



METROLINK

Southern California Regional Rail Authority
Comprehensive Annual Financial Report
For the Fiscal Year ended June 30, 2014

METROLINK

**SOUTHERN CALIFORNIA
REGIONAL RAIL AUTHORITY**

A Joint Exercise of Powers Agreement Among:

**Los Angeles County Metropolitan Transportation Authority
Orange County Transportation Authority
Riverside County Transportation Commission
San Bernardino Associated Governments
Ventura County Transportation Commission**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014**

Prepared by:

Finance Department



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
For the Year Ended June 30, 2014
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METROLINK®

May 22, 2015

The Board of Directors
Southern California Regional Rail Authority
One Gateway Plaza, 12th Floor
Los Angeles, CA 90012

Dear Board Members:

Submitted herewith is the Comprehensive Annual Financial Report of the Southern California Regional Rail Authority (SCRRA), Los Angeles, California for the fiscal year ended June 30, 2014. This report includes the financial position and activity of SCRRA for the fiscal year ended June 30, 2014.

The report consists of management's representations concerning the finances of SCRRA. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making the representations, management of SCRRA has established comprehensive internal controls that are designed both to protect SCRRA's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of SCRRA's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh its benefits, SCRRA's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects. The enclosed data reports the financial position and result of operations of the business-type activity of SCRRA an enterprise fund. Disclosures necessary to enable the reader to gain an understanding of SCRRA's financial activities have been included.

Moss Adams, LLP, a firm of licensed certified public accountants, audited SCRRA's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of SCRRA for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Moss Adams, LLP concluded, based upon the audit, that on a reasonable basis, SCRRA's 2014 financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of SCRRA was part of a broader, federally mandated Single Audit, under the guidelines of OMB A-133, designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements in accordance with GAAP, with a special emphasis on internal controls. Tests of transactions and account balances are performed to ensure that the information presented in the financial statements, and notes thereof, are accurate. Additionally, the recipient must prepare a Schedule of Federal Expenditures, which is a supplementary financial statement unique to recipients of federal assistance

that details all the federal assistance expended by the recipient during the year, categorized by federal program. The resulting schedules and audit results are available in the SCRRA's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. SCRRA's MD&A can be found immediately following the report of the independent auditors.

Profile of the Agency

During the late 1980's, several agencies conducted studies and developed plans for commuter rail transportation in the Southern California region. These efforts gained momentum with the passage of local sales tax measures for transportation in Riverside and San Bernardino counties, and in 1990, in Los Angeles and Orange counties. In June 1990, at the request of local officials, the California Legislature enacted Senate Bill 1402, Chapter 4 of Division 12 of the Public Utilities Code. This bill required the county transportation commissions of Los Angeles, Orange, Riverside and San Bernardino to jointly develop a plan for regional transit services within the multi-county region. Many of the supporters of commuter rail worked on state rail bond measures that passed in November 1990, and which, combined with local sources and other state funds, provided for the purchase of rail rights-of-way and construction of what was to become the Metrolink system.

In June 1991, following an eight-month cooperative planning effort, the four transportation commissions mentioned above, combined with Ventura County Transportation Commission, the Los Angeles-San Diego Rail Corridor Agency, and the Southern California Association of Governments, produced a report entitled "Southern California Commuter Rail, 1991 Regional System Plan." The report outlined plans for a system to connect Southern California with six commuter rail lines comprised of more than 400 miles of track and 60 stations by 1995. This ambitious plan would define the nation's sixth largest commuter rail system.

In August 1991, SCRRA, a regional Joint Powers Agency (JPA), was formed. Voting members with their respective number of votes are: Los Angeles County Metropolitan Transportation Authority (LACMTA), four votes; Orange County Transportation Authority (OCTA), two votes; Riverside County Transportation Commission (RCTC), two votes; San Bernardino Associated Governments (SANBAG), two votes; and Ventura County Transportation Commission (VCTC), one vote. Ex-officio members of SCRRA include the Southern California Association of Governments (SCAG), the San Diego Association of Governments (SANDAG), and the State of California Department of Transportation (Caltrans).

SCRRA is a separate entity apart from any member agency, each of which has an independent board. The member agencies and other public entities provide transportation within the counties serviced by SCRRA. SCRRA is not considered a component unit of any other reporting entity.

SCRRA's purpose is to plan, design, construct, and administer the operation of regional commuter rail lines serving the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura. SCRRA named the regional commuter rail system "Metrolink." The first three lines (San Bernardino, Santa Clarita and Ventura) started operation in October 1992. The Riverside Line was added in June 1993, and the Orange County Line that extends 19 miles into northern San Diego County was added in April 1994. The sixth line, Inland Empire-Orange County, the nation's first suburb-to-suburb commuter rail line, was added in October 1995. In May 2002, the 91 Line was added to provide travel from the Inland Empire through Fullerton and into Los Angeles. Over the first ten years of operations, SCRRA systematically built the Metrolink commuter rail system to ensure quality

and efficient services for the 21st century. During fiscal 2007, Metrolink carried its hundred-millionth passenger and opened its 55th station, maintaining its place as one of the fastest growing commuter rail systems in the nation.

Metrolink commuter rail system's six-county service area encompasses approximately 2,300 square miles, with a population of over 20 million, and provides service over 500 route miles.

Economic Condition and Outlook

SCRRA receives its primary funding from its member agencies. The majority of sources for transportation funds in these counties are local sales taxes (with the exception of Ventura County), State Rail Bond funds, State Transit Assistance funds, State Highway Account funds, State Transit Capital Improvement funds and Federal Transit Administration Capital funds.

California's Global Warming Solutions Act of 2006 (AB32) sets a series of policies and programs to return California emissions to 1990 levels by 2020. The Cap and Trade Program caps greenhouse gas (GHG) emissions from key sectors in California, ensuring that AB32 GHG reductions are met. California has passed a massive \$156.4 billion state budget that will take revenues from the state's cap-and-trade program to help pay for a high-speed rail project. Beginning in 2015, SCRRA will receive funding via formula and can compete for additional Cap and Trade funds.

SCRRA's revenue sources are sensitive to the economic conditions of the Southern California region and state funding is influenced by statewide economic conditions. The toll of the recession in California has been most visible in labor markets. However, the unemployment rate has trended down since the end of 2010. California's unemployment rates for June in 2011, 2012, 2013 and 2014 were 11.7, 10.4, 8.8 and 7.5, respectively.

Southern California provides an opportunity for additional rail services through the six counties served by Metrolink. The Authority continues to partner with regional and state transit authorities to participate in discussions on alternate transportation opportunities.

Long-term Financial Planning

Proactive financial planning is a critical element for the success of Metrolink as it builds for the future. Continually reviewing revenues and projecting expenditures ensures that expectations are realistic and goals are achievable. Scarce resources, especially at the state and federal level, can be directed to projects of regional significance or, with additional funding, project priorities can be expanded to address unfunded project requirements or developing needs.

The federal government is a source of funding through the various surface transportation programs. In 2012, Moving Ahead for Progress in the 21st Century (MAP-21) was approved by the federal government to authorize funding for the Federal Highway Administration, Federal Transit Administration, Pipeline and Hazardous Materials Safety Administration, and Federal Motor Carrier Safety Administration. MAP-21 funded surface transportation for fiscal years 2013 and 2014. Additional federal dollars are needed for capital programs and could assist with operations, if allowed. Program resources depend on the authorization of federal funding by Congress and the President. MAP-21 expires May 31, 2015. A new authorization is necessary for continued funding beyond that date.

Like governmental agencies at all levels, SCRRA continues to face a number of challenges with respect to the

current economic environment including operating expenses as well as subsidies received from our Member Agencies, the State, and Federal governments. As an agency without a direct base of significant discretionary revenues, SCRRRA must rely on the contributions, both operating and capital, from our funding partners, each of whom faces multiple priorities.

At the state level, the California legislature passed its FY 2014-15 budget with an increase of nearly \$7 billion, largely due to voter approval of the sales and income tax initiative, Proposition 30, and personal income tax growth. Personal income tax is projected to increase over seven years while sales tax will increase by 0.25 percent over four years. A major component of the budget includes a reduction in Caltrans staffing to reflect the waning proceeds of the Proposition 1B bond. Additionally, the California Public Employees' Pension Reform Act of 2013 (PEPRA) became effective in January 2013. This legislation is part of the Governor's approach to address state budget deficits through several changes to the pension benefits that may be offered to employees.

Analysts predict that the continuing improvement in the state's economic outlook may provide an opportunity to restore some spending cuts which is supported by the current budget estimate for 2015-16 that is \$8 billion above 2014-15. Although the budget signed by Governor Brown does equate revenues with expenses, there is still concern about the federal deficit debate, the state's heavy reliance on wealthy earners, and huge unfunded pension and retiree health care liabilities.

At the regional level, SCRRRA supports the South Coast Air Quality Management District's (SCAQMD) mission statement and strives to assist in the promotion of clean air in Southern California. In partnership with SCAQMD, SCRRRA is working towards the reduction of locomotive emissions through the acquisition of 20 Tier 4 locomotives which will be delivered in FY 2016 and 2017.

At the county, or member agency level, portions of county sales taxes and state and federal grants are directed to SCRRRA. Future renewals of sales taxes, new sales taxes or new revenue, such as from high-occupancy / toll lanes may provide opportunities for funding. The continued pursuit of dependable, reliable, and predictable funding sources remains an ongoing and significant priority for the agency in order to ensure and improve both current and future operations and the necessary capital- infrastructure.

Major Initiatives

In the past year SCRRRA achieved a number of significant milestones:

- Continued significant progress on implementation scheduled in FY 2013-14 for the Positive Train Control technology across Metrolink's 512 mile system and overcame significant challenges that impacted its original schedule;
- Began Revenue Service demonstration of the Positive Train Control on three rail lines;
- Have on order 20 replacement locomotives that comply with the current EPA Tier-4 emission standards;

Acknowledgements

The CAFR each year is a collaborative effort by SCRRA staff and its independent auditors. The undersigned is grateful to all for their willingness to expend the effort necessary to ensure the financial information contained herein is informative. Special thanks are extended to the Finance team, SCRRA's auditors, management and staff for their time and effort. Their commitment was so vital for the final completion of the CAFR.

Special appreciation is extended to the Board and their leadership for providing a vision that will ensure SCRRA is prepared for the challenges and opportunities of the future.

Respectfully,



Sam Joumbat
Chief Financial Officer



VENTURA COUNTY

LOS ANGELES COUNTY

SAN BERNARDINO COUNTY

PACIFIC OCEAN

RIVERSIDE COUNTY

ORANGE COUNTY

SAN DIEGO COUNTY

metrolinktrains.com

METROLINK

METROLINK ROUTES

- Antelope Valley Line
- Inland Empire-Orange County Line
- Orange County Line
- Riverside Line
- San Bernardino Line
- Ventura County Line
- 91 Line
- Future Stations
- ● Station Served by Multiple Lines
- Amtrak Pacific Surfliner
- M M M M M Metro Rail/Metro Bus
- ✈ LAX FlyAway Bus
- ▬ San Diego North County Transit District

Effective September 30, 2013



MAP NOT TO SCALE

Escondido SPRINT

COASTER

June 30, 2014

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

BOARD OF DIRECTORS

MEMBERS

ALTERNATES

Los Angeles County Metropolitan Transportation Authority (Metro)

Michael Antonovich
Supervisor, 5th District
County of Los Angeles
Metro Board

Robert T. Bartlett
Metro Appointee

Don Knabe
Supervisor, 4th District
County of Los Angeles
Metro Board

Richard Katz
Metro Appointee

Paul Krekorian
Councilmember, 2nd District
Metro Board

Currently awaiting appointment

Ara Najarian
Council Member
City of Glendale
Metro Board

Tom Lackey
Mayor Pro Tem
City of Palmdale
Metro Appointee

Orange County Transportation Authority (OCTA)

Michael Hennessey (*Vice-Chair*)
Public Member
OCTA Board

Carolyn Cavecche*
OCTA Appointee

Shawn Nelson
Supervisor, 4TH District
County of Orange
Chair, OCTA Board

Todd Spitzer*
Supervisor, 3RD District
County of Orange
OCTA Board

Riverside County Transportation Commission (RCTC)

Daryl Busch (*2nd Vice-Chair*)
Mayor
City of Perris
Vice-Chair, RCTC Board

Andrew Kotyuk*
Council Member
City of San Jacinto
RCTC Board

Karen Spiegel
Mayor
City of Corona
RCTC Board

Adam Rush*
Mayor Pro-Tem
City of Eastvale
RCTC Board

June 30, 2015

MEMBERS

ALTERNATES

San Bernardino Associated Governments (SANBAG)

Larry McCallon (*Chair*)
Mayor Pro Tern
City of Highland
SANBAG Board

James Ramos*
Supervisor, 3RD District
County of San Bernardino
SANBAG Board

Paul Eaton
Mayor
City of Montclair
SANBAG Board

Alan D. Wapner*
Mayor ProTem
City of Ontario
SANBAG Board

Ventura County Transportation Commission (VCTC)

Keith Millhouse
Council Member
City of Moorpark
VCTC Board

Brian Humphrey
Citizen Representative
VCTC Board

EX-OFFICIO MEMBERS

Southern California Association of Governments:

Ron Roberts
Councilmember
City of Temecula

San Diego Association of Governments:

Currently awaiting appointment

Contact:
Linda Culp
Principal Planner -Rail

State of California:

Carrie Bowen
Interim Director, Caltrans District 7

Currently awaiting appointment

*Alternates represent either member

Southern California Regional Rail Authority

June 30, 2014 SCRRA EXECUTIVE AND MANAGEMENT TEAM

SENIOR LEADERSHIP TEAM

Chief Executive Officer	Michael DePallo
Chief Finance Officer	Sam Joumblat
Chief Marketing and Communications Officer	Robert Turnaukas
Chief Operating Officer	Gary Lettengarver
Chief Operations Support Officer	Albert Scala
Director, Human Resources	Patricia Francisco

