SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

REPORT ON AUDITED FINANCIAL STATEMENTS

For The Years Ended June 30, 1991 And 1990

Coopers & Lybrand

Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Southern California Rapid Transit District

We have audited the accompanying balance sheets of the Southern California Rapid Transit District (the "District") as of June 30, 1991 and 1990, and the related statements of revenues, expenses and changes in District equity, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule on page 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Coopers & Lybrand

Los Angeles, California
September 6, 1991

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

BALANCE SHEETS
June 30, 1991 And 1990
(In Thousands)

	1991	1990
ASSETS:		
Current:		
Restricted cash, cash equivalents and investments - Revenue Anticipation Note payment fund	$68,952	$66,044
Accounts receivable:		
Grants and other subsidies - government	58,660	147,026
Other - net of allowance for uncollectibles of $2,580 in 1991 and $2,280 in 1990	47,558	33,242
Inventory and other current assets	42,426	19,951
Total current assets	217,596	266,263
Noncurrent restricted cash and investments:		
Insurance claims fund	169,178	183,270
Less, Borrowings for working capital	(14,454)	(103,644)
Insurance claims fund, net	154,724	79,626
Certificates of Participation	149,311	
Deferred compensation plan	55,976	49,457
401(k) Savings Plan	8,721	6,165
Equipment Trust Certificates	26,669	23,992
Total noncurrent restricted cash and investments	395,401	159,240
Property, plant and equipment, net	1,528,027	1,396,213
Benefit Assessment District receivable	69,702	65,372
Total assets	$2,210,726	$1,887,088

	1991	1990
LIABILITIES AND EQUITY:		
Current:		
Accounts payable	$28,016	$32,706
Accrued expenses	71,444	47,573
Deferred grants - government	38,506	26,024
Revenue Anticipation Notes	65,000	62,000
Current portion of compensated absences and post-retirement benefits	5,000	4,000
Current portion of Equipment Trust Certificates	4,725	4,420
Total current liabilities	212,691	176,723
Equipment Trust Certificates:		
Series 1984	7,940	10,165
Series 1986	14,835	17,335
Deferred compensation plan	55,976	49,457
401(k) Savings Plan	8,721	6,165
Compensated absences and post-retirement benefits	27,535	24,455
Benefit Assessment District payable	32,237	26,069
Certificates of Participation	160,000	
Insurance claims fund	169,178	183,270
Other liabilities		13,083
Commitments and contingencies		
Total liabilities	689,113	506,722
Equity:		
District equity (retained earnings)	7,564	9,482
Capital grants (contributed capital):		
Federal	908,914	830,638
State	191,510	174,550
Local	413,625	365,696
Total equity	1,521,613	1,380,366
Total liabilities and equity	$2,210,726	$1,887,088

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN DISTRICT EQUITY
For The Fiscal Years Ended June 30, 1991 And 1990
(In Thousands)

	1991	1990
Operating revenues:		
Passenger fares	$243,422	$239,905
Route subsidies	710	672
Auxiliary transportation	4,279	4,108
Total operating revenues	248,411	244,685
Operating expenses:		
Transportation	311,549	291,745
Vehicle maintenance	148,851	135,817
Non-vehicle maintenance	17,027	13,115
General and administrative	138,685	116,411
Total operating expenses	616,112	557,088
Excess of operating expenses over operating revenues	(367,701)	(312,403)
Nonoperating revenues and expenses:		
Local operating grants	322,865	266,821
Federal operating grants	47,905	48,300
Interest revenues	3,794	4,986
Interest expenses	(7,039)	(8,049)
Other	176	345
Total nonoperating revenues and expenses	367,701	312,403
Net revenues over expenses before depreciation	-	-
Depreciation	52,628	48,111
Excess of (expenses) over revenues	(52,628)	(48,111)

Continued

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN DISTRICT EQUITY, Continued
For The Years Ended June 30, 1991 And 1990
(In Thousands)

	District Equity (Retained Earnings)	Capital Grants (Contributed Capital) Federal	State	Local	Total
Balance, July 1, 1989	9,767	677,622	229,729	160,632	1,077,750
Net loss	(48,111)				(48,111)
Amortization of capital grants	47,826	(33,880)	(288)	(13,658)	
Capital grants		186,896	32,613	131,218	350,727
Reclassification of prior-year Proposition A funds from state to local capital grants			(87,504)	87,504	
Balance, June 30, 1990	9,482	830,638	174,550	365,696	1,380,366
Net loss	(52,628)				(52,628)
Amortization of capital grants	49,151	(34,857)	(583)	(13,711)	
Capital grants	1,559	113,133	17,543	61,640	193,875
Balance, June 30, 1991	$7,564	$908,914	$191,510	$413,625	$1,521,613

The accompanying notes are an integral part of these financial statements.

