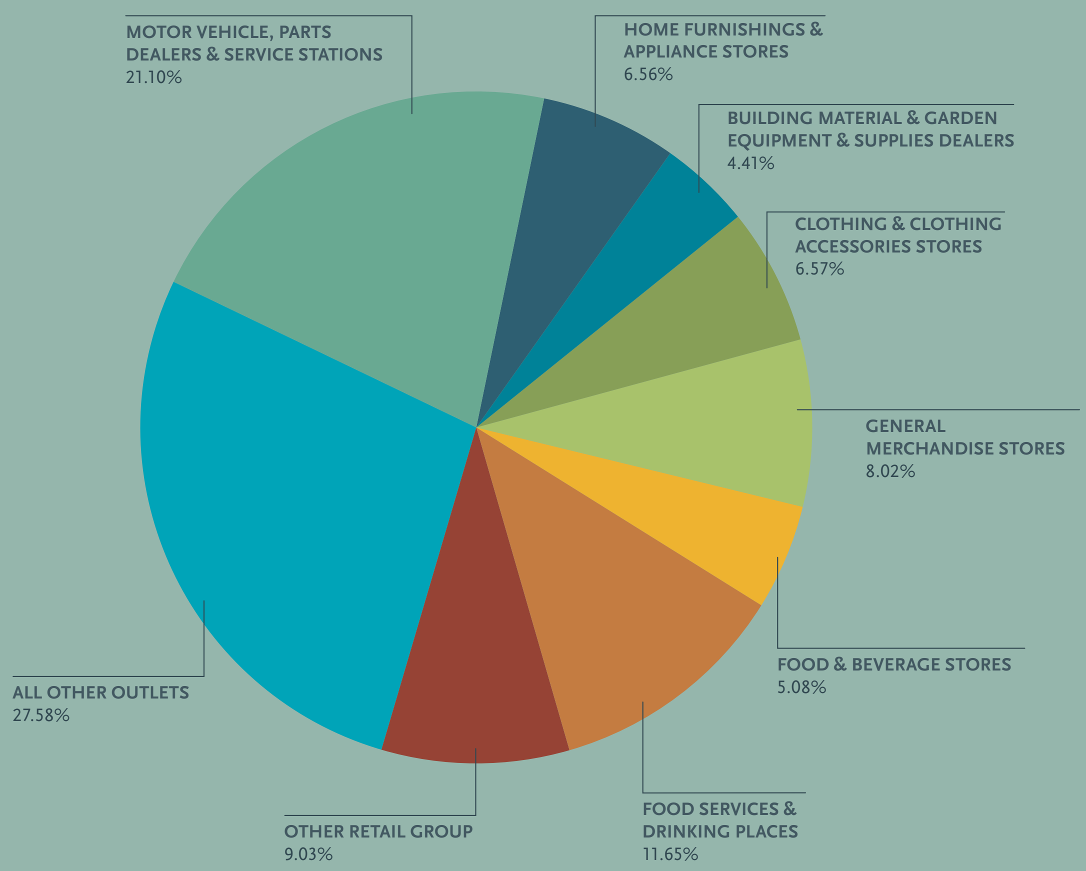
2014 [2]			2016 [2]		
NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT	NUMBER OF EMPLOYEES	RANK	PERCENT OF TOTAL EMPLOYMENT
96,500	1	2.10%	107,500	1	2.25%
59,600	2	1.30%	90,800	2	1.90%
46,900	3	1.02%	49,500	3	1.04%
44,000	4	0.96%	46,200	4	0.97%
43,400	5	0.94%	45,000	5	0.94%
36,000	6	0.78%	36,900	6	0.77%
29,200	7	0.64%	29,900	7	0.63%
-	-	-	18,900	8	0.40%
17,000	8	0.37%	16,600	9	0.35%
15,000	9	0.33%	15,000	10	0.31%
15,000	10	0.33%	-	-	-
402,600		**8.77%**	**456,300**		**9.56%**
4,190,400		91.23%	4,322,500		90.44%
4,593,000		**100.00%**	**4,778,800**		**100.00%**

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

(Amounts expressed in millions)