LEGAL COUNSEL

General Counsel	Don Del Rio
Associate Counsel	Geoffrey Forgione
Senior Counsel, Risk Manager	William Garrett

INTERNAL AUDIT

Chief Auditor	Barbara Manning
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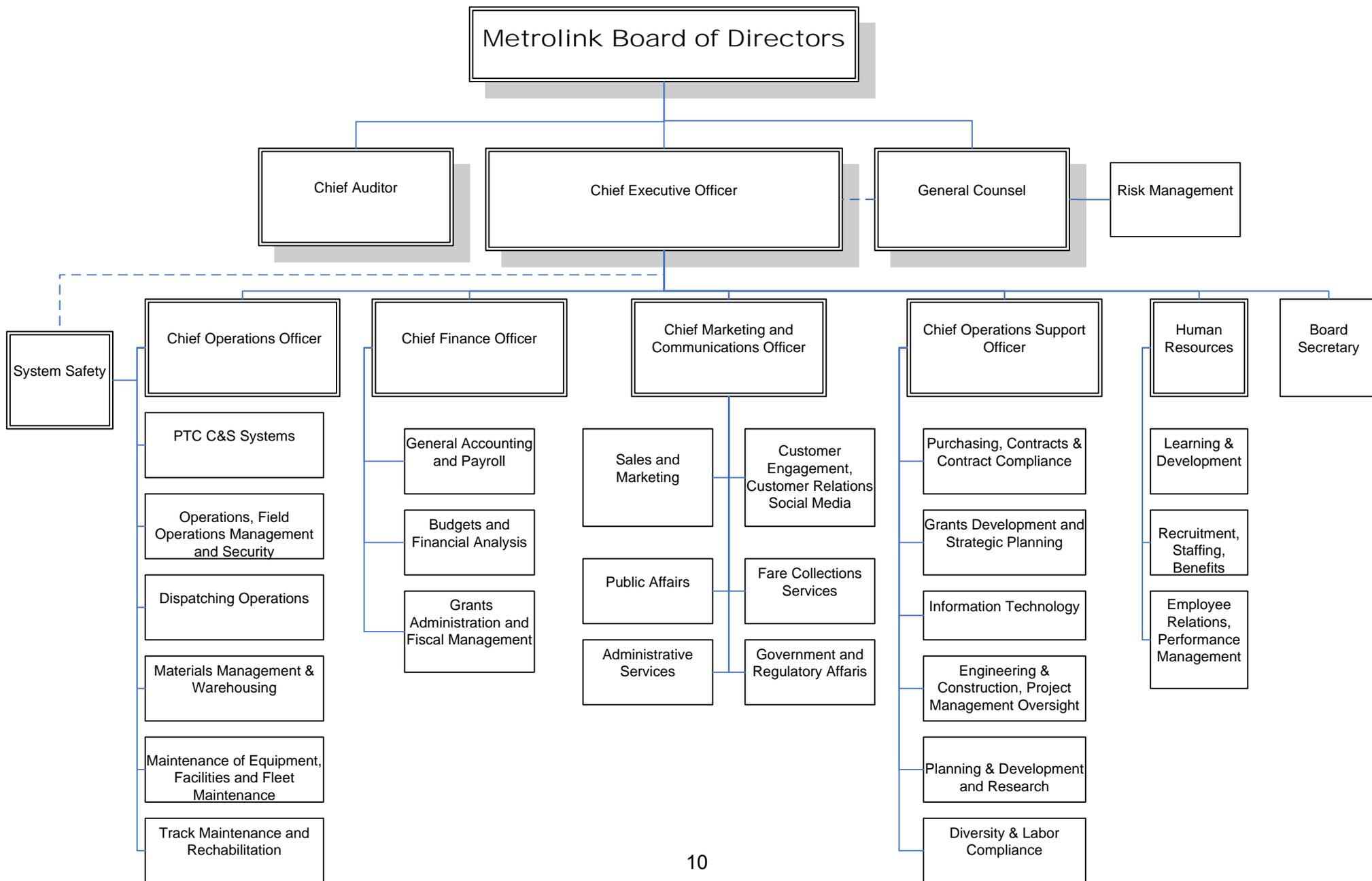
MANAGEMENT TEAM

Senior Director, Information Technology	Arun Chakladar, Interim
Senior Director, PTC	Darrell Maxey
Controller	Thomas Franklin
Director, Customer Engagement	Mark Nitti
Director, Dispatching Operations	Gail Davis
Director, Engineering and Construction	William Doran
Director, Fare Collections Services	Russell Case
Director, Maintenance of Equipment	Richard Tripoli – Interim
Director, Operations	R. T. McCarthy
Director, Public Affairs	Jeffrey Lustgarten
Director, Special Projects (Materials Management & Warehousing)	Gary Thompson
Director, System Safety	Fred Jackson
Assistant Director, Capital Construction and Rehabilitation	Stuart Chuck
Assistant Director, Purchasing, Contracts & Contract Compliance	Lia McNeil Kakaris
Assistant Director, C&S Rehabilitation and Maintenance	Phillip LaBreche
Assistant Director, PTC Communications Systems	Jerone Hurst
Assistant Director, PTC Network Architecture	Jay Peterson
Assistant Director, PTC Operating Practices	Sergio Marquez
Assistant Director, PTC Technical Services	Jaime Romo
Assistant Director, Program Management Office	Mary Lou Williams
Assistant Director, Public Projects	Patricia Watkins
Assistant Director, Standards and Design	Naresh Patel
Assistant Director, T&S Maintenance & Rehabilitation	Wayne Mauthe

Southern California Regional Rail Authority

Fiscal Year 2013-2014 Organizational Structure

As of June 30, 2014



METROLINK

MISSION STATEMENT

Metrolink is a premier regional rail system, including commuter and other passenger services, linking communities to employment and activity centers. Metrolink provides reliable transportation and mobility for the region, leading toward more livable communities. Metrolink accomplishes its mission by providing technically superior and safe operations, customer focus and accessibility, dependable, high quality service, cost-effective and high-value service, strategically located network of lines and stations, integration with other transit modes, environmental sensitivity and community involvement and partnerships with both public and private sectors.

The Heart of Metrolink Mission to Excellence

To provide an outstanding passenger experience on every ride with safe, clean, dependable and on-time operations.



METROLINK®

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Southern California Regional Rail Authority
Los Angeles, California

Report on Financial Statements

We have audited the accompanying financial statements of Southern California Regional Rail Authority (SCRRA), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern California Regional Rail Authority as of June 30, 2014, and changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the SCRRA adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in the reclassification of certain items as deferred inflows of resources for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

June 30, 2013, Financial Statements

The financial statements as of and for the year ended June 30, 2013, before restatement described in *Note 2(i) Components of Net Position*, were audited by other auditors, whose report, dated May 31, 2014, expressed a qualified opinion on those financial statements due to the auditors' inability to observe the inventory count and to conduct alternative procedures to attest to the correctness of the inventory balance at June 30, 2013, due to timing of their engagement to conduct the audit.

In addition, those other auditors included an emphasis-of-matter paragraph describing adoption of certain accounting principles and other-matters paragraph reporting on required supplementary information and other information.

As part of our audit of the June 30, 2014, financial statements, we also audited the adjustment described in *Note 2(i) Components of Net Position* that was applied to restate the 2013 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of SCRRA other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, modified approach for infrastructure, and schedule of funding progress, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SCRRA's financial statements as a whole. The introductory and statistical sections are not part of the basic financial statements, but are supplemental information presented for the purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 22, 2015, on our consideration of SCRRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCRRA's internal control over financial reporting and compliance.



Los Angeles, California
May 22, 2015

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

INTRODUCTION

The following discussion and analysis of the financial performance and activity of Southern California Regional Rail Authority (SCRRA or Authority) is offered to the reader to provide an introduction and understanding of the basic financial statements of SCRRA for the year ended June 30, 2014 with comparative information for the year ended June 30, 2013. This Management's Discussion and Analysis (MD&A) is presented in conjunction with the letter of transmittal, the basic financial statements, notes to the basic financial statements, and other required supplementary information.

The basic financial statements include (1) the Statements of Net Position, (2) the Statements of Revenues, Expenses and Changes in Net Position (3) the Statements of Cash Flows. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The Statements of Net Position provide information about the nature and amounts of investments in resources (assets) and the obligations and deferred outflow of resources of SCRRA, with the difference between the two reported as net position.

The Statements of Revenues, Expenses and Changes in Net Position provide information about SCRRA's changes in net position and accounts for the current year's revenue and expenses, measures SCRRA's operation during the period, and can be used to determine how the Authority funded its costs.

The Statements of Cash Flows provide information about SCRRA's cash receipts, disbursements and net changes in cash resulting from operations, noncapital financing, and capital and related financing, and investing activities.

The notes to the basic financial statements provide information that is essential to understanding the financial statements, such as SCRRA's accounting methods and policies, details of cash and investments, employee benefits, lease transactions, and future commitments and contingencies of the Authority and information about other events or developing situations that could materially affect SCRRA's financial position.

Required supplementary information provides information concerning SCRRA's infrastructure assets and progress in funding its obligation to provide pension benefits to its employees.

FINANCIAL REPORTING ENTITY

SCRRA is an independent entity created in August 1991 through a joint exercise of powers agreement (JPA). SCRRA began operating the "Metrolink" regional commuter rail system in October 1992. As part of the JPA, Los Angeles County Metropolitan Transportation Authority (Metro), Orange County Transportation Authority (OCTA), Riverside Transportation Commission (RCTC), San Bernardino Associated Governments (SANBAG) and Ventura County Transportation Commission (VCTC), the member agencies, acquired the rail network in existence at the time of the JPA for use in Metrolink commuter rail operations. This railroad network is not included as part of Metrolink's railroad network capital assets. The member agencies retain title to and ownership of those assets. As part of

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

the JPA, Metrolink is responsible for the related maintenance and operation of members' assets and rail right-of-way used in operations.

Additionally, certain members retain responsibility to maintain segments of their railroad network. The Metrolink railroad network consists of capital assets created as a result of new capital construction and major capital improvement projects. Currently there are over 500 route miles with 55 stations in the Metrolink system throughout Los Angeles, Orange, Riverside, San Bernardino, Ventura and San Diego counties.

The government of SCRRA is a Board of Directors composed of 11 members appointed by the voting members of the JPA.

The member agencies with their respective number of votes are:

Los Angeles County Metropolitan Transportation Authority (LACMTA).....	4
Orange County Transportation Authority (OCTA).....	2
Riverside County Transportation Commission (RCTC).....	2
San Bernardino Associated Governments (SANBAG).....	2
Ventura County Transportation Commission (VCTC).....	1

SCRRA is not considered a component unit of any other reporting entity.

CONDENSED FINANCIAL INFORMATION

The following sections discuss the significant changes in SCRRA's financial position as of June 30, 2014, June 30, 2013, and June 30, 2012 and for the period ending June 20, 2014, June 30, 2013 and June 30, 2012. An analysis of major economic factors and industry trends that have contributed to these changes is provided. For purposes of the MD&A, summaries of the financial statements and various exhibits presented are in conformance with SCRRA's financial statements. For more information regarding SCRRA's capital assets, please refer to Note 5 of the Notes to Basic Financial Statements.

TOTAL ASSETS DISTINGUISHED BETWEEN CAPITAL AND OTHER ASSETS (in thousands)

	2014	%	2013	%	2012	%
Current assets	\$ 139,546	9%	\$ 160,164	11%	\$ 163,900	11%
Capital assets, net	1,354,221	89%	1,311,357	86%	1,201,590	85%
Other noncurrent assets	36,104	2%	46,662	3%	49,664	4%
Total Assets	\$ 1,529,871	100%	\$ 1,518,183	100%	\$ 1,415,154	100%

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

CAPITAL ASSETS

ASSET TYPE	2014	2013	2012
Infrastructure assets	50%	48%	45%
Construction in progress	16%	14%	24%
Rolling stock, net	25%	28%	22%
Building, net	8%	9%	8%
Other, net	1%	1%	1%
TOTAL	100%	100%	100%

JUNE 30, 2014 VERSUS JUNE 30, 2013

Capital assets increased by \$42.9 million or 3% from the prior year. The increase is primarily composed of an increase in construction in progress of \$32.6 million and infrastructure of \$39.1 million, offset by an increase in accumulated depreciation of \$28.8 million. The increase in construction in progress is attributed to Positive Train Control (PTC) and Tier-4 locomotive procurement, not put in service by year end. Tier 4 Locomotive meets the U.S. Environmental Protection Agency's (EPA) stringent Tier 4 emission standards. The PTC program also increased infrastructure by \$31.3 million for microwave radio dishes, fiber optics, cables & Ethernet radio part of a hierarchical telecommunications network and \$3.3 million for intrusion detection system for two tunnels. In addition, infrastructure increased due to signal enhancements.

JUNE 30, 2013 VERSUS JUNE 30, 2012

Capital assets increased by \$109.8 million or 9%. Construction in progress and rolling stock as a percentage of total capital assets, net of depreciation is 14% and 28% respectively, compared to 24% and 22% in fiscal year 2012. The variance was mainly due to transfer of the Fullerton, Laguna Niguel facilities and Union station platforms and rolling stock vehicles from construction in process to capital assets because these projects were substantially completed in fiscal year 2013.