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 1991 And 1990
(In Thousands)

	1991	1990
Cash flows from operating activities:		
Cash from customers	$235,421	$239,523
Cash paid to employees	(404,014)	(439,377)
Cash paid to suppliers	(168,109)	(91,090)
Net cash used by operating activities	(336,702)	(290,944)
Cash flows from noncapital financing activities:		
Operating grants received	428,507	230,933
Borrowings for working capital	-	63,889
Repayment of insurance claims fund borrowed for working capital	(89,190)	-
Increase in Revenue Anticipation Notes	3,000	4,000
Proceeds from sale of Certificates of Participation	160,000	-
Interest received	2,467	4,948
Interest paid	(9,946)	(8,049)
Other receipts	176	345
Increase (repayment) of other liabilities	(13,083)	13,083
Net cash provided by noncapital financing activities	481,931	309,149
Cash flows from capital and related financing activities:		
Contributed capital from grants	193,875	350,727
Purchase of property, plant and equipment	(179,836)	(342,021)
Repayment of Equipment Trust Certificates	(4,420)	(4,590)
Repayment of capital lease	-	(1,805)
Increase in Benefit Assessment District receivable	(4,330)	(25,676)
Increase in Benefit Assessment District payable	4,378	10,336
Increase in 1986 bus purchase fund	(657)	(621)
Net cash provided by financing activities	9,010	(13,650)
Cash flows from investing activities:		
Increase in certificate repayment fund	(16,064)	(4,309)
Distributions (proceeds) from collateral equalization fund	(135,267)	3,577
Net cash used by investing activities	(151,331)	(732)
Net increase in cash and cash equivalents for the year	2,908	3,823
Cash and cash equivalents, July 1	66,044	62,221
Cash and cash equivalents, June 30	$68,952	$66,044
Reconciliation to adjust net income to net cash from operations:		
Net income	($367,701)	($312,403)
Decrease (increase) in allowance for uncollectible accounts	300	(270)
(Increase) in accounts receivable	(13,290)	(4,892)
Decrease (increase) in inventory	(22,476)	536
Increase (decrease) in accounts payable	(1,782)	16,808
Increase in compensated absences and post-retirement benefits	4,081	4,656
Increase in accrued expenses	64,166	4,621
Net cash used by operating activities	($336,702)	($290,944)
Supplemental disclosure of cash flow information:		
Interest paid	$9,946	$7,176
Interest expense	$7,039	$8,049

The accompanying notes are an integral part of these financial statements.

1. Summary Of Significant Accounting Policies:

Reporting Entity:

The Southern California Rapid Transit District (the "District" or "SCRTD") was organized as a public corporation pursuant to the Southern California Rapid Transit District Law, Section 30000 et seq. of the Public Utilities Code, enacted by the California State Legislature in 1964, whereby, effective November 1964, the Los Angeles Metropolitan Transit Authority and its assets and liabilities were merged into the District for the purpose of providing a comprehensive mass rapid transit system in Southern California. The District presently comprises all of Los Angeles County except Santa Catalina Island and the areas lying north of the San Gabriel Mountains, and provides bus service within its boundaries and on a contract basis in portions of Orange, Riverside, Ventura and San Bernardino Counties to a total of approximately 181 cities and communities. The District commenced operation of the Blue Line, a light rail system, in early fiscal year 1991. The light rail covers 22 miles between Long Beach and downtown Los Angeles.

In evaluating how to define the District's government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government, and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to

Continued

1. Summary Of Significant Accounting Policies, Continued:

Reporting Entity, Continued:

exercise oversight responsibilities. Based upon the application of these criteria, no component units have been included in the District's financial statements.

Defined Benefit Pension Plans:

The District has four separate defined benefit pension plans. The plans are governed by a Pension Committee and an Investment Board. The Pension Committee, for the three contract employees' plans, consists of three District employee members appointed by each of the Unions and three District members appointed by the District's Board of Directors. The Investment Board, for the three contract employees' plans, consists of three employee members appointed by each of the Unions and four District members appointed by the District's Board of Directors. The noncontract employees' plan has three Pension Committee and four Investment Board members appointed by the District's Board of Directors. The Pension Committee selects management staff and sets required pension contributions for the District and the plans' participants. The District does not have any right to the plans' surpluses. The District does not consider these plans to be a component unit of the District for financial reporting purposes. The District believes oversight responsibility is equally shared by the District and Unions; as selection of governing bodies is generally equal, it does not generally designate management and cannot generally influence operations. In addition, it appears that generally accepted practice is to exclude pension plans as a component unit of enterprise fund financial statements.

Governance:

The District is governed by a Board of Directors comprised of 11 members appointed or elected by local elected officials. Five members are appointed by the Los Angeles County Board of Supervisors, following nominations by individual Supervisors; two by the Mayor of the City of Los Angeles with the concurrence of the City Council; and four are elected by a City Selection Committee representing the 86 municipalities and four major transit corridors in Los Angeles County.

