Coopers & Lybrand

Certified Public Accountants

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

REPORT ON AUDITED FINANCIAL STATEMENTS

For The Years Ended June 30, 1992 And 1991

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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, 1992 and 1991, 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.

As discussed in Note 1 to the financial statements, the District will cease to exist on April 1, 1993, in accordance with signed Assembly Bill 152. The new law combines the District and the Los Angeles County Transportation Commission ("LACTC") and creates the Los Angeles County Metropolitan Transportation Authority (the "Authority") as the sole successor to the District and LACTC.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 1992 and 1991, 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 31 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
October 6, 1992

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

BALANCE SHEETS
June 30, 1992 And 1991
(In Thousands)

ASSETS:	1992	1991
Current:		
Restricted cash, cash equivalents and investments - Revenue Anticipation Note payment fund	$72,556	$68,952
Accounts receivable:		
Grants and other subsidies - government	81,005	58,660
Other - net of allowance for uncollectibles of $2,880 in 1992 and $2,580 in 1991	45,103	47,558
Inventory and other current assets	46,032	42,426
Total current assets	244,696	217,596
Noncurrent restricted cash and investments:		
Insurance claims fund	158,011	169,178
Less, Borrowings for working capital	(54,382)	(14,454)
Insurance claims fund, net	103,629	154,724
Certificates of Participation	250,353	149,311
Deferred compensation plan	62,947	55,976
401(k) Savings Plan	11,777	8,721
Equipment Trust Certificates	22,625	26,669
Total noncurrent restricted cash and investments	451,331	395,401
Property, plant and equipment, net	1,679,434	1,528,027
Benefit Assessment District receivable	75,813	69,702
Total assets	$2,451,274	$2,210,726

LIABILITIES AND EQUITY:	1992	1991
Current:		
Accounts payable	$21,695	$28,016
Accrued expenses	68,094	71,444
Deferred grants - government	30,510	38,506
Revenue Anticipation Notes	69,000	65,000
Current portion of compensated absences and post-retirement benefits	6,000	5,000
Current portion of Equipment Trust Certificates	5,060	4,725
Total current liabilities	200,359	212,691
Equipment Trust Certificates:		
Series 1984	5,515	7,940
Series 1986	12,200	14,835
Deferred compensation plan	62,947	55,976
401(k) Savings Plan	11,777	8,721
Compensated absences and post-retirement benefits	34,740	27,535
Benefit Assessment District payable	39,928	32,237
Certificates of Participation	278,375	160,000
Insurance claims fund	158,011	169,178
Total liabilities	803,852	689,113
Commitments and contingencies		
Equity:		
District equity (retained earnings)	(11,689)	7,564
Capital grants (contributed capital):		
Federal	942,610	908,914
State	207,285	191,510
Local	509,216	413,625
Total equity	1,647,422	1,521,613
Total liabilities and equity	$2,451,274	$2,210,726

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, 1992 And 1991
(In Thousands)

	1992	1991
Operating revenues:		
Passenger fares	$222,211	$243,422
Route subsidies	892	710
Auxiliary transportation	4,650	4,279
Total operating revenues	227,753	248,411
Operating expenses:		
Transportation	354,997	311,549
Vehicle maintenance	148,815	148,851
Non-vehicle maintenance	18,209	17,027
General and administrative	124,179	138,685
Depreciation	36,819	46,306
Total operating expenses	683,019	662,418
Excess of operating expenses over operating revenues	(455,266)	(414,007)
Nonoperating revenues and expenses:		
Local operating grants	332,478	322,865
Federal operating grants	47,064	47,905
State operating grants	18,368	
Interest revenues	5,179	3,794
Interest expenses	(3,990)	(7,039)
Loss on disposition of fixed assets	(962)	(6,322)
Other	147	176
Total nonoperating revenues and expenses	398,284	361,379
Excess of expenses over revenues	$(56,982)	$(52,628)

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, 1992 And 1991
(In Thousands)