TOTAL LIABILITIES DISTINGUISHED BETWEEN CURRENT, NONCURRENT LIABILITIES AND DEFERRED IN-FLOW OF RESOURCES (in thousands)

	2014	%	2013	%	2012	%
Current liabilities	\$ 128,004	76%	\$ 162,223	81%	\$ 140,668	81%
Noncurrent liabilities	34,737	21%	35,330	17%	27,853	16%
Deferred inflow of resources	4,250	3%	4,658	2%	5,848	3%
Total Liabilities and Deferred Inflows	<u>\$ 166,991</u>	100%	<u>\$ 202,211</u>	100%	<u>\$ 174,369</u>	100%

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

LIABILITIES & DEFERRED INFLOW BY TYPE	2014	2013	2012
Accounts payable and accrued liabilities	39%	44%	28%
Advances for construction and retention	6%	9%	6%
Unearned revenue	28%	25%	42%
Other current liabilities	1%	1%	1%
Compensated absences	2%	1%	1%
Notes payable	11%	9%	3%
Other post-employment benefits liability	7%	6%	10%
Claims and judgments payable	3%	3%	6%
Deferred lease proceeds	3%	2%	3%
TOTAL	100%	100%	100%

JUNE 30, 2014 VERSUS JUNE 30, 2013

Total liabilities decreased by \$35 million or 17% includes decreases in accounts payable and accrued liabilities, advances for construction and retention, and unearned revenue of \$22.6 million, \$7.5 million and \$4.7 million, respectively. In addition to the timing of payments between the fiscal years, accrued liabilities decreased \$17 million due to progress payments made towards the procurement of locomotive cars. The decrease in deferred revenues is primarily attributable to the use of Prop 1B funds of \$14 million, offset by new Prop 1B funding of \$9 million in fiscal year 2014.

JUNE 30, 2013 VERSUS JUNE 30, 2012

Total liabilities and deferred in-flow of resources increased by \$27.8 million or 16%. The increase in current liabilities of \$21.5 million or 17% is primarily attributable to an increase in accounts payable and accrued liabilities of \$42 million offset by a decrease in deferred revenue. The increase in accounts payable and accrued liabilities is a result of the timing of payments made for fiscal year 2013 goods and services subsequent to June 30, 2013. The decrease in deferred revenues is primarily attributable to a significant drop in Prop 1B funding received in fiscal year 2013. The decrease is in part due to the state government allotted Prop 1B funding to fiscal year 2012. Contrary to fiscal year 2012, the Prop 1B funding receipt in fiscal year 2013 was \$7.9 million by comparison with \$44.3 million Prop 1B funding received in fiscal year 2012.

TOTAL NET POSITION DISTINGUISHED AMONG AMOUNTS INVESTED IN CAPITAL AND UNRESTRICTED (in thousands)

	2014	%	2013	%	2012	%
Net investment in capital assets	\$ 1,336,221	99%	\$ 1,293,357	98%	\$ 1,183,590	95%
Unrestricted	26,659	1%	22,615	2%	57,195	5%
Total Net Position	\$ 1,362,880	100%	\$ 1,315,972	100%	\$ 1,240,785	100%

Since long term debt across fiscal years remained the same, the increase in *Net investment in capital assets* is solely attributed to the change in capital assets discussed earlier. The increase in unrestricted net position of \$4 million or 18% is discussed in *CHANGE IN NET POSITION*.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

CHANGE IN NET POSITION (in thousands)

	2014	2013	2012
Operating loss	\$ (137,708)	\$ (135,306)	\$ (133,598)
Non-operating revenue, net	98,413	90,771	77,998
Capital grants and subsidies	86,203	119,722	173,476
Change in Net Position	\$ 46,908	\$ 75,187	\$ 117,876

JUNE 30, 2014 VERSUS JUNE 30, 2013

The increase in total net position of \$46.9 million is comprised of capital grants and subsidies of \$86.2 million; non-operating revenue of \$98.4 million; and operating losses of \$137.7 million.

JUNE 30, 2013 VERSUS JUNE 30, 2012

The increase in total net position of \$75.1 million or 6% is comprised of capital grants and subsidies of \$119.7 million; non-operating revenue of \$90.7 million; and operating losses of \$135.3 million. The decrease in capital grants and subsidies and increase in operating loss is in part offset by the increase in total non-operating revenues in fiscal year 2013.

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION (in thousands)

	2014	2013	2012
Operating revenues	\$ 130,120	\$ 130,279	\$ 123,330
Operating expenses	267,828	265,585	256,928
Operating loss	(137,708)	(135,306)	(133,598)
Operating subsidies and grants	97,245	89,569	76,930
Net appreciation (depreciation) in fair value of investments	19	11	(406)
Amortization of deferred gain of lease / leaseback	408	1,190	1,396
Interest income	1,344	1	78
Net loss on disposal of capital assets	(603)	-	-
Total non-operating revenue	98,413	90,771	77,998
Loss before capital grants and subsidies	(39,295)	(44,535)	(55,600)
Capital grants and subsidies	86,203	119,722	173,476
Increase in net position	46,908	75,187	117,876
Net position at beginning of year	1,315,972	1,240,785	1,122,909
Net position at end of year	\$ 1,362,880	\$ 1,315,972	\$ 1,240,785

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

REVENUE AND EXPENSE BY MAJOR SOURCE (in thousands)

	2014	2013	2012
Revenues			
Fares	\$ 85,673	\$ 84,360	\$ 79,986
Other operating revenue	44,447	45,919	43,344
Grants and subsidies	183,448	209,291	250,406
Other non-operating revenue	1,771	1,202	1,068
Total revenues	\$ 315,339	\$ 340,772	\$ 374,804
Expenses			
Train operations	\$ 151,575	\$ 147,556	\$ 129,860
Maintenance of way	29,867	29,313	24,127
Capital program	11,782	11,214	34,282
Other operating expenses	74,604	77,502	68,659
Non-operating expense	603	-	-
Total expenses	\$ 268,431	\$ 265,585	\$ 256,928

JUNE 30, 2014 VERSUS JUNE 30, 2013

Revenue decreased \$25.4 million or 7%, with a decrease in other operating revenue and grants and subsidies of \$1.5 million and \$25.8 million, respectively, offset by an increase in fare revenue of \$1.3 million and an increase in non-operating revenue of \$569,000. Other operating revenue decrease is primarily attributed to a decrease in third party agreement and maintenance of way revenue of \$2 million and \$2.6 million, respectively, offset by an increase of \$3.1 million in public liability and property damage recovery. Maintenance of way decrease includes a reduction of \$1.4 million due to Burlington Northern Santa Fe Railway's (BNSF's) cessation of freight rail operations in the west end rail segment. The \$3.1 million increase in public liability and property damage recovery was due to use of contract recovery on current computer aided design (CAD) charges for the Positive Train Control (PTC) project. The decrease in capital grants and subsidies is largely due to a reduction in the proposition 1B and proposition 1A funding of PTC expenditures and rolling stock procurement.

Fare revenue increased \$1.3 million in fiscal year 2014 or 2%. The increase is attributed to a 5% system-wide average fare increase offset by a 2.7% decrease in ridership.

Operating expense had a moderate increase of \$2.2 million or 1% from the prior year, primarily consisting of increases in train operations, maintenance of way and rehabilitation and renovation expense of \$4 million, \$554,000 and \$568,000, respectively, offset by a reduction in bad debt expense.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

Train operation expenses include expenses required to operate the Metrolink system. Such expenses include: train crews, maintenance of equipment, diesel fuel, security, utilities, revenue collection, dispatching, and passenger services, general and administrative and professional expenses. Train operation expenses increased by \$4 million or 3%. The increase in train operation expenses was primarily attributed to increased services and contractual escalators in the multiyear contract, and the procurement of parts needed to repair the aging fleet of rolling stock. Maintenance of way expenses increased due to PTC operational activities.

Other operating expenses include third-party agreements, insurance, claims, judgements and other, public liability and property damage, and depreciation. Overall, other operating expenses decreased \$2.9 million due to a decrease in third party expenditures, insurance, and public liability and property damages of \$3.1 million, \$372,000 and \$572,000, respectively, offset by an increase in claims and judgements of \$422,000 and an increase in depreciation expense of \$792,000. Claims and judgments expenditures reflect a reserve management believes will adequately fund future judgements.

JUNE 30, 2013 VERSUS JUNE 30, 2012

Revenues from grants and subsidies in fiscal year 2013 were lower than fiscal year 2012 by \$41.1 million or 16%. The decrease is primarily attributable to a decrease in funding for the Rotem rolling stock procurement as this program was substantially completed in fiscal year 2012 with significantly less activity in fiscal year 2013.

Fare revenue for the 12 months ended June 30, 2013 increased \$4.4 million or 5% over fare revenue for the 12 months ended June 30, 2012. Total increase in passenger fares in FY13 over FY12 is attributed primarily to a 5% system-wide average fare increase.

Other operating revenues include revenue from dispatching, third party agreements, and maintenance of way services. Total increase in other operating revenues is primarily attributed to increases in maintenance of way by \$867,000 or 6% and third party agreement by \$2.1 million or 8%. Public liability and property damage recovery as well as miscellaneous increased, and were offset by a decrease in dispatching revenue. Overall, other operating revenue increased by \$2.6 million or 6%.

Train operation expenses increased by \$17.7 million or 14%. The increase in train operation expenses was primarily attributable to an increase in diesel fuel costs, train crews and equipment maintenance. The diesel fuel increase was the result of continued market increases in fuel prices during FY13. Train crew and equipment maintenance costs increased due to an increase in service levels.

Overall, other operating expenses increased by \$8.9 million or 13%. The primary increase was due to an increase in third party agreements by \$3.2 million or 12% and depreciation expenses by \$8.2 million or 36%. Operating expenses for insurance remained relatively flat in fiscal year 2013 and the same for public liability and property damage. Claims, judgments and other related expenses decreased by \$2.3 million in fiscal year 2013 in comparison to fiscal year 2012 mainly due to the one time reserve established in fiscal year 2012.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

CAPITAL ASSETS

INFRASTRUCTURE ASSETS – MODIFIED APPROACH

SCRRA elected to use the modified approach in reporting the railroad network (track, tunnel and bridge structures, and signals and communications). Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as certain requirements (which are disclosed in the accompanying basic financial statements and required supplementary information) are met. One such requirement is that the infrastructure is maintained at an established condition level. SCRRA adopted a condition rating of 75 points as the minimum acceptable Railroad Condition Index (RCI) for the entire railroad network (including subsystems). In accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board, a full condition assessment must be performed on all infrastructure assets every three years. SCRRA performed condition assessment on track, bridges and tunnels in fiscal year 2013. Signal and communication assessments were performed in fiscal year 2014. The system wide condition assessment conducted as of the two year period ended June 30, 2014 resulted in an overall rating of 81 points. This is in compliance with SCRRA's adopted condition rating of 75 points as the minimum acceptable Railroad Condition Index (RCI) rating for the entire network (including subsystems).

Management seeks to maintain infrastructure above the minimum required level approved by the Board and above minimum standards required by the Federal Railroad Administration. SCRRA estimated the amount needed to maintain or preserve the infrastructure assets to be \$73.2 million (carryover budget of \$33.4 million, plus additional FY14 budget of \$39.8 million), and actual expenses totaled \$42.8 million (See Required Supplementary Information, Note 1).

Construction in progress increased by \$32.6 million or 18%, primarily due to Positive Train Control and Tier-4 locomotive procurement. Capital resources from local, state and federal funding sources funded capital projects from start up through completion throughout fiscal year ended June 30, 2014.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION AND IMPORTANT ECONOMIC CONDITIONS

Leading economic indicators show that the regional economy continues to be impacted by the last national recession, particularly in decreased spending and a housing slowdown. There is continuing uncertainty related to the fiscal condition of the state of California and the impact on transportation as well as the status of the federal transportation trust fund and appropriation bill. The stabilization of the financial sector, a decrease in the pace of job destruction, the near-bottoming of the housing market, and an increase in industrial production suggest that the worst of the Great Recession is behind us. The debate is now framed in terms of the speed, quality and sustainability of this recovery, with the majority expecting a sluggish, below-trend growth. In light of all continued uncertainty SCRRA continues to pursue operating efficiencies and strategies for identifying sources of funding in order to provide the quality of service our constituents deserve.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

Funding for transit and/or SCRRA is not dependent on the state's overall economic health; however, sales tax revenues, a major source of transit funding, is dependent on consumer spending which is an overall indicator of the state's economic health.

The Board-approved FY 2014 annual budget included \$346.1 million in new and outstanding project authority. SCRRA is responsible for the safety and performance of the railroad network asset and the right-of-way and all that travel upon it. Projects are selected based on the principle of minimizing and managing the risk of failure among system components, including rail vehicle equipment (Note 5).

The FY 2014 annual budget contained several important New Capital and Rehabilitation projects that will more efficiently operate passenger and freight services on member agency owned routes. These projects include: Development of Positive Train Control (PTC) a predictive collision avoidance system; consolidation of various facilities into a more centrally located structure to collaboratively support PTC and network operations; fencing, access control and intrusion detection for two tunnels along the Antelope Valley line; a 3-track wide raised and retained railroad embankment and new railroad bridges over Buena Vista and Empire Avenue, closing San Fernando Road underpass and construction new permanent main track and 7,500 foot siding to accommodate Caltrans I-5 High-Occupancy Vehicle (HOV) lanes; and Tier 4 locomotive replacement program, replacing up to 20 Tier 0 locomotives with new Tier 4 locomotives. In addition to lower emission levels, Tier 4 locomotives will allow trains to run for longer periods as part of planned additional service and longer train sets needed to support high speed rail.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

FY 2015 ADOPTED BUDGET

SCRRA's FY 2015 annual budget includes approximately \$221.5 million for the Operating Budget, an increase of 5% over FY2014 budget; \$90.8 million for the Rehabilitation Capital Budget, an increase of 6% over FY2014 budget; and \$162.5 million for the New Capital Budget, a decrease of 38% from FY2014 budget. This budget anticipates operations for 167 weekday trains and 90 weekend trains, as well as the ongoing maintenance of track within the five counties represented by SCRRA's member agencies.

ROLLING STOCK PROCUREMENT

This project is continued from the prior year and includes funds committed for the procurement of 137 additional passenger rail cars equipped with the first of its kind Crash Energy Management features.

TIER 4 LOCOMOTIVE PROCUREMENT

This project continued from the prior year to replace up to 20 Tier 0 locomotives with new Tier 4 locomotives that comply with EPA Tier-4 emissions standards.