Continued

1. Summary Of Significant Accounting Policies, Continued:

Governance, Continued:

In May 1990, Assembly Bill 1784 ("AB 1784") was signed by the Governor of the State of California and became law. Major provisions of AB 1784 require the District and the Los Angeles County Transportation Commission (the "LACTC") to have some joint members of their Boards of Directors until June 30, 1992 and to develop and submit to the state legislature by January 1, 1992 a plan "...for the reorganization of these agencies with a unified comprehensive organizational structure which ensures maximum accountability to the people." Any reorganization of the District and/or the LACTC could only be accomplished by enaction of a state law. It is unlikely that any reorganization, if enacted, would become effective prior to January 1, 1993.

Basis Of Presentation:

The District is accounted for as an enterprise fund in conformity with the accounting and reporting requirements set forth in Statement 1, Governmental Accounting and Financial Reporting Principles, published by the Governmental Accounting Standards Board ("GASB") and its chart of accounts are those prescribed by the United States Department of Transportation - Urban Mass Transportation Administration's ("UMTA") Uniform System of Accounts.

Measurement Focus/Basis Of Accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Bus Services And Light Rail:

The District's financial statements are prepared on the accrual basis of accounting, whereby revenues from bus and light rail services are recognized when earned and related expenses are recognized when incurred.

Continued

1. Summary Of Significant Accounting Policies, Continued:

Capital Grants:

The District receives greater than 50% of the cost of new assets from the federal government with the balance received from the State of California and local governments. The majority of these grants relate to funding the Minimum Operable Segment ("MOS-1") of the Metro Red Line rail system. Capital grants are recognized as donated capital to the extent that expenditures under the grant have been incurred and recorded as assets. Capital grants received prior to the expenditures being incurred are recorded as deferred grants - government.

Operating Grants:

The District received less than 10% of its operating costs from grants from the federal government, with the balance received from state and local governments. Operating grant revenues are recognized as the related operating expenses are incurred. Operating grants received prior to the expense being incurred are recorded as deferred revenue - government.

The Transportation Development Act of 1971 (the "Act") provides that a portion of state sales tax proceeds be made available for public transportation in the counties of origin. Such amounts are allocated by the District between capital and operating expenses, subject to approval and revision by the LACTC and the Southern California Association of Governments, and are reflected in the accompanying financial statements as components of local capital grants and local operating grants, respectively. The majority of the assistance under the Act is provided through California Senate Bill 325, under which the District received an aggregate amount of $149,972,332 and $145,237,000 during the years ended June 30, 1991 and 1990, respectively.

In addition, and in accordance with Ordinance 16 (Proposition A), an additional ½% sales tax is imposed on all retail sales within Los Angeles County. Pursuant to Proposition A, tax revenues collected are allocated to the District at the discretion of the LACTC for operating expenses. The District received an aggregate amount of $136,197,000 and $120,147,000 under Ordinance 16 during the years ended June 30, 1991 and 1990, respectively.

Continued

1. Summary Of Significant Accounting Policies, Continued:

Statement Of Cash Flows:

In September 1989, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 9 (GASB No. 9) which requires a statement of cash flows as part of a full set of financial statements in place of a statement of changes in financial position for all proprietary and nonexpendable trust funds and governmental entities that use proprietary fund accounting. Accordingly, the financial statements for 1991 include a statement of cash flows. The prior year's statement of changes in financial position has been restated.

Cash And Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Investments:

Investments are stated at cost or amortized cost, which approximates market. Discounts and premiums are amortized over the remaining life of the investment from the date of purchase.

The District holds significant investments in the form of medium-term corporate notes and fixed income securities. The District is exposed to credit loss for the amount of the investments in the event of nonperformance by the other parties to the investment transactions. However, the District does not anticipate nonperformance by the counterparties.

Inventory:

Inventory consisting primarily of bus and rail vehicle parts is stated at the lower of cost or market on an average-cost basis. Inventory items are expensed as consumed.

Continued

1. Summary Of Significant Accounting Policies, Continued:

Property, Plant And Equipment:

Property, plant and equipment is stated at cost. Major improvements and betterments to existing plant and equipment are capitalized; no interest costs were incurred. Costs for maintenance and repairs which do not extend the useful life of the applicable assets are charged to expense as incurred. Upon disposition, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations.

The sum-of-the-years-digits method is used for computing depreciation on all revenue-earning equipment which was acquired before July 2, 1988. Depreciation on revenue-earning equipment acquired after July 2, 1988 and all other property, plant and equipment is computed using the straight-line method. Both methods are based upon the estimated useful lives of individual assets. The estimated useful lives of fixed assets are as follows:

	Years
Buildings	30
Buses	12
Other vehicles	5
Bus maintenance and office equipment, furnishings and others	10

Assets acquired with federal, state and local capital grants are included in property, plant and equipment, and depreciation on these assets is included in the accompanying statements of operations. Federal, state and local grants are amortized to equity by the amount of depreciation.

2. Restricted Cash And Investments:

Restricted cash is set aside for funding self-insurance claims, the deferred compensation plan, the 401(k) Savings Plan, the purchase of buses provided by the issuance of Equipment Trust Certificates and for the repayment of Equipment Trust Certificates, Revenue Anticipation Notes and Certificates of Participation. Restricted cash for each of these purposes is held separately and is deposited in cash accounts or invested.