	District Equity (Retained) Earnings)	Capital Grants (Contributed Capital) Federal	State	Local	Total
Balance, June 30, 1990	$9,482	$830,638	$174,550	$365,696	$1,380,366
Net loss	(52,628)				(52,628)
Depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	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
Net loss	(56,982)				(56,982)
Depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	36,892	(26,753)	88	(10,227)	
Capital grants		60,449	15,687	106,655	182,791
Contributed capital	837			(837)	
Balance, June 30, 1992	$(11,689)	$942,610	$207,285	$509,216	$1,647,422

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, 1992 And 1991
(In Thousands)

	1992	1991
Cash flows from operating activities:		
Cash received from customers	$253,719	$235,421
Cash paid to employees	(493,872)	(404,014)
Cash paid to suppliers	(164,913)	(168,109)
Net cash used by operating activities	(405,066)	(336,702)
Cash flows from noncapital financing activities:		
Operating grants received	348,568	428,507
Borrowings (repayment) of insurance claims fund borrowed for working capital	39,928	(89,190)
Increase in Revenue Anticipation Notes	4,000	3,000
Interest paid	(1,129)	(9,946)
Other receipts	147	176
Proceeds from sale of Certificates of Participation		160,000
(Repayment) of other liabilities		(13,083)
Net cash provided by noncapital financing activities	391,514	479,464
Cash flows from capital and related financing activities:		
Contributed capital from grants	179,798	193,875
Purchase of property, plant and equipment	(189,210)	(179,836)
Proceeds from sale of retired equipment	180	
Repayment of Equipment Trust Certificates		(4,420)
Increase in Benefit Assessment Districts receivables	(3,759)	(4,330)
Increase in Benefit Assessment Districts payables	7,691	4,378
Decrease in 1986 bus purchase fund	(5,060)	(657)
Proceeds from sale of Certificates of Participation	118,375	
Purchases of Equipment Trust Certificates	(88,979)	(135,267)
Net cash provided (used) by financing activities	19,036	(126,257)
Cash flows from investing activities:		
Increase in certificate repayment fund	(7,685)	(16,064)
Interest received	5,805	2,467
Net cash used by investing activities	(1,880)	(13,597)
Net increase in cash and cash equivalents for the year	3,604	2,908
Cash and cash equivalents, July 1	68,952	66,044
Cash and cash equivalents, June 30	$72,556	$68,952
Reconciliation to adjust net income to net cash from operations:		
Operating income (loss)	$(417,881)	$(367,701)
Decrease (increase) in accounts receivable	27,362	(12,990)
(Increase) in inventory and other assets	(3,605)	(22,476)
(Decrease) in accounts payable	(943)	(1,782)
Increase in compensated absences and post-retirement benefits	8,204	4,081
(Decrease) increase in accrued expenses	(13,380)	64,166
Net cash used by operating activities	$(400,243)	$(336,702)
Schedule of noncash financing:		
Deferred compensation	$6,971	$6,519
401(k)	$3,056	$2,556
Insurance reserve	$11,167	$14,092

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, 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 system covers 22 miles between Long Beach and downtown Los Angeles.

In evaluating how to define the 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 exercise oversight responsibilities. The Benefit

Continued

1. Summary Of Significant Accounting Policies, Continued:

Reporting Entity, Continued:

Assessment Districts ("BADs") meet the criteria as stated above. The District considers the BADs component units of the District. The BADs are 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 plans' actuary's recommendations were implemented for both the employer's and employees' pension plan contributions. 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 88 municipalities, organized into four transit corridors in Los Angeles County.

Continued

1. Summary Of Significant Accounting Policies, Continued:

Governance, Continued:

On May 19, 1992, Governor Pete Wilson signed Assembly Bill 152 into law. The new law combined the District and the Los Angeles County Transportation Commission (the "LACTC") and creates the Los Angeles County Metropolitan Transportation Authority (the "Authority") as the sole successor to the District and the LACTC. The Authority will succeed to all powers, duties, rights, obligations, liabilities, indebtedness, bonded and otherwise, immunities and exemptions of the District and the LACTC.