ROLLING STOCK REHABILITATION PROGRAM

10 EMD PH/PHI locomotives will remain in service after the new Tier-4 locomotives are placed in service. These locomotives are over 20 years old and past the point at which a midlife overhaul would have been performed. The FY 2015 budget includes overhaul of 4 to 5 of the EMD locomotives.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

POSITIVE TRAIN CONTROL

Positive Train Control (PTC) is a federally mandated program, included in the Rail Safety Improvement Act, to install a predictive collision avoidance system that will first provide a warning to train operators and then intervene and stop a train before a collision or other hazardous train movement can occur. PTC must be installed on the SCRRA system and all Passenger Inter-City Railroads by December 31, 2015. SCRRA has overcome challenges that impacted its original schedule and remains a leader in PTC implementation amongst commuter railroad agencies. In February 2014, SCRRA began operating PTC-equipped trains in Revenue Service Demonstration (RSD) mode on the BNSF 91-Line; other lines had gone into RSD, such as the San Bernardino Line, the Ventura County Line and the Antelope Valley Line. SCRRA intends on having RSD across all track dispatched by late summer 2015 to validate the PTC system functionality, successful integration and testing of the complex systems components. The Authority expects to submit the PTC Safety Plan to the Federal Railroad Administration (FRA) by July 1, 2015 in order to achieve FRA System Certification before the end of 2015, which would be ahead of the current Federal mandate. Funding is partially provided by Federal American Recovery and Reinvestment ACT of 2009 (ARRA) funds, MTA Measure R funds, as well as other local, state and federal sources.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Management's Discussion and Analysis

For the years ended June 30, 2014 and 2013

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of SCRRA's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Southern California Regional Rail Authority, One Gateway Plaza, 12th Floor, and Los Angeles, CA, 90012.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statements of Net Position

June 30, 2014 and 2013

(in Thousands)

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets:		
Cash and cash equivalents (note 2b + note 3)	\$ 34,643	\$ 16,621
Due from other agencies, net of allowance for uncollectible accounts (note 4)	77,690	124,770
Prepaid expenses	105	365
Trade and other receivables, net of allowance for uncollectible accounts of \$224 and \$69, respectively	10,323	8,138
Inventory	16,785	10,270
	<u>139,546</u>	<u>160,164</u>
Total current assets		
Noncurrent assets:		
Restricted cash and cash equivalents (note 2b + note 3)	36,104	46,662
Capital assets (note 5):		
Non-depreciable	884,659	812,971
Depreciable, net of accumulated depreciation of \$303,976 and \$273,051, respectively	469,562	498,386
	<u>1,390,325</u>	<u>1,358,019</u>
Total noncurrent assets		
Total assets	<u>\$ 1,529,871</u>	<u>\$ 1,518,183</u>
Liabilities, deferred outflow of resources and net position:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 67,176	\$ 89,804
Advances for construction	8,590	14,153
Retention payable	979	2,954
Unearned revenue and advances on capital purchases (note 7)	46,591	51,298
Other current liabilities	1,288	912
Compensated absences (note 6)	2,592	2,760
Claims and judgments payable (note 9)	788	342
	<u>128,004</u>	<u>162,223</u>
Total current liabilities		
Noncurrent liabilities:		
Notes payable (note 6)	18,000	18,000
Other post employment benefits liability (note 12)	12,079	11,997
Claims and judgments payable (note 9)	4,658	5,333
	<u>34,737</u>	<u>35,330</u>
Total noncurrent liabilities		
Total liabilities	<u>162,741</u>	<u>197,553</u>
Deferred inflow of resources:		
Deferred lease proceeds	<u>4,250</u>	<u>4,658</u>
Net position:		
Net investment in capital assets	1,336,221	1,293,357
Unrestricted	26,659	22,615
	<u>1,362,880</u>	<u>1,315,972</u>
Total net position		
Total liabilities, deferred outflow of resources and net position	<u>\$ 1,529,871</u>	<u>\$ 1,518,183</u>

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2014 and 2013

(Dollar Amounts in Thousands)

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Fares	\$ 85,673	\$ 84,360
Dispatching	2,488	2,598
Third-party agreements (note 2j)	26,676	28,630
Maintenance of way	11,726	14,299
Public liability and property damage recovery	3,164	40
Miscellaneous	393	352
	<hr/>	<hr/>
Total operating revenues	130,120	130,279
	<hr/>	<hr/>
Operating expenses:		
Train operations	151,575	147,556
Maintenance of way	29,867	29,313
Rehabilitation and renovation - capital	11,782	11,214
Third-party agreements (note 2j)	26,607	29,779
Insurance	14,297	14,669
Claims, judgments and other	803	381
Public liability and property damage	1,173	1,746
Depreciation (note 5)	31,724	30,927
	<hr/>	<hr/>
Total operating expenses	267,828	265,585
	<hr/>	<hr/>
Operating loss	(137,708)	(135,306)
	<hr/>	<hr/>
Nonoperating revenues (expenses):		
Subsidies and grants - operating	80,972	71,503
Subsidies and grants - public liability and property damage	16,273	18,066
Net appreciation in fair value of investments	19	11
Amortization of deferred gain of lease / leaseback (note 8)	408	1,190
Interest income	1,344	1
Net loss on disposal of capital assets	(603)	-
	<hr/>	<hr/>
Total nonoperating revenues, net	98,413	90,771
	<hr/>	<hr/>
Loss before capital grants and subsidies	(39,295)	(44,535)
	<hr/>	<hr/>
Capital grants and subsidies	86,203	119,722
	<hr/>	<hr/>
Increase in net position	46,908	75,187
	<hr/>	<hr/>
Net position at beginning of year	1,315,972	1,240,785
	<hr/>	<hr/>
Net position at end of year	\$ 1,362,880	\$ 1,315,972
	<hr/>	<hr/>

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statements of Cash Flows

For the years ended June 30, 2014 and 2013

(Dollar Amounts in Thousands)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from fares	\$ 84,443	\$ 84,344
Cash received from dispatching and maintenance of way	12,541	16,863
Cash received from third-party agreements and public liability and property damage	15,872	18,025
Cash paid to employees	(32,715)	(30,911)
Cash paid to suppliers	(218,625)	(149,772)
Cash received from miscellaneous sources	393	328
	<hr/>	<hr/>
Net cash used in operating activities	(138,091)	(61,123)
Cash flows from noncapital financing activities:		
Operating subsidies and grants	83,472	69,772
Operating subsidies and grants - public liability and property damage	19,452	18,066
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	102,924	87,838
Cash flows from capital and related financing activities:		
Capital grants and subsidies received	116,464	83,608
Construction and purchases of capital assets	(75,190)	(140,554)
	<hr/>	<hr/>
Net cash provided by capital and related financing activities	41,274	(56,946)
Cash flows from investing activities:		
Interest received	1,338	46
Sale / maturity of investments	19	211
	<hr/>	<hr/>
Net cash provided by investing activities	1,357	257
Net increase (decrease) in cash and cash equivalents	7,464	(29,974)
Cash and cash equivalents at beginning of year	<hr/>	<hr/>
	63,283	93,257
Cash and cash equivalents at end of year	<u>\$ 70,747</u>	<u>\$ 63,283</u>

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statements of Cash Flows, Continued
For the years ended June 30, 2014 and 2013
(Dollar Amounts in Thousands)

	<u>2014</u>	<u>2013</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (137,709)	\$ (135,306)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	31,724	30,927
(Increase) decrease in:		
Due from other agencies	5,764	(5,937)
Prepaid expenses	260	(46)
Trade and other receivables, net	(2,179)	(2,013)
Inventory	(6,514)	(319)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(22,627)	41,986
Compensated absences	(169)	285
Advances for construction	(5,563)	7,321
Claims and judgments payable	(230)	157
Unearned revenue	669	-
Retention payable	(1,975)	(605)
Other post employment benefits	82	2,144
Other liabilities	376	283
 Total adjustments	 <u>(382)</u>	 <u>74,183</u>
 Net cash used in operating activities	 <u>\$ (138,091)</u>	 <u>\$ (61,123)</u>
 Noncash investing, capital and financing activities:		
 Deferred gain of lease / leaseback	\$ 408	\$ 1,190
Net appreciation in fair value of investments	19	11
Capital assets acquired by liabilities	14,472	23,199
Due from agencies	18,428	15,167

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(1) FINANCIAL REPORTING ENTITY

In June 1990, the California Legislature enacted Senate Bill 1402, Chapter 4 of Division 12 of the Public Utilities Code. This bill required the transportation commissions of the Counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura to jointly develop a plan for regional transit services within the multi-county region. The Southern California Regional Rail Authority (SCRRA) was established on August 1, 1991 through a Joint Exercise of Powers Agreement (JPA) among the following public agencies (Member Agencies):

- Los Angeles County Metropolitan Transportation Authority (Metro)
- Orange County Transportation Authority (OCTA)
- Riverside County Transportation Commission (RCTC)
- San Bernardino Associated Governments (SANBAG)
- Ventura County Transportation Commission (VCTC)

SCRRA's independent governing Board consists of 11 members appointed by the member agencies as follows:

Los Angeles County Metropolitan Transportation Authority	4
Orange County Transportation Authority	2
Riverside County Transportation Commission	2
San Bernardino Associated Governments	2
Ventura County Transportation Commission	1

The purpose of SCRRA is to plan, design, construct and administer the operation of regional commuter rail lines serving the counties of Los Angeles (L.A.), Orange, Riverside, San Bernardino, Ventura and northern San Diego. The operation of the commuter rail lines is referred to as Metrolink. Metrolink services include the operation of seven commuter rail passenger lines presented as follows:

- San Bernardino Line – running from San Bernardino to L.A. Union Station
- Antelope Valley Line – running from Lancaster to L.A. Union Station
- Ventura County, Burbank Airport/Downtown Line – running from Oxnard to L.A. Union Station
- Orange County Line – running from Oceanside to L.A. Union Station
- Inland Empire-Orange County Line – running from San Bernardino to Oceanside
- 91 Line – running from Riverside to L.A. Union Station via Fullerton
- Riverside Line – running from Riverside to L.A. Union Station via City of Industry

Passenger fares, dispatching and maintenance of way revenues, member agency operating and capital subsidies, and state and federal grant programs fund SCRRA. The member agencies and other public entities provide transportation within the counties served by SCRRA. SCRRA is not considered a component unit of any other reporting entity. As required by generally accepted accounting principles in the United States of America, the accompanying basic financial statements include all financial activities of SCRRA.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(1) FINANCIAL REPORTING ENTITY (Continued)

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, SCRRA has considered all potential organizations for which the nature and significance of their relationships with SCRRA are such that exclusion would cause SCRRA's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing the majority of an organization's governing body and (1) the ability of SCRRA to impose its will on that organization or (2) the potential for that organization to provide specific benefits to, or impose specific financial burdens on SCRRA. Based on these criteria, there are no organizations or agencies that should be included in these basic financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The accompanying basic financial statements of SCRRA have been prepared in conformity with generally accepted accounting principles (GAAP) as promulgated by GASB, the accepted standard setting body for establishing governmental accounting and financial reporting principles.

SCRRA distinguishes operating revenues and expenses from non-operating items. All revenues and expenses not meeting the definitions noted below are reported as non-operating revenues and expenses. Operating revenues and expenses generally result from providing goods and services, and producing and delivering goods in connection with SCRRA's principal ongoing operations. SCRRA's principal operating revenues include passenger fares charged for commuter rail services, dispatching fees, third party agreements and maintenance of way revenues.

(b) CASH AND INVESTMENTS

Cash and investments consist of cash in demand deposit accounts, investments in the State Treasurer's Local Agency Investment Fund (LAIF) and other mutual funds (money market and treasury reserves). SCRRA has adopted the provisions of GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*," requiring governmental entities to report all investments at fair value which equate to market, except for certain investments that are considered to be short-term and highly liquid instruments that have a remaining maturity at time of purchase of one year or less, which may be reported at amortized cost. The quoted market price is the basis used to determine the fair market value at the end of each reporting period.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash and cash equivalents represent advanced funds received whereby constraints have been either 1) imposed by the creditors, grantors, contributors, or laws and regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. Restricted cash for the years ended June 30, 2014 and 2013 is summarized as follows (in thousands):

	2014	2013
Unexpended Prop 1B funds		
Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA)	\$ 26,325	\$ 30,984
California Transit Security Grant Program	800	1,057
Third Party Deposits	8,590	14,153
Other	389	468
	<u>\$ 36,104</u>	<u>\$ 46,662</u>

(c) INVENTORY

Inventory consists of railroad operating spare parts that are recorded when purchased and expensed when used. SCRRA maintains inventory for rolling stock, track and signal maintenance. SCRRA's inventory is valued using the lower of average cost or market.

(d) CAPITAL ASSETS

Capital assets reported by SCRRA include land, buildings, vehicles, equipment, right of way easement and the Metrolink railroad network. As part of the JPA, the member agencies acquired the rail network in existence at the time of the creation of the JPA for use in SCRRA's commuter rail operations. The initial railroad network is not included as part of Metrolink's railroad network. The member agencies retained title and ownership to those assets.

As part of the JPA, SCRRA is responsible for the related maintenance and operation of member's assets and rail right-of-way used in operations. Additionally, certain agencies retain responsibility to maintain segments of their railroad network. SCRRA's railroad network consists of capital assets created as a result of new capital construction and major capital improvement projects and are recorded in these financial statements as Metrolink infrastructure. Capital assets are defined by SCRRA as assets with an individual cost of \$5,000 and a minimum useful life of greater than one year.

Purchased or constructed capital assets are valued at cost where records are available and at estimated historical cost where no records exist. Assets donated to SCRRA are valued at the estimated fair value on the date received. Costs related to the acquisition of easement rights are recorded as part of capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings and improvements, rolling stock, vehicles, fare collection equipment and computer and other equipment are depreciated using the straight-line method over the following useful lives:

<u>Asset Description</u>	<u>Useful Life</u>
Buildings and improvements	10-30 years
Rolling stock	35-40 years
Fare collection	10 years
Other equipment	3-10 years
Support vehicles	5-7 years

SCRRA met all the criteria required by GASB Statement No. 34 to report the Metrolink railroad network (tracks, tunnel and bridge structures, and communication signals) using the modified approach, which allows those infrastructure assets to be *non-depreciable*. Hence, all expenses made for the railroad network assets (except for additions and improvements) are expensed in the period incurred. Additions or improvements to the railroad network assets that increase the capacity or efficiency of those assets (rather than preserve the useful life) are capitalized.