Continued

2. Restricted Cash And Investments, Continued:

Bank Deposits:

The combined amounts of the District's book balances were ($18,483,000) and ($25,335,000) and the bank balances were $6,290,000 and $11,739,000 at June 30, 1991 and 1990, respectively. Of the bank balances, $5,879,000 and $9,196,000 were covered by federal depository insurance or by collateral held by the District's agent in the District's name at June 30, 1991 and 1990, respectively. To date, no losses have occurred on the uninsured or uncollateralized bank balances.

Investments:

Statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper having the highest letter and numerical rating by Moody's Investment Service, bankers' acceptances, repurchase agreements, reverse repurchase agreements, mortgage loans, options, bonds and mutual funds. The District's investments are either registered or insured or the securities are held by the District's agent in its name. Investments, except for those held for the deferred compensation plan and 401(k) Savings Plan, are carried at cost, which approximates market. Investments held for the deferred compensation plan and 401(k) Savings Plan are carried at market value. The District's investments are categorized to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the name of the District.

Continued

2. Restricted Cash And Investments, Continued:

Investments at June 30, 1991 and 1990 consist of the following:

INVESTMENTS AS OF JUNE 30, 1991

	Category 1	Category 2	Category 3	Book Value	Market Value
CATEGORIZED INVESTMENTS:					
U.S. Treasury securities	$35,319,000			$35,319,000	$35,602,000
U.S. Agency securities	33,079,000			33,079,000	33,405,000
Collateralized corporate notes	7,035,000			7,035,000	7,183,000
Bankers' acceptances	33,426,000			33,426,000	33,426,000
Commercial paper	43,645,000			43,645,000	43,645,000
Corporate notes and bonds	56,833,000			56,833,000	57,885,000
Municipal bonds	140,592,000			140,592,000	143,336,000
Mortgage loans	524,000			524,000	524,000
Total categorized investments	$350,453,000	$ -	$ -	350,453,000	355,006,000
NON-CATEGORIZED INVESTMENTS:					
Certificates of deposit				89,184,000	89,184,000
Cash/money market funds				20,829,000	20,829,000
Mutual funds				11,899,000	11,899,000
Bond funds				471,000	471,000
State of California Local Agency Investment Fund (LAIF)				10,000,000	10,000,000
Total non-categorized investments				132,383,000	132,383,000
Total				$482,836,000	$487,389,000

INVESTMENTS AS OF JUNE 30, 1990

	Category 1	Category 2	Category 3	Book Value	Market Value
CATEGORIZED INVESTMENTS:					
U.S. Treasury securities	$21,309,000			$21,309,000	$21,730,000
U.S. Agency securities	17,835,000			17,835,000	17,956,000
Collateralized corporate notes	-			-	-
Bankers' acceptances	18,105,000			18,105,000	18,105,000
Commercial paper	31,016,000			31,016,000	31,016,000
Corporate notes and bonds	25,656,000			25,656,000	25,756,000
Municipal bonds	-			-	-
Repurchase agreements	25,021,000			25,021,000	25,021,000
Mortgage loans	1,145,000			1,145,000	1,145,000
Total categorized investments	$140,087,000	$ -	$ -	140,087,000	140,729,000

Continued

2. Restricted Cash And Investments, Continued:

Investments, Continued:

INVESTMENTS AS OF JUNE 30, 1990, Continued

	Category 1	Category 2	Category 3	Book Value	Market Value
NON-CATEGORIZED INVESTMENTS:					
Certificates of deposit				$82,471,000	$82,470,000
Cash/money market funds				3,969,000	3,969,000
Mutual funds				10,133,000	10,133,000
Bond funds				3,959,000	3,949,000
State of California Local Agency Investment Fund (LAIF)				10,000,000	10,000,000
Total non-categorized investments				110,532,000	110,521,000
Total				$250,619,000	$251,250,000

The rules and regulations of the District permit borrowings from the self-insurance claims fund to meet the District's working capital requirements. Such borrowings are to be repaid as soon as reasonably practical and at interest rates that approximate the rate of return of the fund. As a result of the delay in receipt of operating grants, the District had outstanding borrowings of $14,454,000 and $103,644,000 from the insurance claims fund at June 30, 1991 and 1990, respectively.

In addition, the rules and regulations of the District permit the District to enter into reverse repurchase agreements; that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against decline in market value of the securities. If the dealers default on their obligations to resell the securities to the District or provide securities or cash of equal value, the District would suffer an economic loss equal to the difference between market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. This credit exposure at year-end was $121,522.