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 - Federal Transit Administration's ("FTA") Uniform System of Accounts and Records.

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. Capital grants for fiscal years ended June 30, 1992 and 1991 amounted to $182,791,000 and $193,875,000, respectively.

Operating Grants:

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

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 $160,539,000 and $149,972,000 during the years ended June 30, 1992 and 1991, respectively.

In addition, and in accordance with Ordinance 16 (Proposition A), an additional 1/2% 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 $118,397,000 and $136,197,000 under Ordinance 16 during the years ended June 30, 1992 and

Continued

1. Summary Of Significant Accounting Policies, Continued:

Operating Grants, Continued:

1991, respectively. In addition, the District received $36,636,000 and $33,360,000 in Proposition A funds related to the light rail during the years ended June 30, 1992 and 1991, respectively.

The State Transit Assistance ("STA") program provides a source of funding utilizing the sales tax revenues revenues received from the sale of gasoline and diesel fuel, which can be utilized for transportation planning and mass transportation purposes, as specified by the State Legislature. The basis of allocation is operator revenues. There are efficiency criteria and fare and local support requirements that each operator must meet in order to receive funding. The District met the established criteria in fiscal year 1992 and was allocated $18,368,000.

During fiscal year 1992, the District was allocated $8,600,000 of Proposition C funds. Proposition C is a second half cent (1/2¢) imposed on all retail sales within Los Angeles County.

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. 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 $6,418,000 and $(18,483,000) and the bank balances were $10,503,000 and $6,290,000 at June 30, 1992 and 1991, respectively. All bank balances were covered by federal depository insurance or by collateral held by the District's agent in the District's name at June 30, 1992 and 1991, respectively.

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 Investors Service or Standard and Poors, 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 collateralized with securities held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the District's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty in the District's name or held by the counterparty's trust department (if a bank) or agent but not in the District's name.

Continued

2. Restricted Cash And Investments, Continued:

Investments, Continued:

Investments at June 30, 1992 and 1991 consist of the following:

INVESTMENTS AS OF JUNE 30, 1992

	Category 1	Category 2	Category 3	Book Value	Market Value
CATEGORIZED INVESTMENTS:					
U.S. Treasury securities	$22,541,218	$	$	$22,541,218	$23,162,142
U.S. Agency securities	54,114,958			54,114,958	55,137,634
Collateralized notes					
Bankers' acceptances	7,872,188			7,872,188	7,867,188
Commercial paper	33,809,665			33,809,665	33,804,665
Certificates of deposit	62,131,891			62,131,891	62,131,891
Corporate notes and bonds	36,908,745			36,908,745	37,471,800
State and local government securities	134,006,940			134,006,940	136,100,396
Mortgage loans	438,715			438,715	438,715
Total categorized investments	$351,824,320	$	$	351,824,320	356,114,431
NON-CATEGORIZED INVESTMENTS:					
Cash/money market funds				133,042,844	133,042,844
Mutual funds				19,147,490	19,147,490
Bond funds				652,846	652,846
Local Agency Investment Fund (LAIF)				12,800,000	12,800,000
Total non-categorized investments				165,643,180	165,643,180
Total				$517,467,500	$521,757,611

Continued

2. Restricted Cash And Investments, Continued:

Investments, Continued:

INVESTMENTS AS OF JUNE 30, 1991

	Category 1	Category 2	Category 3	Book Value	Market Value
CATEGORIZED INVESTMENTS:					
U.S. Treasury securities	$35,318,641	$	$	$35,318,641	$35,601,340
U.S. Agency securities	33,078,824			33,078,824	33,404,824
Collateralized notes	7,035,000			7,035,000	7,183,313
Bankers' acceptances	33,425,872			33,425,872	33,425,872
Commercial paper	43,644,870			43,644,870	43,644,870
Certificates of deposit	89,184,593			89,184,593	89,184,593
Corporate notes and bonds	56,832,775			56,832,775	57,884,866
Municipal bonds	140,592,071			140,592,071	143,336,334
Repurchase agreements					
Mortgage loans	524,362			524,362	524,362
Total categorized investments	$439,637,008	$	$	439,637,008	444,190,374
NON-CATEGORIZED INVESTMENTS:					
Cash/money market funds				20,829,547	20,829,547
Mutual funds				11,898,681	11,898,681
Bond funds				470,574	470,574
Local Agency Investment Fund (LAIF)				10,000,000	10,000,000
Total non-categorized investments				43,198,802	43,198,802
Total				$482,835,810	$487,389,176

Continued

2. Restricted Cash And Investments, Continued:

Investments, Continued:

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 $54,342,000 and $14,454,000 from the insurance claims fund at June 30, 1992 and 1991, 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 June 30, 1991 was $121,522. There were no reverse repurchase agreements at June 30, 1992.

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

Equipment Trust Certificates Fund:	1992	1991
Collateral equalization	$19,490,000	$17,929,000
1986 bus purchase	3,089,000	2,958,000
Certificate repayment	46,000	5,782,000
Total	$22,625,000	$26,669,000
Certificate of Participation Fund:		
Claims payment	$122,589,000	$133,162,000
COPs reserve	24,058,000	12,291,000
Installment payment	18,072,000	3,485,000
Delivery costs	117,000	373,000
Bus acquisition fund	85,517,000	
	$250,353,000	$149,311,000

Continued

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 are covered up to an additional $95,500,000 and $97,500,000 by an insurance policy 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 5.0% and 7.5% in fiscal years 1992 and 1991, respectively.

The estimated liability for insurance claims at June 30, 1992 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.

Continued

4. Property, Plant And Equipment:

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

	Fixed Assets As Of June 30, 1992		
	Bus Operations	Rail Operations	Total
Bus and other vehicles	$432,157,000	$283,000	$432,440,000
Land	87,726,000	119,370,000	207,096,000
Bus maintenance and office equipment, furnishings and other	135,555,000	1,967,000	137,522,000
Building and structure	144,275,000	1,599,000	145,874,000
Work-in-progress - capital projects:			
Engineering, consulting, construction and other	49,099,000	1,135,895,000	1,184,994,000
Equipment		5,119,000	5,119,000
	848,812,000	1,264,233,000	2,113,045,000
Less: Accumulated depreciation	429,439,000	4,172,000	433,611,000
	$419,373,000	$1,260,061,000	$1,679,434,000

	Fixed Assets As Of June 30, 1991		
	Bus Operations	Rail Operations	Total
Bus and other vehicles	$436,181,000	$294,000	$436,475,000
Land	84,645,000	102,228,000	186,873,000
Bus maintenance and office equipment, furnishings and other	129,593,000	1,964,000	131,557,000
Building and structure	142,867,000	1,588,000	144,455,000
Work-in-progress - capital projects:			
Engineering, consulting, construction and other	46,862,000	988,339,000	1,035,201,000
Equipment		4,627,000	4,627,000
	840,148,000	1,099,040,000	1,939,188,000
Less: Accumulated depreciation	405,027,000	6,134,000	411,161,000
Net fixed assets	$435,121,000	$1,092,906,000	$1,528,027,000

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
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
	$7,940,000	$1,476,000	$14,835,000	$2,336,000	$22,775,000	$3,812,000
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. During February 1991, the issue was 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
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	$130,751,775

Continued

5. Long-Term Debt, Continued:

Certificates Of Participation, Continued:

On June 29, 1992, the District participated in a $118,375,000 issue of California Transit Finance Corporation Certificates of Participation (Los Angeles County Transportation Commission) 1992 Series B (the "1992 Certificates") to finance the acquisition of 333 buses and related equipment to be operated by the District. Pursuant to a Memorandum of Understanding dated as of June 1, 1992 (the "MOU") between the District and the LACTC. The LACTC will make payments equal to 20% of the annual net debt service on the 1992 Certificates. The remaining 80% is expected to be reimbursed from the FTA each year. The percentages may change in the future and the FTA grants available for such payment are subject to future Congressional appropriation and authorization. The 1992 Certificates bear interest rates ranging from 3.25% (1993) to 6.25% (2004).