SCRRA elected to set its minimum average acceptable level of condition at 75 points for the Metrolink railroad network based on SCRRA's railroad management system scale of 1 to 100 points. SCCRA performed condition assessment on track, bridges and tunnels in fiscal year 2013. Signal and communication assessments were performed in fiscal year 2014.

(e) PREPAID EXPENSES

Payments made to vendors for expenses that will benefit future periods beyond fiscal year end are recorded as prepaid expenses.

(f) COMPENSATED ABSENCES

Substantially all employees earn Paid Time-Off (PTO) for vacation, illness and certain other qualifying absences each pay period. The number of hours accrued is generally based on length of service not to exceed three times an employee's annual accrual. When employees reach their maximum accrual balance, they will not continue to accrue PTO hours until their PTO accounts are below the maximum accrual balance. Compensated absences, together with related employment taxes, which have been earned but not paid, have been accrued in the accompanying basic financial statements.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) DEFERRED LEASE PROCEEDS

Deferred lease proceeds represent the balance of the deferred gain recorded from the fiscal years 1996, 1999 and 2003 lease/leaseback transactions (Note 8). The deferred gains are being amortized in proportion to the amortization of the lease payments on a straight-line basis. The amount of current amortization has been included in the accompanying statements of revenues, expenses and changes in net position.

(h) UNEARNED REVENUE

Unearned revenues are resource inflows that do not meet the criteria for revenue recognition. Unearned revenues arise when resources are received by SCRRA before it has a legal claim to them, such as grant monies received prior to the incurrence of the qualifying expenses. In addition, member agencies contribute funds in advance for their annual operating subsidy. When revenue recognition criteria are met, or when SCRRA has legal claim to the resources, unearned revenue is removed from the statement of net position and the revenue is recognized.

(i) COMPONENTS OF NET POSITION

Net Investment in Capital Assets – This component of the net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, or construction of those assets. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of restricted assets reduced by liabilities related to those assets.

Unrestricted – This component of net position consists of the net amount of those assets that are not included in the determination of net investment in capital assets or the restricted component of net position.

During 2014, it was determined that there were classification errors in the individual categories of net position in the prior year. Restricted and unrestricted components of net position reported as of June 30, 2013 have been restated eliminating restricted net position to reflect the fact that all restricted cash balances have a corresponding offset in restricted liabilities. The individual categories of net position as of June 30, 2013 have been corrected to conform to current year presentation. This restatement had no effect on total assets, total liabilities, total net position or total change in net position in 2013.

(j) THIRD PARTY AGREEMENTS

Third party agreements are items such as construction of capital projects on behalf of third parties, flagging personnel provided by SCRRA for the safety of non-SCRRA personnel accessing the rail right-of-way, and special train services. SCRRA's policy regarding third party agreements is that they should be self-supporting.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from third party agreements for the years ended June 30, 2014 and 2013 are summarized as follows (in thousands):

	2014	2013
Construction	\$ 19,804	\$ 23,604
Safety	6,639	3,134
Special Trains	233	1,892
Total	<u>\$ 26,676</u>	<u>\$ 28,630</u>

Expenses related to third party agreements support the scope of the specific agreement. The costs of third party agreements for the years ended June 30, 2014 and 2013 are summarized as follows (in thousands):

	2014	2013
Construction	\$ 19,735	\$ 24,753
Safety	6,639	3,134
Special Trains	233	1,892
Total	<u>\$ 26,607</u>	<u>\$ 29,779</u>

(k) OPERATING AND MAINTENANCE AGREEMENTS

SCRRA operates Metrolink services through the use of several operating agreements with various vendors. Under these operating agreements services are provided for the maintenance of track, structures, communications, signals and equipment as well as outsourced staffing for the operation of passenger train services.

SCRRA's operator services contract transitioned to a new operator, National Railroad Passenger Corporation (Amtrak), on June 26, 2010 and is set to expire June 30, 2017.

SCRRA's rolling stock is maintained through the use of an equipment maintenance agreement with an independent contractor (Bombardier, Inc.). This agreement remains in effect until June 30, 2016.

SCRRA maintains infrastructure through various maintenance agreements with independent contractors. The track and structures are maintained under agreement with Veolia Transportation and Infrastructure, Inc. (VTMI), and the contract expires December 2018. Communications and signals are maintained under agreement with Mass Electric Communications and the agreement expires in December 2019.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) POLICY REGARDING USE OF RESTRICTED VS. UNRESTRICTED RESOURCES

When both restricted and unrestricted resources are available for use, it is SCRRRA's policy to use restricted resources first and then unrestricted resources, as they are needed.

(m) CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, SCRRRA considers all cash and cash deposits, investments in the LAIF, investments in mutual and similar funds, and other investments with original maturities of less than three months to be cash and cash equivalents.

(n) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(o) REVENUE RECOGNITION

SCRRRA distinguishes operating revenues and expenses from non-operating items. Operating revenues generally include passenger fares charged for commuter rail services, dispatching fees, third party agreements and maintenance of way revenues.

SCRRRA receives revenues from third-party agreements - items such as charter train services, construction of major capital facilities on behalf of third-parties, and flagging personnel provided by SCRRRA for the safety of non-SCRRRA personnel accessing the rail right-of-way. SCRRRA recognizes revenue in the period to the extent of eligible expenses incurred.

SCRRRA reserves 50% of the trade receivables and accounts receivable due from other agencies that are over 180 days old.

(p) RECLASSIFICATIONS

Certain accounts presented in the 2013 financial statements have been reclassified to be consistent with the current year's presentation. Such reclassifications have no effect on the net increase in net position as previously reported.

(q) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

SCRRRA adopted the following Governmental Accounting Standards Board (GASB) statements in 2014:

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

SCRRA adopted the following Governmental Accounting Standards Board (GASB) statements in 2014:

GASB Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement improves financial reporting by clarifying the appropriate use of the financial statement elements, deferred outflows of resources, and deferred inflows of resources to ensure consistency in financial reporting. This Statement was effective for fiscal year ended June 30, 2014.

GASB Statement No. 66

In March of 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54,

Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Application of this Statement was effective for fiscal year ended June 30, 2014 and did not materially impact the Financial Statements.

GASB Statement No. 69

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of Statement 69 were effective for the fiscal year ended June 30, 2014 and did not materially impact the Financial Statements.

GASB Statement No. 70

In April of 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement enhances comparability of financial statements among governments by requiring consistent reporting for governments who extend or receive nonexchange financial guarantees and expands the information disclosed about obligations and risk exposure from extending nonexchange financial guarantees. The provisions of Statement 70 were effective for the fiscal year ended June 30, 2014 and did not materially impact the Financial Statements.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SCRRA is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 67

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. As such, the statement applies to CalPERS and not the SCRRA. The Statement is effective for financial statements for fiscal years beginning after June 15, 2013.

GASB Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, it identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement will improve the decision-usefulness of information in employer financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. SCRRA believes that the implementation of this statement will have a material impact on the financial statements. The provisions of Statement 68 are effective for fiscal years beginning after December 15, 2014.

(3) CASH AND INVESTMENTS

SCRRA's Investment Policy (Investment Policy) sets forth the investment guidelines for all funds of SCRRA. The Investment Policy conforms to the California Government Code (Code) Section 53600 et. seq. The authority to manage SCRRA's investment program is derived from the Board of Directors. Pursuant to Section 53607 of the California Government Code, the Board of Directors annually appoints the Chief Financial Officer as Treasurer and approves SCRRA's Investment Policy. The Treasurer is authorized to delegate this authority as deemed appropriate. No person may engage in investment transactions except as provided under the terms of the Investment Policy and the procedures established by the Treasurer.

The investment policy requires that the investments be made with the prudent person standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the Treasurer and designated staff will act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of SCRRA.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(3) CASH AND INVESTMENTS (Continued)

SCRRRA INVESTMENT POLICY

The primary objective of the investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of SCRRRA. SCRRRA's policy is to invest only in high-quality instruments as permitted by the California Government Code (Code) subject to the limitations of the Investment Policy.

Investments in which the Treasurer may purchase include:

- United States Treasury notes; U.S. Treasury coupons and principal Separate Trading of Registered Interest and Principal of Securities (STRIPS);
- Registered state warrants, treasury notes, or bonds of the State of California and bonds, notes, warrants or other forms of indebtedness of any local agency within California;
- Obligations issued by banks for cooperatives, federal land banks, federal home loan banks, the Federal Home Loan Bank Board or other instruments of, or issued by, a federal agency or United States government sponsored enterprise;
- Bankers Acceptances (not over 180 days maturity, not to exceed 30% (Code allows 40%) of the total portfolio); Commercial Paper of "prime quality" (rated P-1 by Moody's Investor Services or A or better by Standard & Poor's Corporation) and these investments are further restricted as to a percentage of the whole portfolio and the dollar-weighted average maturity is also restricted;
- Negotiable certificates of deposit issued by approved banks, not to exceed 30% of the total portfolio;
- Repurchase agreements are permitted investments but are subject to stringent rules regarding term, value and timing, all put in place to minimize risk of loss;
- Medium term notes rated "AA" (Code allows "A" ratings or better) or better by a nationally recognized rating service, not to exceed 30% of the portfolio;
- Shares of beneficial interest issued by a diversified management companies (commonly called money market funds) subject to certain limitations;
- Shares of beneficial interest issued by a diversified management companies (commonly called mutual funds) subject to certain limitations;
- Mortgage pass-through securities and other mortgage and consumer receivable backed bonds subject to the credit rating of the issuer and not to exceed 20% of the portfolio;
- Investment agreements are permitted with any bank, insurance company or broker-dealer but are subject to certain limitations;
- State of California Local Agency Investment Fund (LAIF): LAIF is a pooled fund managed by the State Treasurer. SCRRRA investment policy limits investments in LAIF to \$50 million;
- Variable and floating rate securities, which are restricted to investments in permitted Federal Agencies and U.S. Government Sponsored Enterprises securities, with a final maturity not to exceed 3 years;
- Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate; and
- Equity securities are to be used for the sole purpose of funding the Supplemental Executive Retirement Plan, specifically the provisions contained in the 457 (f) plan.

All investments, unless otherwise specified, are subject to a maximum stated term of 5 years.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(3) CASH AND INVESTMENTS (Continued)

The investment policy and the Code place a 30% limit on the amount of corporate securities that may be held in SCRRA's investment portfolio. SCRRA did not have any securities on hand as of June 30, 2014 and 2013.

SCRRA is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The SCRRA investment in this pool is reported in the accompanying statements of net position at fair value based on the SCRRA's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost basis of each portfolio). The balance available for withdrawal is based on the daily reconciliation of the accounting records maintained by LAIF.

(a) CREDIT RISK

Credit risk is the risk that an issuer will not fulfill its obligation to the holder of the investment. This is measured by a nationally recognized statistical rating organization.

(b) CUSTODIAL CREDIT RISK

As of June 30, 2014 and 2013, the carrying amounts of SCRRA cash on hand and deposits were \$34.9 million and \$20.8 million, respectively, while the bank balances were \$34.2 million and \$20.4 million, respectively. The book to bank differences include outstanding checks, deposits in transit and amounts held on consignment by the revenue-servicing contractor. As of June 30, 2014 and June 30, 2013, the Federal Deposit Insurance Corporation covers \$250,000 of the bank balance with the excess amount covered by collateral held by the pledging bank's trust department or agent and are held in SCRRA's name. California Government Code Section 53652 requires California financial institutions to collateralize deposits of public funds by pledging government securities at 110% or first trust deed mortgage notes having a value equal to 150% of a governmental unit's total deposit.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. All of SCRRA's investment securities are held in the States Local Agency Investment Fund (LAIF).

(c) CONCENTRATION OF CREDIT RISK

The investment policy contains some limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (U.S. Treasury securities, mutual funds and external investment pools are exempt) that represent 5% or more of total investments at June 30, 2014 and 2013.

(d) INTEREST RATE RISK

Interest rate risk is the potential loss due to the fair value of an investment falling due to interest rates rising. SCRRA's portfolio as of June 30, 2014 and June 30, 2013 approximated \$32.2 million and \$38.6 million, respectively; with 100% of the portfolios having maturities of one month or less.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements For the years ended June 30, 2014 and 2013

3) CASH AND INVESTMENTS (Continued)

Of the remainder, no investments had a maturity of more than 5 years in either of the years ended June 30, 2014 or 2013.

The following schedules indicate the credit and interest rate risk as of June 30, 2014 and 2013, respectively. The credit ratings listed are from Moody's Investor Services and Standard & Poor's. Certain investments such as obligations, which are backed by the full faith and credit of the United States Treasury, are not subjected to credit rating (in thousands).