TYPE OF BUSINESS	2008	2009	2010
Motor vehicle, parts dealers and service stations	$ 26,720	$ 20,431	$ 22,298
Home furnishings and appliance stores	4,483	5,465	5,612
Building material and garden equipment and supplies dealers	6,389	5,755	6,130
Food and beverage stores	4,921	5,411	5,405
Clothing and closing accessories stores	6,291	7,146	7,608
General merchandise stores	12,862	10,059	10,369
Food services and drinking places	14,607	13,877	14,291
Other retail group	18,735	10,301	10,462
All other outlets	36,875	34,301	34,767
Total	**$ 131,883**	**$ 112,746**	**$ 116,942**

TAXABLE TRANSACTIONS BY BUSINESS TYPE



Source: California State Board of Equalization, Table 3 Taxable Sales in California Counties by Type of Business.

n/a: Data not available.

See accompanying independent auditor's report.

Table 13

2011	2012	2013	2014	2015	2016	2017
$ 26,081	$ 28,517	$ 29,361	$ 29,830	$ 29,526	n/a	n/a
5,738	6,013	6,145	6,775	7,833	n/a	n/a
6,307	6,511	6,558	6,971	7,403	n/a	n/a
5,591	5,825	6,052	6,280	6,689	n/a	n/a
8,357	9,167	9,927	10,561	10,974	n/a	n/a
10,866	11,158	11,464	11,557	10,913	n/a	n/a
15,287	16,512	17,482	18,964	20,606	n/a	n/a
11,024	11,616	12,653	13,250	14,202	n/a	n/a
37,189	39,977	40,439	43,257	42,886	n/a	n/a
$ 126,440	**$ 135,296**	**$ 140,081**	**$ 147,445**	**$ 151,032**	**n/a**	**n/a**

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

(Amounts expressed in thousands for Passenger Fares and Operating Expenses)

	2008	2009	2010	2011	2012	2013
PASSENGER FARES:						
Heavy Rail	$ 31,843	$ 29,402	$ 34,983	$ 34,789	$ 33,665	$ 34,753
Light Rail	29,690	28,682	30,725	36,627	37,778	44,565
Bus (1)	275,428	275,906	250,719	274,557	272,571	260,692
OPERATING EXPENSES: (excluding depreciation)						
Heavy Rail	$ 95,930	$ 88,793	$ 90,320	$ 97,631	$ 105,620	$ 117,006
Light Rail	153,267	150,108	167,915	174,704	201,416	234,856
Bus (1)	919,541	939,248	945,990	956,784	924,512	956,306
PASSENGER MILES TRAVELED:						
Heavy Rail	217,965	227,657	231,936	226,974	231,684	237,760
Light Rail	306,848	327,341	333,334	337,518	366,233	408,032
Bus (1)	1,462,317	1,517,647	1,486,802	1,492,820	1,519,263	1,496,480
VEHICLE/PASSENGER CAR REVENUE MILES:						
Heavy Rail	6,003	6,078	5,885	5,908	6,156	6,865
Light Rail	8,812	9,051	9,646	10,155	11,153	13,239
Bus (1)	90,282	88,535	87,128	81,489	76,390	75,465
VEHICLE/PASSENGER CAR REVENUE HOURS:						
Heavy Rail	265	269	257	259	269	302
Light Rail	376	385	429	458	519	654
Bus (1)	7,600	7,514	7,432	7,084	6,804	6,810
BUSES/RAIL CARS:						
Heavy Rail	104	104	104	104	104	104
Light Rail	121	145	158	167	169	171
Bus (1)	2,738	2,460	2,727	2,405	2,429	2,453
PASSENGER STATIONS:						
Heavy Rail	16	16	16	16	16	16
Light Rail	49	49	53	53	66	66
Bus (1)	30	30	30	36	37	49

Source: National Transit Database Report.

(1) Include Purchase Transportation and Orange Line.

(2) Increase was due to the opening of the Expo and Gold Line Foothill light rail extension lines.