	Due July 1,	
	Principal	Interest
1993	$9,865,000	$6,882,143
1994	9,865,000	6,032,135
1995	9,865,000	5,588,210
1996	9,865,000	5,119,623
1997	9,865,000	4,626,373
1998	9,865,000	4,108,460
1999	9,865,000	3,565,885
2000	9,865,000	3,003,580
2001	9,865,000	2,421,545
2002	9,865,000	1,829,645
2003	9,865,000	1,227,880
2004	9,860,000	616,250
	$118,375,000	$45,021,729

Revenue Anticipation Notes:

The District has issued $48,000,000 and $21,000,000 of Revenue Anticipation Notes due July 6, 1992 and November 24, 1992 at an interest rate of 5.125% and 4.75%, 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 $48,000,000 notes were redeemed on July 6, 1992.

Continued

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 December 31, 1991 and 1990 was $326,734,000 and $308,960,000, respectively. The District's total payroll for all employees for the years ended June 30, 1992 and 1991 was $380,017,000 and $365,059,000, respectively. Generally, the differences between covered and total payroll are a result of the exclusion of most overtime hours and of part-time employees.

As of December 31, 1991, employee membership data related to the pension plans were as follows:

	Plan			
	TCU	UTU	ATU	Noncontract
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	108	1,059	316	331
Active participants:				
Vested	282	2,100	1,004	773
Nonvested	396	2,131	936	893
Total	786	5,290	2,256	1,997

All employees except noncontract employees contribute specified percentages, as recommended by the Plans' actuary, 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.

Continued

6. Pensions And Post-Retirement Benefits, Continued:

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, 1991 (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, 1991, annual salary increases of 5% (consisting of 4-1/2% for inflation and 1/2% for merit) and no post-retirement benefit increases.

Total underfunded pension benefit obligation applicable to the District at December 31, 1991 is as follows:

	TCU	UTU	ATU	Noncontract	Total
Pension benefit obligation:					
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$6,847,480	$78,237,764	$22,958,253	$33,945,930	$141,989,427
Current employees:					
Accumulated employee contributions, including allocated investment income	2,868,246	26,915,833	11,224,220	7,504,255	48,512,554
Employer-financed vested	5,878,991	61,634,273	27,465,650	30,965,501	125,944,415
Employer-financed nonvested	8,925,225	77,126,635	35,199,672	24,728,530	145,980,062
Total pension benefit obligation	24,519,942	243,914,505	96,847,795	97,144,216	462,426,458
Net assets available for plan benefits, at cost	23,551,731	218,328,649	86,352,646	92,450,706	420,683,732
Underfunded pension benefit obligation	$968,211	$25,585,856	$10,495,149	$4,693,510	$41,742,726

Net assets available for plan benefits at market value were $483,019,404 December 31, 1991.

Continued

6. Pensions And Post-Retirement Benefits, Continued:

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, 1992 and 1991 were made in accordance with the actuarially determined requirements computed as of December 31, 1991 and 1990, respectively. Contributions to the Plans and the rate to covered employees for the years ended June 30, 1992 and 1991 are summarized as follows:

	TCU		UTU		ATU		Noncontract	
	1992	1991	1992	1991	1992	1991	1992	1991
District's contributions:								
For normal cost	$704,837	$593,930	$8,155,473	$6,903,300	$2,835,256	$1,993,167	$3,777,893	$3,642,559
For unfunded actuarial accrued liability (surplus)	(294,309)	(183,402)	(2,070,428)	(602,045)	(584,246)	41,633	(175,405)	(40,071)
District's contribution	410,528	410,528	6,085,045	6,301,255	2,251,010	2,034,800	3,602,488	3,602,488
Employees' contribution	647,200	615,706	4,855,819	4,749,112	1,511,354	1,997,803	45,053	58,990
Total contributions	$1,057,728	$1,026,234	$10,940,864	$11,050,367	$3,762,364	$4,032,603	$3,647,541	$3,661,478
Contributions as a percentage of union/noncontract covered employees' payroll:								
District's contribution	2.06%	2.33%	4.06%	4.45%	3.10%	3.59%	4.47%	5.20%
Employees' contribution	3.25%	3.15%	3.24%	3.23%	2.08%	3.10%	0.06%	*0%