June 30, 2014	Interest Rate Range	Credit rating Moody's / S&P	Maturity				Carrying value as of 6/30/2014
			Under 30 Days	31-180 Days	180-365 Days	1-5 Years	
In Custody of Treasurer:							
Cash and cash deposits:							
Cash on hand							\$ 580
Cash in banks							34,289
Money market funds							3,695
Total cash and cash deposits							<u>38,564</u>
Investment held by Treasurer:							
Local Agency Investment Funds	0.22% - 0.26%	Not rated	32,183				32,183
Total cash and investment							<u>\$ 70,747</u>
June 30, 2013	Interest Rate Range	Credit rating Moody's / S&P	Maturity				Carrying value as of 6/30/2013
In Custody of Treasurer:							
Cash and cash deposits:							
Cash on hand							\$ 423
Cash in banks							20,403
Money market funds							3,895
Total cash and cash deposits							<u>24,721</u>
Investment held by Treasurer:							
Local Agency Investment Funds	0.24% - 0.35%	Not rated	38,562				38,562
Total cash and investment							<u>\$ 63,283</u>

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(4) DUE FROM OTHER AGENCIES

The amounts due from other agencies consist of construction costs, capital grants and subsidized receivables, and operating subsidies based on expenses incurred on their behalf. The table below summarizes the total amounts due from other agencies as of June 30, 2014 and 2013 (in thousands):

	<u>2014</u>	<u>2013</u>
Third Party Agreements	\$ 6,151	\$ 17,724
Subsidies and grants - federal, state and local		
Los Angeles County Metropolitan Transportation Authority (METRO)	31,220	21,087
Orange County Transportation Authority (OCTA)	3,608	12,664
San Bernardino Associated Governments (SANBAG)	415	3,194
Riverside County Transportation Commission (RCTC)	647	20
Ventura County Transportation Commission (VCTC)	314	665
CA. Dept. of Transportation	20,280	52,124
California Governor's Office of Emergencies	7,907	12,405
Federal Transit Administration (FTA)	7,751	4,030
Federal Railroad Administration (FRA)	1,589	2,631
Other	88	2,436
Total	<u>79,970</u>	<u>128,980</u>
Reserve Bad Debt	<u>(2,280)</u>	<u>(4,210)</u>
	<u>\$ 77,690</u>	<u>\$ 124,770</u>

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements For the years ended June 30, 2014 and 2013

(5) CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2014 and 2013 is as follows (in thousands):

	June 30, 2012	Additions	Transfer/ Deletions	June 30, 2013	Additions	Transfer/ Deletions	June 30, 2014
Non-depreciable capital assets:							
			\$				
Land	\$ 168	\$ -	-	\$ 168	\$ -	-	\$ 168
Easement	2,413	-	-	2,413	-	-	2,413
Construction in progress	283,641	140,694	(241,830)	182,505	74,526	(41,959)	215,072
Infrastructure assets	534,028	93,857	-	627,885	39,121	-	667,006
Total non-depreciable capital assets:	820,250	234,551	(241,830)	812,971	113,647	(41,959)	884,659
Depreciable capital assets:							
Building and improvements	135,707	25,551	-	161,258	788	-	162,046
Rolling stock	490,272	117,310	-	607,582	792	(2,636)	605,738
Fare collection systems	17,174	-	-	17,174	-	-	17,174
Computer and other equipment	8,330	3,236	-	11,566	1,521	-	13,087
Support vehicles	2,907	1,876	-	4,783	438	(54)	5,167
Total depreciable capital assets	654,390	147,973	-	802,363	3,539	(2,690)	803,212
Less accumulated depreciation for:							
Building and improvements	(34,698)	(8,154)	-	(42,852)	(7,991)	-	(50,843)
Rolling stock	(223,623)	(19,537)	-	(243,160)	(19,547)	2,002	(260,705)
Fare collection systems	(7,214)	(1,711)	-	(8,925)	(1,668)	-	(10,593)
Computer and other equipment	(5,202)	(184)	-	(5,386)	(1,937)	-	(7,323)
Support vehicles	(2,313)	(1,341)	-	(3,654)	(582)	50	(4,186)
Less accumulated depreciation	(273,050)	(30,927)	-	(303,977)	(31,725)	2,052	(333,650)
Total depreciable assets, net	381,340	117,046	-	498,386	(28,186)	(638)	469,562
Capital assets, net of depreciation	\$ 1,201,590	\$ 351,597	\$ (241,830)	\$ 1,311,357	\$ 85,461	\$ (42,597)	\$ 1,354,221

Interest of approximately \$650,000 and \$646,000 were expensed in June 30, 2014 and 2013, respectively.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements For the years ended June 30, 2014 and 2013

(6) LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2014 and June 30, 2013 is as follows (in thousands):

	Balance at June 30 2013	Increases	Decreases	Balance at June 30 2014	Due in 1 year
Claims and judgments	5,675	804	(1,033)	5,446	788
Notes payable	18,000	-	-	18,000	-
Other post employment benefits	11,997	2,260	(2,178)	12,079	-
	\$ 35,672	\$ 3,064	\$ (3,211)	\$ 35,525	\$ 788
Current portion				\$ 788	
Total long-term obligations				\$ 34,737	
	Balance at June 30 2012	Increases	Decreases	Balance at June 30 2013	Due in 1 year
Claims and judgments	5,518	833	(676)	5,675	342
Notes payable	18,000	-	-	18,000	-
Other post employment benefits	9,853	2,802	(658)	11,997	-
	\$ 33,371	\$ 3,635	\$ (1,334)	\$ 35,672	\$ 342
Current portion				\$ 342	
Total long-term obligations				\$ 35,330	

NOTE PAYABLE

In November 2010, SCRRA exercised option number four related to the rolling stock procurement that secured 20 additional railcars. In December 2010, the Los Angeles County Metropolitan Authority Board of Directors approved a plan to enter into a loan agreement with the SCRRA for the purpose of providing funding necessary for exercising the option to purchase the additional railcars. On December 15, 2011, SCRRA and LACMTA formally entered into and executed a promissory note in the amount of \$18.0 million to assist with the cash flow of the railcar purchase. The promissory note accrues interest at 3.52% compounded monthly and payable annually with principal due and payable June 30, 2017. SCRRA will use funds from California Emergency Management Agency Proposition 1B Transit Security Grant Program Funds (Prop 1B) to pay the note and related interest.

For the fiscal years ending June 30, 2014 and 2013, SCRRA incurred interest of \$650,000 and \$646,000, respectively.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(6) LONG-TERM DEBT OBLIGATIONS (Continued)

Note payable activity for the years ended June 30, 2014 and 2013 is as follows (in thousands):

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014	Due in 1 year
Long Term Notes payable	\$ 18,000	\$ -	\$ -	\$ 18,000	\$ -

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013	Due in 1 year
Long Term Notes payable	\$ 18,000	\$ -	\$ -	\$ 18,000	\$ -

The principal maturity of the note payable outstanding as of June 30, 2014 is as follows (in thousands):

Year ending June 30	Principal	Interest
2015	\$ -	\$ 644
2016	-	644
2017	18,000	644
	\$ 18,000	\$ 1,932

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(7) UNEARNED OPERATING REVENUE AND UNEARNED REVENUE RELATED TO CAPITAL RELATED ACTIVITY

In addition to any funds derived from operations or grants, the member agencies contribute the funds necessary to carry out the purposes of SCRRA, consistent with the adopted budget and any cost sharing formula adopted by the Member Agencies. A preliminary budget for the following fiscal year is submitted to the Member Agencies by May 1st of each year. The Board must adopt a final budget no later than June 30th of each year. Once SCRRA's annual budget is approved by the Board, each member agency pays in advance, on a quarterly basis, their annual operating subsidy. Operating surplus indicates that the operating subsidies exceeded the member agencies' share of actual operating revenues earned and expenses incurred by SCRRA during the year. On the contrary, operating deficit indicates that the operating subsidies is less than the member's share of actual operating revenues earned and expenses incurred by SCRRA; however the operating deficit is not considered a receivable from the member agencies. Any operating surplus or deficit remains in unearned revenue, unless otherwise designated by the member agencies.

For reporting purposes the following schedule delineates unearned operating revenue and unearned revenue related to capital related activity of SCRRA.

Unearned revenue also includes capital subsidies, which are advancements for capital related projects. Capital subsidies are recognized to the extent of expenses incurred. Remaining subsidies are maintained in unearned revenue until such time as expenses are incurred.

Additionally, included within unearned revenue activity in the Other column, are Proposition 1B (Prop 1B) funds which are treated for accounting purposes in the same manner as previously described. Prop 1B funds are received through assignment from various member agencies or direct to SCRRA as the primary recipient. See description on Proposition 1B funds following the unearned revenue activity schedule.

Unearned revenue activity for the years ended June 30, 2014 and 2013 is as follows (in thousands):

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements For the years ended June 30, 2014 and 2013

(7) UNEARNED REVENUE AND ADVANCES ON CAPITAL PURCHASES (Continued)

	MEIRO	OCTA	RCTC	SANBAG	VCTC	OTHER	TOTAL
Unearned revenue at June 30, 2012	\$ 11,831	\$ 4,323	\$ 13,300	\$ 7,819	\$ (5,757)	\$ 42,321	\$ 73,837
Subsidies invoiced:							
Operating	36,121	15,820	6,212	7,566	1,475	-	67,194
Public liability and property damage	9,945	3,902	1,430	2,620	169	-	18,066
Capital	2,748	6,518	9,997	1,277	3	13,158	33,701
Other	-	-	-	-	-	31,547	31,547
Subsidies recognized:							
Operating	(36,211)	(13,576)	(6,278)	(7,754)	(6,166)	-	(69,985)
Public liability and property damage	(8,960)	(3,516)	(1,288)	(2,360)	(633)	-	(16,757)
Capital	(850)	(6,776)	(19,961)	(1,956)	(25)	(26,495)	(56,063)
Other	-	-	-	-	-	(27,323)	(27,323)
FY13 uses of operating surplus	(252)	-	-	-	-	-	(252)
Interest Allocation	3	1	-	1	-	126	131
Adjustments:							
Inventory Adjustment	(967)	(408)	(18)	(180)	(108)	-	(1,681)
Project Expenditures	(79)	(68)	(16)	(17)	(17)	-	(197)
Bad Debt Expense	(487)	(156)	(75)	(92)	(100)	-	(910)
FY12 VCTC Invoice Write-off	-	-	-	-	(1,067)	-	(1,067)
FY13 VCTC/Metro SWAP	-	-	-	-	1,057	-	1,057
Unearned revenue at June 30, 2013	\$ 12,842	\$ 6,064	\$ 3,303	\$ 6,924	\$ (11,169)	\$ 33,334	\$ 51,298
Subsidies invoiced:							
Operating	43,301	16,425	7,084	9,021	1,312	-	77,143
Public liability and property damage	9,302	3,782	1,181	2,439	598	-	17,302
Capital	514	533	-	2	151	13,278	14,478
Other	-	-	-	-	-	1,360	1,360
Subsidies recognized:							
Operating	(45,736)	(15,517)	(6,478)	(9,331)	(6,731)	-	(83,793)
Public liability and property damage	(8,747)	(3,557)	(1,111)	(2,295)	(563)	-	(16,273)
Capital	(1,002)	(762)	(2,766)	(249)	(525)	(13,669)	(18,973)
Other	-	-	-	-	-	(273)	(273)
FY14 uses of operating surplus	(142)	(1,416)	-	(2,500)	-	-	(4,058)
Interest Allocation	36	14	5	7	2	-	64
Adjustments:							
Inventory Adjustment	1,293	536	140	297	140	-	2,406
FY14 VCTC/Metro SWAP	-	-	-	-	5,910	-	5,910
Unearned revenue at June 30, 2014	\$ 11,661	\$ 6,102	\$ 1,358	\$ 4,315	\$ (10,875)	\$ 34,030	\$ 46,591

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(7) UNEARNED REVENUE AND ADVANCES ON CAPITAL PURCHASES (Continued)

PROPOSITION 1B

The Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Fund is a part of the State of California’s Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion was deposited into the PTMISEA fund, \$3.6 billion of which was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, or for rolling stock procurement, rehabilitation or replacement. Additionally, Senate Bill 88 of the 2007 Statutes appropriates funds from Proposition 1B to the California Transit Security Grant Program (CTSGP), administered by the California Emergency Management Agency (CalEMA). Proposition 1B (Prop 1B) activity during the fiscal years ended June 30, 2014 and 2013 was as follows (in thousands):

	PTMISEA			CTSGP		TOTAL
	LACMTA	SANBAG	SCRRRA	VCTC	SCRRRA	
Unexpended Prop 1B funds for fiscal year ended June 30, 2012	\$ 2,819	\$ 1,608	\$ 34,510	\$ 562	\$ 3,334	\$ 42,833
Prop 1B funds collected	-	-	-	-	7,869	7,869
Prop 1B expenses incurred	(137)	(1,057)	(6,874)	33	(10,752)	(18,787)
Interest revenue earned on unspent Prop 1B funds	8	2	105	2	9	126
Unexpended Prop 1B funds for fiscal year ended June 30, 2013	\$ 2,690	\$ 553	\$ 27,741	\$ 597	\$ 460	\$ 32,041
Prop 1B funds collected	-	-	-	150	8,869	9,019
Prop 1B expenses incurred	(15)	-	(4,711)	(525)	(8,757)	(14,008)
Interest revenue earned on unspent Prop 1B funds	7	1	59	1	5	73
Unexpended Prop 1B funds for fiscal year ended June 30, 2014	\$ 2,682	\$ 554	\$ 23,089	\$ 223	\$ 577	\$ 27,125

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(8) LEASE/LEASEBACK

In fiscal year 1996, SCRRA's Board entered into an agreement to lease 94 coach and cab cars and 31 locomotives and simultaneously entered into a sublease agreement with the lessee to lease them back. SCRRA received proceeds of approximately \$193.9 million of which it used approximately \$152.3 million to prepay future lease payments and defease part of its obligation. This prepayment amount is sufficient to cover the loan amount taken by the lessee through the years 2012 and 2014 for the locomotives and the cars, respectively. In addition, the Board invested approximately \$21.2 million in U.S. Zero Coupon Treasury strips. The Treasury strips will mature at values sufficient to cover all remaining lease payments due under the lease agreement as well as amounts necessary to exercise the repurchase options. As a result, all obligations under this lease/leaseback transaction are considered to be defeased in substance. Accordingly, the related debt as well as the investments has been excluded from SCRRA's financial statements.

The gain recognized by SCRRA from the lease/leaseback agreement was approximately \$20.4 million and is being amortized over the life of the lease. The amortization for the years ended June 30, 2014 and 2013 totaled \$0 and \$782,000, respectively.

Additionally, in July 2003, SCRRA entered into a restructured agreement related to the 1996 transaction. The restructuring included 92 coach and cab cars related to the original 1996 transaction; two of the cars in the original transaction were damaged beyond repair in previous years. As a result of this 1996-A restructuring, SCRRA received proceeds of approximately \$2.9 million.