Continued

2. Restricted Cash And Investments, Continued:

Investments, Continued:

Equipment Trust Certificates and Certificates of Participation were comprised of the following funds:

Equipment Trust Certificates Fund:	1991	1990
Collateral equalization	$17,929,000	$15,824,000
1986 bus purchase	2,958,000	2,675,000
Certificate repayment	5,782,000	5,493,000
Total	$26,669,000	$23,992,000

Certificate of Participation Fund:	
Claims payment	$133,162,000
COPs reserve	12,291,000
Installment payment	3,485,000
Delivery costs	373,000
	$149,311,000

3. Liability For Insurance Claims:

The District is fully self-insured for workers' compensation claims and partially self-insured for public liability and property damage. The self-insurance maximum for public liability and property damage claims is $4,500,000 and $2,500,000 for any one occurrence on bus and rail, respectively. Claims in excess of self-insurance retentions of $4,500,000 and $2,500,000 per occurrence are covered up to an additional $25,500,000 and $102,500,000 by insurance policies for bus and rail, respectively.

The self-insurance programs are administered by independent adjustment bureaus. The liability is based, in part, upon the independent adjustment bureaus' estimate of reserves required for unsettled claims and related administrative costs, and includes claims that are incurred but not reported. Such reserves are actuarially determined and subject to periodic adjustment as conditions warrant. The reserves are discounted using an average rate of return of 8% and 9% in fiscal years 1991 and 1990, respectively.

Continued

3. Liability For Insurance Claims, Continued:

The estimated liability for insurance claims at June 30, 1991 is believed to be sufficient to cover any costs arising out of claims filed or to be filed for accidents which occurred through that date.

4. Property, Plant And Equipment:

Property, plant and equipment and the related accumulated depreciation are as follows:

	1991	1990
Operations:		
Buses and other vehicles	$436,181,000	$455,584,000
Land	84,645,000	84,477,000
Bus maintenance and office equipment, furnishings and other	129,887,000	123,370,000
Buildings	142,867,000	136,395,000
	793,580,000	799,826,000
Accumulated depreciation	(411,161,000)	(401,034,000)
Property, plant and equipment used in operations, net	382,419,000	398,792,000
Construction-in-progress:		
Bus operations	46,862,000	41,571,000
Metro Rail Projects:		
Engineering, consulting, construction and other	967,160,000	844,825,000
Land	102,228,000	83,042,000
Buildings and structures	1,588,000	1,588,000
Equipment	27,770,000	26,395,000
Construction-in-progress	1,145,608,000	997,421,000
Property, plant and equipment, net	$1,528,027,000	$1,396,213,000

Continued

5. Long-Term Debt:

Equipment Trust Certificates:

The District has issued Equipment Trust Certificates in $5,000 denominations to acquire buses. Certificates are subject to redemption prior to maturity only in the event of extraordinary occurrences and will be payable from local capital grants. The respective Certificate agreements require that certain funds be deposited to a collateral equalization and certificate repayment fund in order to satisfy debt service requirements. In addition, the 1986 Certificate agreement requires the District to deposit money into a bus purchase fund to pay for bus acquisition. The Certificates mature and bear interest rates as follows:

	1984 Issue Due July 1,		1986 Issue Due July 1,		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
1991	$2,225,000	$908,000	$2,500,000	$936,000	$4,725,000	$1,844,000
1992	2,425,000	716,000	2,635,000	798,000	5,060,000	1,514,000
1993	2,640,000	499,000	2,785,000	647,000	5,425,000	1,146,000
1994	2,875,000	261,000	2,955,000	480,000	5,830,000	741,000
1995	-	-	3,140,000	295,000	3,140,000	295,000
1996	-	-	3,320,000	116,000	3,320,000	116,000
	$10,165,000	$2,384,000	$17,335,000	$3,272,000	$27,500,000	$5,656,000
Interest rates	8.40% - 9.10%		3.50% - 6.25%			

Continued

5. Long-Term Debt, Continued:

Certificates Of Participation:

In July 1990, the District issued $160,000,000 of Adjustable Rate Demand Certificates of Participation due July 1, 2010 at an initial interest rate of 5.25% and a maximum interest rate not to exceed 12% during the effective term of the direct-pay letter of credit. The District had the ability to convert the adjustable rate to a fixed rate. During February 1991, the District exercised their right and converted from an adjustable to a fixed rate. The 1990 certificates bear interest rates ranging from 5.20% to 7.70% for the period 1995 to 2010.

	Due July 1,	
	Principal	Interest
1991	-	$3,414,825
1992	-	10,244,475
1993	-	10,244,475
1994	-	10,244,475
1995	$6,100,000	10,244,475
1996	6,500,000	9,927,275
1997	6,900,000	9,576,275
1998	7,400,000	9,189,875
1999	7,800,000	8,760,675
2000	8,300,000	8,183,475
2001	8,800,000	7,550,600
2002	9,400,000	6,873,000
2003	9,900,000	6,290,200
2004	10,500,000	5,666,500
2005	11,200,000	4,994,500
2006	11,900,000	4,154,500
2007	12,600,000	3,381,000
2008	13,400,000	2,562,000
2009	14,200,000	1,758,000
2010	15,100,000	906,000
	$160,000,000	$134,166,600

Continued

5. Long-Term Debt, Continued:

Revenue Anticipation Notes:

The District has issued $20,000,000 and $45,000,000 of Revenue Anticipation Notes due February 21, 1992 and July 5, 1991 at an annual interest rate of 3.76% and 6.125%, respectively. The notes are collateralized by a pledge of, and will be repaid from, federal, state and local grants. The purpose of these notes is to fund current operations until certain grant receivables can be collected. The $45,000,000 notes were redeemed on July 5, 1991.