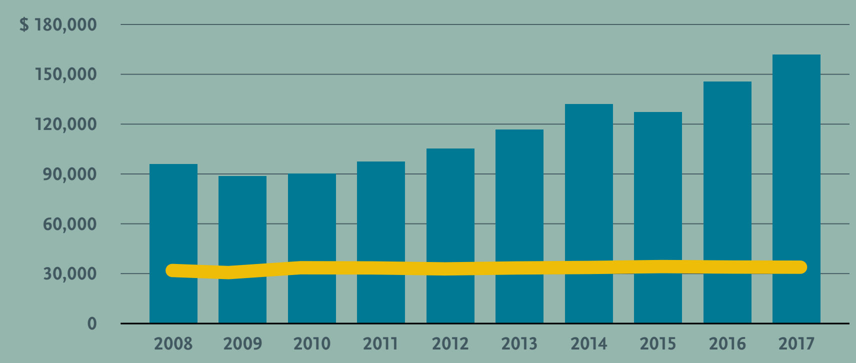
See accompanying independent auditor's report.

Table 14

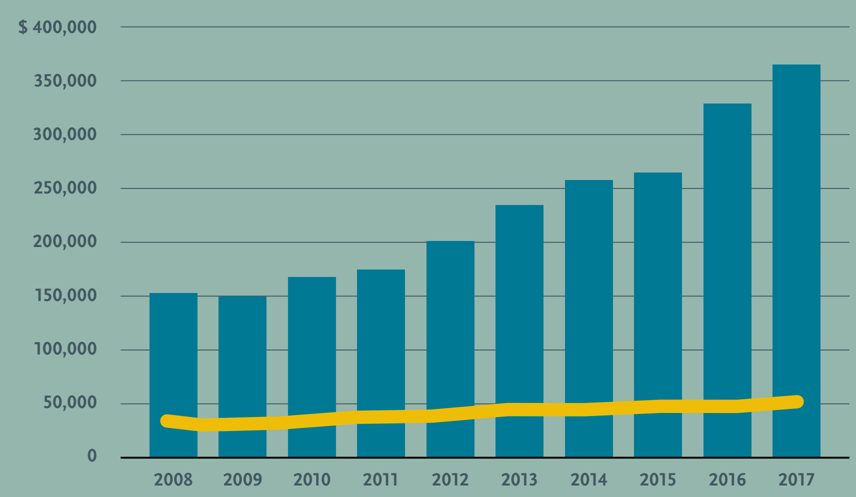
2014	2015	2016	2017
$ 35,300	$ 36,338	$ 35,789	$ 35,622
44,412	47,902	47,807	52,670
277,162	267,408	256,678	231,153
$ 132,142	$ 127,153	$ 145,450	$ 161,559
257,979	265,702	328,351	366,355
980,176	994,171	1,087,236	1,199,762
254,440	236,023	224,277	228,179
412,776	386,901	427,260	495,532
1,494,524	1,444,741	1,337,680	1,196,313
7,067	6,977	6,884	7,010
13,863	13,702	13,746	16,699
75,664	75,207	76,159	74,129
320	319	316	321
685	680	663	789
6,946	6,972	7,067	6,935
104	104	104	104
171	171	196	246 (2)
2,420	2,457	2,438	2,439
16	16	16	16
66	66	79	79
49	49	56	58