In fiscal year 1999, SCRRA entered into another agreement to lease 25 bi-level commuter rail cars and 2 diesel locomotives and simultaneously entered into a sublease agreement with the lessee to lease them back. SCRRA received proceeds of approximately \$36.5 million of which it used \$24.7 million and \$7.7 million for debt and equity defeasance, respectively. This amount is sufficient to cover all lease payments due under the agreements and to exercise the repurchase options. As a result, all obligations under this lease/leaseback transaction are considered defeased in substance. Accordingly, the related debt and the investment have been excluded from SCRRA's financial statements. The gain recognized by SCRRA from this lease/leaseback agreement was approximately \$3.8 million for rail cars and \$400,000 for locomotives, and is being amortized over the life of the leases. The amortization for the both years ended June 30, 2014 and June 30, 2013 was \$203,000 per annum.

In fiscal year 2003, SCRRA entered into another lease agreement to lease 27 rail cars and 4 locomotives and simultaneously entered into a sublease agreement with the lessee to lease them back. SCRRA received proceeds of approximately \$93.8 million of which it used \$75.3 million and \$11.2 million for debt and equity defeasance, respectively. This amount was sufficient to cover all lease payments due under the agreements and to exercise the repurchase options. Accordingly, the related debt and investments have been excluded from SCRRA's financial statements. The gain recognized by SCRRA from the defeased lease financing agreement was approximately \$6.1 million for rail cars and \$1.1 million for locomotives, and is being amortized over the life of the leases. The amortization for the years ended June 30, 2014 and June 30, 2013 totaled \$205,000 and \$205,000 respectively.

The unamortized gain remaining to be amortized over the life of all lease/leaseback agreements was \$4.3 million and \$4.7 million for fiscal year 2014 and 2013, respectively. Refer to Note 13 for additional disclosure related to leveraged lease transactions.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(9) RISK MANAGEMENT

SCRRA is partially self-insured for its risk of loss from operations related to torts; theft of, damage to, and destruction of assets; error and omissions, injuries to employees; and natural disasters. The self-insurance maximum exposure for public liability claims as of June 30, 2014 was \$4.0 million per occurrence and is \$5.0 million per occurrence as of June 30, 2013. Claims in excess of these amounts are covered by an insurance policy up to an annual aggregate of \$275.0 million. Property damage insurance deductible is \$100,000, with a special equipment deductible of \$2.0 million per occurrence. During the prior three years, no claims were incurred in excess of insurance coverage.

SCRRA is fully insured for workers' compensation through Liberty Mutual Insurance Co., consistent with applicable law. Construction related accidental loss risk is transferred to SCRRA's contractors through contract agreements. During the past three years, no excess claims were incurred.

The estimated claims liability and changes in claims liability for years ended June 30, 2014 and 2013 is listed below (in thousands):

	Balance at June 30, 2013	Claims Incurred and change in Estimate	Payments on Claims	Balance at June 30, 2014	Due in 1 year
Claims and judgments	<u>\$ 5,675</u>	<u>\$ 804</u>	<u>\$ (1,033)</u>	<u>\$ 5,446</u>	<u>\$ 788</u>
	Balance at June 30, 2012	Claims incurred and change in Estimate	Payments on Claims	Balance at June 30, 2013	Due in 1 year
Claims and judgments	<u>\$ 5,518</u>	<u>\$ 833</u>	<u>\$ (676)</u>	<u>\$ 5,675</u>	<u>\$ 342</u>

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(10) OPERATING LEASES

SCRRA is committed under various leases for building, office space and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the years ended June 30, 2014 and 2013 totaled \$1.9 million and \$2.0 million, respectively.

In 1993, SCRRA entered into a cancelable easement agreement with Union Station providing permanent station access to pedestrians and Metrolink trains. The agreement requires SCRRA to pay a percentage of the station maintenance costs through year 2016 as follows: 37.5% from 1999 to 2006; 40% from 2007 to 2011; and 47.5% from 2012 to 2016. The percentage share beyond 2016 will be negotiated at a future period.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(11) PENSION BENEFITS

PLAN DESCRIPTION

SCRRA's defined benefit pension plan (SCRRA Miscellaneous Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. SCRRA Miscellaneous Plan is part of the public agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employees within the State of California (State). State statutes within the Public Employees Retirement Law establish a menu of benefit provisions as well as other requirements. SCRRA selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through SCRRA Board Resolution. CalPERS issues a separate comprehensive annual financial report; however, a separate report for SCRRA Miscellaneous Plan is not available. Copies of CalPERS annual financial report may be obtained from CalPERS Executive Office, 400 P Street Sacramento, CA 95814.

Certain salaried and non-salaried SCRRA employees are eligible to participate in CalPERS. Benefits vest after five years of service. SCRRA employees who retire at age 60 receive 2% of their highest average pay (calculated based on the employee's highest 36-consecutive-month period) for each year of credited service. The percentage is decreased for employees retiring before age 60 and is increased for employees retiring after age 60 with the maximum being 2.418% for employees retiring at age 63 and over.

FUNDING POLICY

For active plan members of SCRRA's Miscellaneous Plan whose hire dates are prior to January 1, 2013, SCRRA is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for members. Active plan members whose hire dates are on or subsequent to January 1, 2013, are required to contribute 6.25% of their annual covered salary. The actuarial method and assumptions used are those adopted by the CalPERS Board of Administration. The required contribution for fiscal years 2013-14 and 2012-13 were 9.125% and 8.842%, respectively, of annual covered payroll. The contribution requirements of the plan members are established by State statute and SCRRA's contribution rate is established and may be amended by CalPERS. SCRRA's payroll for employees covered by CalPERS for the fiscal years ended June 30, 2014 and 2013 totaled \$18.0 million and \$17.0 million respectively.

ANNUAL PENSION COST

CalPERS uses the entry age normal actuarial cost method, which is a projected benefit cost method. This method takes into account those benefits that are expected to be earned in the future as well as those already accrued. Accordingly, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from the date of employment until retirement. CalPERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll. For the years ended June 30, 2014 and June 30, 2013, SCRRA's employer actual annual pension costs were \$1.64 million and \$1.56 million respectively and contributions were \$1.64 million and \$1.56 million, respectively.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(11) PENSION BENEFITS (Continued)

SCRRA pays for employee pension contribution for employees hired before 02/02/2013. For the years ended June 30, 2014 and 2013, SCRRA paid \$1.1 million and \$1.2 million respectively, in employee pension costs.

The following is a three-Year Trend Information for SCRRA Miscellaneous Plan (in thousands):

Years ended June 30	Annual Pension Cost (APC)	Percentage of APC contributed	Net Pension Obligation
2012	\$ 1,502	100.00%	-
2013	1,563	100.00%	-
2014	1,638	100.00%	-

ACTUARIAL METHODS AND ASSUMPTIONS

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year.

For fiscal years ended June 30, 2014 and 2013, the required annual contributions were determined as part of the June 30, 2011 and June 30, 2010 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percentage of pay.

In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014 the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014.

The June 30, 2011 and 2010 actuarial assumptions included for both years: (a) a 7.5% investment rate of return; (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% and (c) a 2% per year cost-of-living adjustment. Both (a) and (b) included an inflation component of 2.75% for both years. The actuarial value of SCRRA's Miscellaneous Plan assets was determined using a technique that smooths the effect of short-term volatility in the market value of investments over a fifteen year period depending on the size of the investment gains and/or losses. The unfunded actuarial accrued liability (or excess assets) of SCRRA's Miscellaneous Plan is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of June 30, 2011 and 2010 was 29 and 22 years, respectively.

Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(11) PENSION BENEFITS (Continued)

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2013, the most recent actuarial valuation date, SCRRA's Miscellaneous Plan was 83.8% funded. The actuarial accrued liability for benefits was \$45.1 million, and the actuarial value of assets was \$37.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.0 million, and the ratio of the UAAL to the covered payroll was 43.0%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

(12) POSTEMPLOYMENT HEALTHCARE PLAN

PLAN DESCRIPTION

The SCRRA Retiree Healthcare Plan ("Plan") is a single-employer defined benefit healthcare plan administered by SCRRA. The Plan provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System healthcare program (PEMHCA). Benefit provisions are established and may be amended through agreements and memorandums of understanding between SCRRA, its management employees, and unions representing SCRRA employees. The copy of the CalPERS annual financial report may be obtained from CalPERS On-Line at <http://www.calpers.ca.gov/> or call the CalPERS Customer Contact Center at 888-225-7377.

SCRRA pays 80% of the medical premium for the most extensive plan and 90% of the medical premium for all other plans to eligible retirees who retire directly from SCRRA. SCRRA does not provide retiree dental, vision, or life insurance benefits.

Prior to fiscal year 2014, SCRRA paid retiree healthcare benefits on a pay-as-you go basis. For fiscal years 2014 and 2013, current benefit payments were approximately \$673,000 and \$658,000, respectively. In fiscal year 2014, SCRRA contributed \$1.5 million towards postemployment healthcare benefits administered in a retirement trust by CalPERS – CERBT bringing total contributed to the annual required contribution (ARC) of \$2.2 million. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

SCRRA's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(12) POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

The following table shows the components of SCRRA's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in SCRRA's net OPEB obligation (in thousands):

	FY 2014	FY 2013
Annual required contribution (ARC)	\$ 2,178	\$ 3,188
Interest on net OPEB obligation	913	381
Adjustment to annual required contribution	<u>(831)</u>	<u>(767)</u>
Annual OPEB cost (expense)	2,260	2,802
Actual benefits payments	(673)	(658)
Contribution to trust	<u>(1,505)</u>	<u>(658)</u>
Total contributions	(2,178)	(658)
Net increase in net OPEB obligation	82	2,144
Net OPEB obligation - beginning of the year	<u>11,997</u>	<u>9,853</u>
Net OPEB obligation - end of the year	<u>\$ 12,079</u>	<u>\$ 11,997</u>

SCRRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligations
June 30, 2012	\$ 2,906	19.8%	\$ 9,853
June 30, 2013	2,802	23.5%	11,997
June 30, 2014	2,260	96.4%	12,079

The funded status of the plan as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows (in thousands):

	FY 2013
Actuarial accrued liabilities (AAL)	<u>\$ 14,106</u>
Value of plan assets	<u>-</u>
Unfunded actuarial accrued liabilities (UAAL)	\$ 14,106
Funded Ratio (actuarial value of plan assets / AAL)	0.0%
Covered Payroll (active Plan members)	21,686
UAAL as a percentage of covered payroll	65.0%

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(12) POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the June 30, 2011 & June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. Premiums were assumed to increase annually with a pre-medicare medical cost increase rate of 8.0% for non-medicare and 8.3% for medicare for 2015, both grading down to 5% for 2021 and thereafter. The UAAL is being amortized as a level percentage of projected payroll over 26 years on an closed basis commencing in December 2013.

(13) LITIGATION AND OTHER CONTINGENCIES

SCRRA is presently involved in certain matters of litigation that have arisen in the normal course of business. Although the ultimate effect, if any, of these matters is not presently determinable, management believes that these matters will not have a material effect on SCRRA's financial condition.

From April 1996 through July 2003, the SCRRA executed four leveraged lease transactions, commonly known as Lease-in/Lease-out (LILO) transactions (Note 8). These transactions require the SCRRA to maintain certain investment vehicles and credit facilities and replace them or provide replacement credit enhancement upon their credit rating downgrade below specified levels. American International Group, Inc. (AIG), a global diversified financial company is the provider of defeasance for three of the four transactions. On September 15, 2008 AIG's credit ratings were downgraded to A2 by Moody's and A- by Standard & Poor's.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements
For the years ended June 30, 2014 and 2013

(13) LITIGATION AND OTHER CONTINGENCIES (Continued)

For the three lease transaction vehicles, AIG provided credit assurance to the equity investors in the form of guaranteed investment contracts (GICs) and/or letters of credit. All three contracts require that SCRRA replace AIG when its credit ratings drop below "AA." Various equity investors around the country have taken the position that failure to successfully replace these credit facilities on a timely basis constitutes an "event of default" under the agreements. The SCRRA has been receiving a rolling six-month extension from one equity investor, while the other two equity investors have not taken an affirmative position on the current situation and have not required the SCRRA to cure the "event of default". At this time, the SCRRA has no information indicating that any of its equity investors intends to exercise any of the contractual remedies based upon asserted events of default involving the AIG credit rating downgrade. In the event that the equity investors do exercise any of their contractual remedies, SCRRA would be required, at a minimum, to liquidate the underlying equity securities for the benefit of the equity investors. SCRRA's exposure beyond the liquidated value of the securities as of June 30, 2014 and 2013 was approximately \$45.3 million and \$45.2 million. The equity investors hold as collateral SCRRA rolling stock which could be utilized to satisfy the potential obligation by liquidating the rolling stock tied to these agreements in order to satisfy any demand by the equity investors.

(14) RELATED PARTY TRANSACTIONS

Member agencies under the Joint Power Agreement, LACMTA, OCTA, VCTC, RCTC, and SANBAG, contribute operating subsidies to SCRRA. SCRRA's independent governing Board consists of 11 members appointed by the member agencies.

The operating subsidies invoiced to SCRRA for the years ended June 30, 2014 and 2013 were \$77.14 million and \$67.19 million respectively. Self-insurance reserve subsidies paid to the SCRRA for the years ended June 30, 2014 and 2013 were \$17.30 million and \$18.07 million, respectively.

(15) SUBSEQUENT EVENT

On February 24, 2015, a Metrolink commuter train carrying 46 passengers and 3 crew members collided with a unoccupied 2005 Ford F450 utility service truck towing a two-axle utility trailer in Oxnard, California. The collision occurred about 80 feet prior to a highway-rail grade crossing intersection at S. Rice Avenue. The Metrolink engineer died 7 days after being injured and 31 passengers and 2 crew sustained injuries ranging from minor to serious. The financial impact of the incident has not yet been determined.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

THE METROLINK RAILROAD NETWORK

GASB 34 defines and distinguishes infrastructure assets as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. As part of the Joint Exercise Powers Agreement (JPA), the Member Agencies acquired the rail network in existence at the time of the JPA for use in Metrolink commuter rail operations. This railroad network is not included as part of Metrolink's railroad network capital assets. The Member Agencies retain title and ownership to those assets. As part of the JPA, Metrolink is responsible for the related maintenance and operation of member's assets and rail right-of-way used in operations. Additionally, certain members retain responsibility to maintain non-operating segments of their railroad network. The Metrolink infrastructure consists of capital assets created as a result of new capital construction and major capital improvement projects. The Metrolink infrastructure assets consist of over 300 miles of track, over 700 bridges and tunnels, and approximately 648 signal and communication devices. The service area for this network covers approximately 2,300 square miles with a population of over 20 million.