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

The above presentations include the combined funding status and contributions to the "base plan" and the "23 years/50% plan" for union-represented employees. These employees contributed 1% to the base plan, with the balance funded by District contributions. The 23 years/50% plan is to be fully funded only by employee contributions over a 15-year period. The actuarial accrued liability of the 23 years/50% component totalled $43,310,261 and $19,728,232 at December 31, 1991 and 1990, respectively. The related fund deficit of the 23 years/50% component totalled $910,498 and $1,851,290 at December 31, 1991 and 1990, respectively.

Continued

6. Pensions And Post-Retirement Benefits, Continued:

Trend Information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. As of December 31, available assets (at cost) were sufficient to fund the following percentage of the pension benefit obligation per plan:

	Plan		
	1991	1990	1989
TCU	96.1%	100.5%	104.5%
UTU	89.5%	95.4%	96.0%
ATU	89.2%	94.2%	97.4%
Noncontract	95.2%	99.1%	102.8%

The unfunded pension benefit obligations, at cost as of December 31, represented the following percentages of covered payroll by plan:

	Plan		
	1991	1990	1989
TCU	4.9%	(0.6%)	(5.3%)
UTU	17.1%	7.2%	6.5%
ATU	14.5%	7.5%	3.4%
Noncontract	5.9%	1.1%	(3.4%)

The District's contributions to the Plans, which were all made in accordance with actuarially determined requirements, were the following percentage of annual payroll:

	Plan		
	1991	1990	1989
TCU	2.06%	2.18%	2.41%
UTU	4.06%	4.43%	4.45%
ATU	3.10%	3.06%	4.10%
Noncontract	4.47%	4.41%	2.75%

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 pension benefit obligation and annual covered payroll.

Continued

6. Pensions And Post-Retirement Benefits, Continued:

<u>Post-Retirement Benefits</u>:

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 for approximately 2,000 and 1,900 participants was $3,997,000 and $1,440,000 in fiscal years 1992 and 1991, respectively. The liability of providing these benefits is included in the balance sheet caption, Compensated Absences and Post-Retirement Benefits, and is $25,972,000 and $20,965,000 at June 30, 1992 and 1991, 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 FTA 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.

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).

Continued

7. Commitments And Contingencies, Continued:

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 FTA 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, 1992, the District recorded as construction-in-progress and contributed capital the amount of $161,680,000, which represents expenditures for fiscal year 1992 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, 1992, 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, 1992 and 1991 was $4,184,000 and $3,535,000, respectively. Future payments under these lease agreements are as follows:

	Operating Leases
1993	$4,179,000
1994	3,853,000
1995	2,463,000
1996	160,000
1997	119,000
Thereafter	147,000
Total minimum payments	$10,921,000

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 $8,728. 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 59-1/2, 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 Districts:

In July 1985, the District established Benefit Assessment Districts ("BADs") pursuant to California Public Utilities Code Section 33000. The BADs have been included in the District's financial statements (as discussed in Note 1). The purpose of the BADs is to provide up to $130,300,000 of construction costs needed to finance five (5) Metro Rail stations. The BADs' share of project costs will be raised through assessments levied on assessed properties located within the BADs.