6. Pensions And Post-Retirement Benefits:

Plan Description:

The District has a Single-Employer Public Employees Retirement System which includes four defined benefit pension plans (the "Plans") covering substantially all employees, which provide retirement, disability and death benefits. Generally, employees' rights to retirement benefits vest after five years for noncontract employees and 10 years for contract employees and are based on the individual employee's years of service, age, final compensation and, for bargaining units, disability status. The benefit provisions and all other requirements are established by state statute, ordinance, collective bargaining agreements or Board of Directors' actions. The amount of payroll used for pension coverage under the Plans for the years ended June 30, 1991 and 1990 was $308,960,000 and $286,358,000, respectively. The District's total payroll for all employees for the years ended June 30, 1991 and 1990 was $365,059,000 and $332,916,000, respectively. Generally, the differences between covered and total payroll are a result of the exclusion of most overtime hours and of part-time employees.

Continued

6. Pensions And Post-Retirement Benefits, Continued:

As of December 31, 1990, employee membership data related to the pension plans were as follows:

	Range			
	TCU	UTU	ATU	Noncontract
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	102	1,050	309	321
Active participants:				
Vested	416	2,055	912	592
Nonvested	254	2,167	950	1,019
Total	772	5,272	2,171	1,932

District employees contribute specified percentages of their annual salaries to the Plan in which they participate. The District is required to contribute the remaining amounts necessary to fund the Plans.

Funding Status And Progress:

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step rate benefits estimated to be payable in the future as a result of employee service to date. This measure is intended to help users assess the funding status of the Plans on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the actuarial funding method used.

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 1990 (the most recent actuarial valuations). The significant actuarial assumptions used in the valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8% as of December 31, 1990, annual salary increases of 5% (consisting of 4-1/2% for inflation and 1/2% for merit) and no post-retirement benefit increases.

Continued

6. Pensions And Post-Retirement Benefits, Continued:

Funding Status And Progress, Continued:

Total underfunded/(overfunded) pension benefit obligation applicable to the District at December 31, 1990 is as follows:

	TCU	UTU	ATU	Noncontract	Total
Pension benefit obligation:					
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$6,151,270	$75,609,956	$21,154,782	$31,720,307	$134,636,315
Current employees:					
Accumulated employee contributions, including allocated investment income	2,332,022	23,057,528	9,594,427	7,442,376	42,426,353
Employer-financed vested	6,589,717	60,943,059	25,821,375	26,338,494	119,692,645
Employer-financed nonvested	7,145,880	64,013,509	29,696,975	25,024,188	125,880,552
Total pension benefit obligation	22,218,889	223,624,052	86,267,559	90,525,365	422,635,865
Net assets available for plan benefits, at cost	22,335,356	213,353,874	81,296,706	89,704,014	406,689,950
Underfunded/(overfunded) pension benefit obligation	($116,467)	$10,270,178	$4,970,853	$821,351	$15,945,915

Net assets available for plan benefits at market value were $420,595,000 at December 31, 1990.

Actuarially Determined Contributions Required And Contributions Made:

The funding policy of the Plans provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to pay plan benefits when due. The contribution rate for normal cost is determined by using the projected unit credit method. This method is also used to amortize the surplus of net assets available for benefits in excess of the pension benefit obligation over a thirty-year period. The assumptions used to compute the actuarially determined contribution are the same as those used to compute the pension benefit obligation. The District's contributions to the Plans for the years ended June 30, 1991 and 1990 were made in accordance with the actuarially determined requirements computed as of December 31, 1990 and 1989,

Continued

6. Pensions And Post-Retirement Benefits, Continued:

Actuarially Determined Contributions Required And Contributions Made, Continued:

respectively. Contributions to the Plans and the rate to covered employees for the years ended June 30, 1991 and 1990 are summarized as follows:

	TCU		UTU		ATU		Noncontract	
	1991	1990	1991	1990	1991	1990	1991	1990
District's contributions:								
For normal cost	$593,930	$557,954	$6,903,300	$6,045,125	$1,993,167	$2,642,898	$3,642,559	$2,385,494
For unfunded actuarial accrued liability (surplus)	(183,402)	(133,127)	(602,045)	43,146	41,633	(73,436)	(40,071)	(481,080)
District's contribution	410,528	424,827	6,301,255	6,088,271	2,034,800	2,569,462	3,602,488	1,904,414
Employees' contribution	615,706	434,703	4,749,112	3,420,646	1,997,803	1,569,133	58,990	631,808
Total contributions	$1,026,234	$859,530	$11,050,367	$9,508,917	$4,032,603	$4,138,595	$3,661,478	$2,536,222
Contributions as a percentage of union/noncontract covered employees' payroll:								
District's contribution	2.33%	2.41%	4.45%	4.45%	3.59%	4.10%	5.20%	2.75%
Employees' contribution	3.15%	2.46%	3.23%	1.06%	3.10%	2.50%	*0%	1%

*The Board of Directors acted to change the contribution rate to 0% for noncontract employees effective at the start of 1991.