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

HEAVY RAIL



LIGHT RAIL



BUS

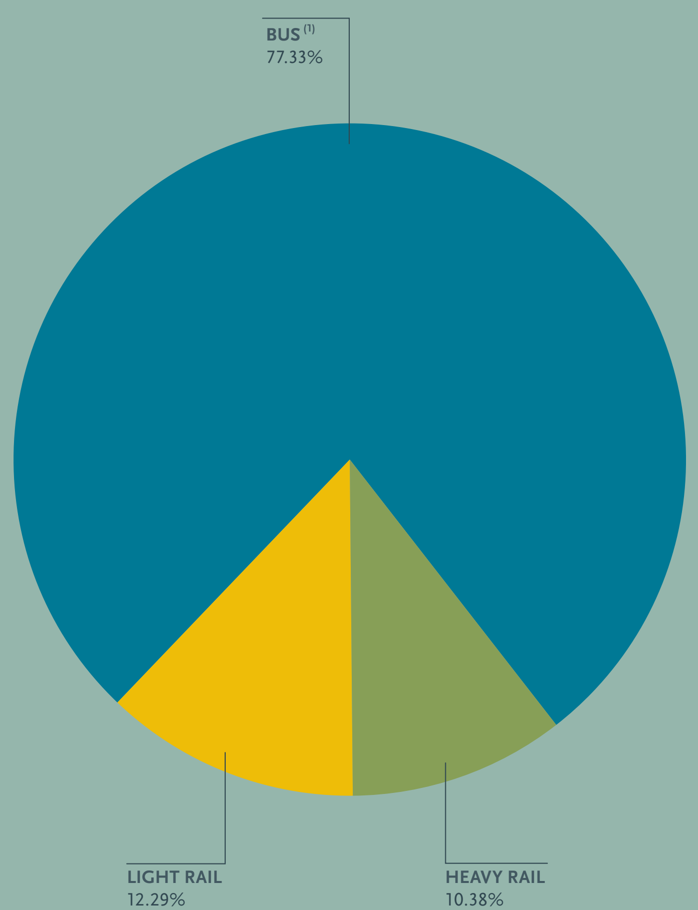
Business-type Activities — Transit Operations — Passenger Boardings by Mode
Last Ten Fiscal Years

(Boardings expressed in thousands)

Table 15

FISCAL YEAR	HEAVY RAIL	LIGHT RAIL	BUS [1]	TOTAL
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	453,476
2016	46,003	62,085	320,870	428,958
2017	45,632	67,764	289,999	403,395

PASSENGER BOARDINGS
FROM 2008 – 2017



Source: National Transit Database Report.

(1) Includes Purchased 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 ADMIN	DEPRECIATION	TOTAL
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	823,416 (1)	320,398 (1)	99,128 (1)	331,476 (1)	482,908	2,057,324
2017	888,989	339,290	119,431	395,589	577,633	2,320,932

(1) Updated

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Metro Operations	7,789	7,834	7,678	7,324	7,344	7,477	7,571	7,585	7,859	7,807
Countywide Planning & Development	116	119	124	84	103	98	101	156	161	163
Construction Project Management	86	93	118	128	171	157	180	193	205	254
Communications	216	221	228	210	196	199	194	271	278	285
Support Services	755	792	831	713	722	757	765	612	690	697
Chief Executive Office	75	73	179	175	209	285	314	428	482	532
Board of Directors	45	45	43	37	38	38	37	36	39	38
Total	**9,082**	**9,177**	**9,201**	**8,671**	**8,783**	**9,011**	**9,162**	**9,281**	**9,714**	**9,776**

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]								
2008	31%	6%	37%	7%	26%	30%	63%	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	32%	5%	37%	9%	26%	28%	63%	100%
2013	32%	4%	36%	9%	26%	29%	64%	100%
2014	32%	4%	36%	9%	25%	30%	64%	100%
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
2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA [2]								
2008	26%	2%	28%	15%	5%	52%	72%	100%
2009	25%	3%	28%	16%	3%	53%	72%	100%
2010	24%	3%	27%	17%	4%	52%	73%	100%
2011	25%	3%	28%	18%	17%	37%	72%	100%
2012	25%	2%	27%	20%	10%	43%	73%	100%
2013	24%	3%	27%	18%	7%	48%	73%	100%
2014	23%	4%	27%	16%	7%	50%	73%	100%
2015	23%	6%	29%	16%	6%	49%	71%	100%
2016	21%	7%	28%	12%	6%	54%	72%	100%
2017	18%	6%	24%	13%	3%	60%	76%	100%

Sources:
(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 [3]
Transportation Industry [1]						
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
2017	n/a	n/a	n/a	n/a	n/a	n/a
LACMTA [2]						
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%
2017	50%	19%	7%	21%	3%	100%

Sources:
(1) APTA 2013 Public Transportation Fact Book.

(2) National Transit Database Report.

(3) Excludes depreciation.

See accompanying independent auditor's report.

n/a: Data not available.

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