Continued

11. Benefit Assessment Districts, Continued:

During 1986, the District filed a lawsuit with the Los Angeles County Superior Court to test the validity of the BADs. The Superior Court upheld the validity of the BADs and an appeal was filed. The appeal was overturned and the District filed an appeal with the California Supreme Court. The California Supreme Court upheld the validity of BADs and an appeal was filed with the U.S. Supreme Court. In June 1992, the U.S. Supreme Court declined to hear the appeal, thereby upholding the validity of the Benefit Assessment Districts. In October 1992, the District will issue bonds. The proceeds from the bond issuance will pay down the District's BADs receivables and reimburse the LACTC for its advances to the BADs.

At June 30, 1992, the BADs' share of the MOS-1 project costs was approximately $95,013,000, of which $19,200,000 has been collected from assessments, and the balance of approximately $75,813,000 has been funded by loans from the District and the LACTC of approximately $42,532,000 and $33,281,000, respectively, and is included in the accompanying financial statements. These loans were in lieu of further collections from assessments until litigation was resolved.

12. Subsequent Events:

On August 18, 1992, the District issued $70,000,000 of Revenue Anticipation Notes, Series 1992A, due on August 18, 1993 at an interest rate of 3.5%. 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.

On October 1, 1992, the District issued $154,055,000 and $8,115,000 of Revenue Bonds, Series 1992-A, for the Special Benefit Assessment Districts A1 and A2, respectively. The A1 and A2 Bonds were issued to reimburse the District and LACTC for MOS-1 Project Costs (the "Project") advanced for the construction of certain rail transit stations located within the Special Benefit Assessment Districts and to pay costs to complete the Project. The A1 Bonds due 2009 bear interest rates ranging from 3.4% to 6%. The $4,930,000 of the A2 Bonds due 2009 bear interest rates ranging from 3.4% to 6%. The remaining $3,185,000 portion of the Bonds due 2009 bear interest at 6%.

Continued

12. Subsequent Events, Continued:

On October 6, 1992, the President signed House of Representatives Bill 5518, which contained language transferring the MOS-1 Project federal grantee status from the District to the LACTC. The transfer is in accordance with the Memorandum of Understanding for the transfer of the MOS-1 Project, entered into by and between the District and the LACTC on June 24, 1992.

13. Reclassifications:

Certain fiscal year 1991 balances shown in the accompanying financial statements have been reclassified to conform to the fiscal year 1992 presentation.

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

COMPARATIVE SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY MODE
For The Fiscal Years Ended June 30, 1992 And 1991
(In Thousands)

	1992			1991		
	Total	Motorbus	Light Rail	Total	Motorbus	Light Rail
Operating revenues:						
Passenger fares	$222,211	$215,792	$6,419	$243,422	$239,023	$4,399
Route subsidies	892	892		710	710	
Auxiliary transportation	4,650	4,650		4,279	4,279	
Total operating revenues	227,753	221,334	6,419	248,411	244,012	4,399
Operating expenses:						
Transportation	354,997	332,594	22,403	311,549	304,713	6,836
Vehicle maintenance	148,815	144,309	4,506	148,851	143,980	4,871
Non-vehicle maintenance	18,209	10,824	7,385	17,027	13,360	3,667
General and administrative	124,179	116,934	7,245	138,685	115,885	22,800
Depreciation	36,819	36,297	522	46,306	46,306	
Total operating expenses	683,019	640,958	42,061	662,418	624,244	38,174
Excess of operating expenses over operating revenues	(455,266)	(419,624)	(35,642)	(414,007)	(380,232)	(33,775)
Nonoperating revenues and expenses:						
Local operating grants	350,846	314,152	36,694	322,865	288,983	33,882
State operating grants						
Federal operating grants	47,064	47,064		47,905	47,905	
Interest revenues	5,179	5,179		3,794	3,794	
Interest expenses	(3,990)	(3,743)	(247)	(7,039)	(6,731)	(308)
Loss on disposition of fixed assets	(962)	(962)		(6,322)	(6,322)	
Other	147	147		176	112	64
Total nonoperating revenues and expenses	398,284	361,837	36,447	361,379	327,741	33,638
Excess of expenses over revenues	$(56,982)	$(57,787)	$805	$(52,628)	$(52,491)	$(137)