Trend Information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. As of December 31, 1990, 1989 and 1988, available assets (at cost) were sufficient to fund 96.2%, 98.1% and 104.6% of the pension benefit obligation. Unfunded (assets in excess of) pension benefit obligation, at cost, as of December 31, 1990, 1989 and 1988 represented 5%, 2.7% and 5.9% of the annual payroll for covered employees for the fiscal years ended 1991, 1990 and 1989, respectively. For the fiscal years ended 1991, 1990 and 1989, the District's contributions to the Plans, all made in accordance with actuarially determined requirements, were 3.9%, 3.8% and 4.2%, respectively, of annual covered payroll.

Continued

6. Pensions And Post-Retirement Benefits, Continued:

Trend Information, Continued:

Ten-year trend information is publicly available from the District's separate Plan reports. These reports include the following information: net assets available for benefits, pension benefit obligation, unfunded (assets in excess of) pension benefit obligation and annual covered payroll.

Post-Retirement Benefits:

The District provides post-retirement benefits which consist of health care and life insurance benefits for retired employees and families. Substantially all retirees of the District may become eligible for those benefits if they reach the appropriate eligibility requirements for retirement while working for the District. The benefit provisions and all other requirements are established by collective bargaining agreements and/or Board of Directors' actions. The cost of providing these benefits was $1,440,000 and $3,870,000 in fiscal years 1991 and 1990, respectively, and is expensed when incurred. The liability of providing these benefits is included in the balance sheet caption, Compensated Absences and Post-Retirement Benefits, and is $20,965,365 and $18,118,000 at June 30, 1991 and 1990, respectively.

7. Commitments And Contingencies:

Capital and operating expenses financed by federal, state and local grants are subject to audit by the granting agencies to determine if these expenses comply with the provisions of the grant agreements. Management believes it has complied with the grant provisions and that no significant liabilities will arise from audits.

The District signed a Full Funding Agreement ("FFA") in August 1986 with the UMTA to cover the federal share (approximately $696 million) of the initial Minimum Operable Segment I ("MOS-I") of the Metro Rail Project. MOS-I is a 4.4-mile section of the project from the Union Station to Wilshire Boulevard and Alvarado Street. The cost of MOS-I is currently estimated at $1.45 billion. Related funding commitments were also signed with the State of California, the LACTC and the City of Los Angeles for the remaining portion of the MOS-I project.

Continued

7. Commitments And Contingencies, Continued:

In addition, the District also established a Benefit Assessment District, the objective of which is to finance a portion of the construction cost of the MOS-I section of the Metro Rail Project (see Note 11).

Effective July 1, 1990, the District has transferred certain project responsibilities to the LACTC and its subsidiary, the Rail Construction Corporation ("RCC"). The District continues to carry out significant responsibilities with regard to closeout of contracts retained by the District, as well as ongoing project real estate activities, maintenance of project records and property. Additionally, based upon the District's interpretation of the FFA, the District, as the UMTA grantee, owns and has title to all real estate, structures and equipment, including rolling stock as well as all assets presently under construction. During the year ended June 30, 1991, the District recorded as construction-in-progress and contributed capital the amount of $140,457,915, which represents expenditures for fiscal year 1991 on the MOS-I segment of the Metro Rail Project.

The District is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations and in the construction of the Metro Rail Project. At June 30, 1991, it is the opinion of the District's management, based on the advice of their General Counsel, that currently there is not any pending litigation that would have a material adverse effect on the District's financial position or results of operations. Any payments by the District would be reimbursable by the LACTC under the terms of the FFA (see Note 11).

8. Lease Commitments:

The District leases certain division facilities and its headquarters office building under arrangements accounted for as operating leases. The primary lease agreement for the office building includes a five-year renewal option and provides for annual rent adjustments based upon changes in real property taxes.

Continued

8. Lease Commitments, Continued:

Rental expense for the years ended June 30, 1991 and 1990 were $3,535,000 and $3,442,000, respectively. Future payments under these lease agreements are as follows:

	Operating Leases
1992	$3,340,561
1993	3,038,280
1994	3,009,674
1995	2,144,310
1996	171,346
Thereafter	145,131
Total minimum payments	$11,849,302

9. Deferred Compensation Plan:

The District has a deferred compensation plan for all employees. The plan was created in accordance with Internal Revenue Code Section 457 and is administered by the District. Under the deferred compensation plan, employees may defer payment of income taxes on a portion of their annual earnings up to the lesser of 25% of their annual earnings or $7,500.

Benefits under this plan are not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan assets and accumulated earnings thereon remain an asset of the District until paid or made available to participants and/or beneficiaries, and are invested into the employee's choice of four investment vehicles, as authorized by the California code covering such plans. Investments held for the deferred compensation plan and the resulting deferred compensation plan liabilities are recorded in the accompanying financial statements at the market value of the plan investments.

Participants' rights under the plan are equal to those of general creditors of the District. It is the opinion of the District's management that it has no liability for losses but does have the fiduciary responsibility of due professional care that would be required from a prudent investor. The District believes that it is unlikely that it will use the plan's assets to satisfy the claims of general creditors in the future.

Continued

10. 401(k) Savings Plan:

The District has a 401(k) Savings Plan for noncontract employees created in accordance with Internal Revenue Code Section 401(k). The District's Treasurer is the trustee for the plan. Under the 401(k) Savings Plan, noncontract employees may contribute from a minimum of $15 per pay period up to 15% of their earnings not exceeding $8,475. For taxable years beginning after January 1, 1989, amounts deferred into the deferred compensation plan must be reduced by the deferrals made in the 401(k) Savings Plan (Note 9). The maximum annual combined contributions per calendar year using both plans is $7,500.

Plan withdrawals are not available to employees until termination, retirement, age 59½, death or unforeseeable emergency. Investments held for the 401(k) Savings Plan and the resulting 401(k) Savings Plan liabilities are recorded in the accompanying financial statements at the market value of the plan.

The plan bases benefits solely on amounts contributed by employees to their own accounts.

11. Benefit Assessment District:

In July 1985, the District established a Benefit Assessment District ("BAD") pursuant to California Public Utilities Code Section 33000. The BAD is governed by the District's Board of Directors and the District acts as an agent for the BAD. The purpose of the BAD is to provide approximately $130,300,000, or 9%, of construction costs needed to construct the MOS-1 of the Metro Rail System. The BAD's share of project costs is to be raised through assessments levied on owners of land and buildings located within the BAD.

During 1986, the District filed a lawsuit with the Los Angeles County Superior Court to test the validity of the BAD. The Superior Court upheld the validity of the BAD and an appeal was filed. The appeal was overturned and the District filed an appeal with the California Supreme Court. The case has been accepted by the Supreme Court; however, a trial date has not yet been set.

Continued

11. Benefit Assessment District, Continued:

At June 30, 1991, the BAD's share of the MOS-1 project costs was approximately $88,902,000, of which $19,200,000 has been collected from assessments, and the balance of approximately $69,702,000 has been funded by loans from the District and the LACTC of approximately $39,256,000 and $30,446,000, respectively, and is included in the accompanying financial statements. These loans are in lieu of further collections from assessments until litigation is resolved. Should pending litigation result in an unfavorable outcome, the LACTC would fund these loans.

12. Subsequent Events:

On July 8, 1991, the District issued $48,000,000 of Revenue Anticipation Notes, Series 1991B, due on July 6, 1992, at an interest rate of 5.125%. The notes are collateralized by a pledge of, and will be repaid from, federal, state and local grants. The purpose of the issue is to fund current operations until collection of certain capital grant receivables.

13. Reclassifications:

Certain fiscal year 1990 balances shown in the accompanying financial statements have been reclassified to conform to the fiscal year 1991 presentation.

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

COMPARATIVE SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY MODE
For The Fiscal Year Ended June 30, 1991 And 1990
(In Thousands)

	1991			1990
	Total	Motorbus	Light Rail*	1990 Total
Operating revenues:				
Passenger fares	$243,422	$239,023	$4,399	$239,905
Route subsidies	710	710	-	672
Auxiliary transportation	4,279	4,279	-	4,108
Total operating revenues	248,411	244,012	4,399	244,685
Operating expenses:				
Transportation	311,549	304,713	6,836	291,745
Vehicle maintenance	148,851	143,980	4,871	135,817
Non-vehicle maintenance	17,027	13,360	3,667	13,115
General and administrative	138,685	115,885	22,800	116,411
Total operating expenses	616,112	577,938	38,174	557,088
Excess of operating expenses over operating revenues	(367,701)	(333,926)	(33,775)	(312,403)
Nonoperating revenues and expenses:				
Local operating grants	322,865	288,983	33,882	266,821
State operating grants	-	-	-	-
Federal operating grants	47,905	47,905	-	48,300
Interest revenues	3,794	3,794	-	4,986
Interest expenses	(7,039)	(6,731)	(308)	(8,049)
Other	176	112	64	345
Total nonoperating revenues and expenses	367,701	334,063	33,638	312,403
Excess of revenues over expenses (expenses over revenues) before depreciation	-	137	(137)	-
Depreciation	52,628	52,628	-	48,111
Excess of (expenses) over revenues	($52,628)	($52,491)	($137)	($48,111)

*Light rail operations commenced on July 14, 1990.