As shown below the Metrolink railroad network expands over a six-county Southern California area:

Metrolink Subdivisions



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

(1) CAPITAL ASSETS – MODIFIED APPROACH FOR INFRASTRUCTURE

SCRRA elected to use the modified approach in reporting their Metrolink railroad network.

Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met.

First, the government manages the eligible infrastructure assets using an asset management system that has the following characteristics:

- Have an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of the eligible infrastructure assets every three years and summarize the results using a measurement scale
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Second, the government must document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. A condition assessment must be performed every three years. If eligible infrastructure assets meet all requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

The condition of the railroad network is measured using the SCRRA Railroad Management System Assessment. The networks and subsystems are track, structures, bridges, tunnels, signals, and communications.

The SCRRA Board of Directors accepted the findings of the completed Railroad Management System Assessment performed in fiscal year 2003 and adopted a condition rating of 75 points as the minimum acceptable Railroad Condition Index (RCI) for the entire railroad network (including all subsystems). The system-wide condition assessment conducted as of the year ended June 30, 2014 and June 30, 2013 resulted in an overall rating of 81 and 80 points, respectively. This is in compliance with SCRRA's adopted condition rating of 75 points as the minimum acceptable Railroad Condition Index (RCI) rating for the entire network (including subsystems).

Government accounting standards require that a condition assessment must be performed on all infrastructure assets every three years. As an approved alternative to conducting a system wide assessment every three years, SCRRA has chosen to conduct an annual condition assessment of one third of its infrastructure assets so that all infrastructure assets will be reviewed over the three year assessment period. The result of the next system wide condition assessment is now available with this fiscal year ending June 30, 2014.

The Infrastructure maintenance/ preservation costs which include maintenance of way, rehabilitation and renovation capital expenses for the past 5 years are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 42,789
2013	42,156
2012	38,518
2011	10,001
2010	23,802

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

(1) CAPITAL ASSETS – MODIFIED APPROACH FOR INFRASTRUCTURE (Continued)

The total estimated funding needed for maintenance/ preservation to achieve the minimum railroad condition index standard is \$73,220,000 for the subsequent year. To ensure consistency in reporting, effective 2012, management prepared a five year strategic capital program plan to more discretely identify the annual amount required to maintain or preserve the minimum, maintenance costs associated with its infrastructure assets. The minimum rating of 75 points is SCRRA's adopted condition rating of the Railroad Condition Index (RCI). The estimated spending for maintenance/rehabilitation for the past 5 years are shown below (in thousands):

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 56,029
2013	36,628
2012	30,372
2011	44,549
2010	50,213

(2) CAPITAL ASSETS – BASIS FOR CONDITION MEASUREMENT & MEASUREMENT SCALE

TRACK

SCRRA owns and maintains over three hundred miles of track over a five county area. The track is comprised of five components. Each of the components within a given track segment was given a condition assessment. The components include: rail, ties, crossings, embankments and turnouts (TO's). All of these components added together equal 100 points.

Rail was assigned a 30% weighting in the overall condition of the track. The scale is based on the years remaining to replace the asset and is identified below. A total of 30 points are available for rail.

<u>REPLACEMENT YEARS REMAINING</u>	<u>POINTS</u>
20 +	30
10-20	25
5-10	20
3-5	15
1-3	10
0-1	2

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

(2) CAPITAL ASSETS – BASIS FOR CONDITION MEASUREMENT & MEASUREMENT SCALE (Continued)

Ties estimated number of defective ties within a given track mile. There are 3,250 ties in one mile of track. A total of 25 points are available for ties.

DEFECTIVE TIES PER MILE	POINTS
0-400	25
401-800	21
801-1,200	18
1,201-1,500	13
1,501-1800	10
1,801-3250	3

Turnouts (TO's) were assigned a 15% weighting in the overall condition of the track. This scale is based on the estimated remaining years of life of the turnout. A total of 15 points are available for turnouts.

REPLACEMENT YEARS REMAINING	POINTS
20 +	15
15	13
10	11
5	8
0-4	4

Crossings were assigned a 15% weighting in the overall condition of the track. This scale is based on the estimated remaining years of life of the crossing. A total of 15 points are available for crossings.

REPLACEMENT YEARS REMAINING	POINTS
20 +	15
15	13
10	11
5	8
0-4	4

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

(2) CAPITAL ASSETS – BASIS FOR CONDITION MEASUREMENT & MEASUREMENT SCALE (Continued)

Embankments were assigned a 15% weighting in the overall condition of the track. This scale is based on the condition of the embankment. A total of 15 points are available for embankments.

Condition	Points
Good	15
Minor Maintenance	13
Fouling Ballast – drainage	11
Narrow but stable	8
Instabilities, inefficient drainage	6

Each of these components of the track was assigned a numerical value based upon the scales as identified above. Each track segment has a total possible point value of 100. Once each segment has a total score, SCRRA determined the condition of the track by segment, subdivision and as a whole based upon the track scale identified below.

- Excellent (90-100) - A track segment that exhibits no conditions of wear or degradation and is suitable for continued use for five plus years with only routine inspection and repair; essentially a “like new” condition.
- Good (80-89) - A track segment that has some components which will require repair or replacement within the next five years, but is expected to be fully serviceable for the next five years. For example, within a mile of track rated “Good” there may be one grade crossing needing replacement within five years and/or the defective wood tie count would be 400 to 600 per mile.
- Fair (70-79) - A track segment that will be in serviceable condition at the time of rating, but will require rehabilitation of two or more components within five years. For example, track with tie count of 400 to 800 plus worn rail.
- Poor (60-69) - A track segment that is operating at less than full capability (e.g. speed restriction) due to maintenance conditions and will require rehabilitation of at least one component before becoming fully operational.
- Critical (59 or below) - A track segment that is operating at less than full capacity and must have repairs or rehabilitation within the year in order to continue operation.

Based on the condition assessment as of the year ended June 30, 2013, the most recent assessment, the track had an average rating of 79 points or “Fair.”

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

(2) CAPITAL ASSETS – BASIS FOR CONDITION MEASUREMENT & MEASUREMENT SCALE (Continued)

STRUCTURES

SCRRA owns and maintains structures on which the rail system operates. The structures are split into two categories: bridges and tunnels.

BRIDGES

Bridges were assigned a point value of 0 to 100 based on the condition of the bridge as identified in the table below.

Condition	Points
No defects	95-100
Minor repairs, completely functional	90
Some corrosion or erosion	80
Corrosion or damage to be repaired in 1-2 years	73
Corrosion or erosion damage	65

Each bridge was assigned a point value and graded based on the bridge scale noted below.

- Excellent (90-100) - A bridge that exhibits no defects or wear and will require only inspections and routine repairs for the next five plus years; essentially a “like new” condition. A bridge fully compliant with current American Railway Engineering and Maintenance of Way Association (AREMA) seismic ratings would be rated 95 or higher, a bridge compliant with recent past AREMA ratings could be rated between 90 and 95.
- Good (80-90) - A bridge that displays some minor indications of wear, damage, corrosion, or erosion, but is judged to only require inspections and routine repairs and not require rehabilitation for the next five - ten years. A “Good” bridge may need seismic retrofit at some time in the future, depending upon current AREMA rating criteria, but is not at risk according to recent past criteria or practical experience.
- Fair (70-79) - A bridge that while fully serviceable, exhibits some indications of corrosion, erosion, damage, or wear to the extent that it will require rehabilitation of some components within the next five years. Also a bridge that requires strengthening for load capacity or seismic capacity.
- Poor (60-69) - A bridge that will require repairs or rehabilitation within the next one - two years in order to prevent de-rating of load capacity or train speed.
- Critical (59 or below) - A bridge that is not operating at full capacity (e.g. load or speed restriction) due to damage or obsolescence and needs rehabilitation or replacement in order to be fully functional.

There are a total of 757 bridges owned and maintained by the SCRRA. Based on the condition assessment as of the year ended June 30, 2013, the bridges had an average rating of 80 points or “Good.”

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

(2) CAPITAL ASSETS – BASIS FOR CONDITION MEASUREMENT & MEASUREMENT SCALE (Continued)

TUNNELS

SCRRA owns and maintains six tunnels. In order to assign a condition to each of the tunnels, each tunnel was assigned a 100-point value prior to its assessment. Based on a variety of factors, points are deducted if structural problems exist based on the scale identified below.

<u>Condition</u>	<u>Points</u>
No defects	100
Lack of seismic reinforcement	-20
Timber lining	-20
Drainage problem	-15
Other structural problem	-10

For example, a tunnel that has a lack of seismic reinforcement and timber lining would receive a rating of 60. The tunnel scale is defined below.

- Excellent (90-100) - A tunnel that exhibits no defects or wear and will require only inspections and routine repairs for the next five plus years; essentially a “like new” condition. A tunnel fully compliant with current AREMA seismic ratings would be rated 95 or higher, a tunnel compliant with recent past AREMA ratings could be rated between 90 and 95.
- Good (80-89) - A tunnel that displays some minor indications of wear, damage, corrosion, or erosion, but is judged to only require inspections and routine repairs and not require rehabilitation for the next five - ten years. A “Good” tunnel may need seismic retrofit at some time in the future, depending upon current AREMA rating criteria, but is not at risk according to recent past criteria or practical experience.
- Fair (70-79) - A tunnel that while fully serviceable, exhibits some indications of corrosion, erosion, damage, or wear to the extent that it will require rehabilitation of some components within the next five years. Also a tunnel that requires strengthening for load capacity or seismic capacity.
- Poor (60-69) - A tunnel that will require repairs or rehabilitation within the next one - two years in order to prevent de-rating of load capacity or train speed.
- Critical (59 or below) - A tunnel that is not operating at full capacity (e.g. load or speed restriction) due to damage or obsolescence and needs rehabilitation or replacement in order to be fully functional.

Based on the condition assessment as of the year ended June 30, 2013, the most recent assessment, the tunnel subsystem had an average rating of 79 points or “Fair.”

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

(2) CAPITAL ASSETS – BASIS FOR CONDITION MEASUREMENT & MEASUREMENT SCALE (Continued)

SIGNALS AND COMMUNICATIONS

SCRRA owns and maintains a wide variety of signal and communication equipment. Staff identified each piece of equipment by subdivision. Other information provided included location and milepost, a description of the equipment, and the date of installation. The condition assessment scale is identified below.

<u>Rating</u>	<u>Points</u>
Excellent	90-100
Good	80-89
Fair	70-79
Poor	60-69
Critical	59 and below

- Excellent (90-100) – Signal and communications equipment that exhibits no condition of wear or degradation and is suitable for continued use for five plus years with only routine inspection and repair; essentially a “like new” condition. Equipment in this category has no defects that would affect system operation or system integrity.
- Good (80-89) – Signal and communications equipment that has some components which will require repair or replacement within the next five years, but is expected to be fully serviceable for the next five years. For example, obvious visual defects and minor electronic equipment failures may exist due to usage.
- Fair (70-79) – Signal and communications equipment that will be in serviceable condition at the time of rating, but will require rehabilitation of major components within five years. For example, electronic equipment, enclosures, and warning device appurtenances will need replacement or rehabilitation.
- Poor (60-69) – Signal and communications equipment that will be in serviceable condition at the time of rating, but will require rehabilitation of major components within one year. Potential non-compliant issues with regulatory agencies may exist.
- Critical (59 or below) – Signal and communications equipment that has major components which will require replacement to offset system operation and integrity failures. The location will require immediate major rehabilitation work.

The SCRRA owns and maintains 648 signal and communication devices. Based on the condition assessment as of the year ended June 30, 2014, the communication devices had an average rating of 84 points or “Good.”

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information

June 30, 2014

(3) SCHEDULE OF FUNDING PROGRESS – PENSION PLAN

The scheduling of funding progress below shows the recent history of the actuarial value of the assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll (in thousands).

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL)	Funded Status	Annual Covered Payroll	UAAL As % Of Payroll
06/30/11	\$ 37,464	\$ 33,614	\$ 3,850	89.7%	\$ 15,418	25.0%
06/30/12	41,057	37,249	3,808	90.7%	16,936	22.5%
06/30/13	45,136	37,805	7,331	83.8%	17,036	43.0%

(4) SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/07	-	\$ 18,194	\$ 18,194	0%	\$ 14,721	123.6%
06/30/09	-	18,890	18,890	0%	19,663	96.1%
06/30/13	-	14,106	14,106	0%	23,686	65.0%



METROLINK®

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statistical Section Overview

This section of the Southern California Regional Rail Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents	Page
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	68
REVENUE CAPACITY	
These schedules contain information to help the reader assess the Authority's most significant revenue sources, capital contributions, fares, and member operating subsidies.	71
DEMOGRAPHIC AND ECONOMIC INFORMATION	
This schedule offers demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	73
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	74

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
Changes in Net Position, Net Positions by Component and Percentages of Operating Costs Covered by Revenues
Last Ten Fiscal Years

(Dollar Amounts in Thousands)

	YEARS ENDED JUNE 30									
	2014*	2013*	2012*	2011	2010	2009	2008	2007	2006	2005
Change in net position/net assets:										
Net position/net assets at beginning of year	\$ 1,315,972	\$ 1,240,785	\$ 1,122,909	\$ 1,003,971	\$ 883,540	\$ 811,956	\$ 765,926	\$ 710,384	\$ 688,781	\$ 669,826
Increase in net position/net assets	46,908	75,187	117,876	118,938	120,431	71,584	46,030	55,542	21,603	18,955
Net position/net assets at end of year	<u>\$ 1,362,880</u>	<u>\$ 1,315,972</u>	<u>\$ 1,240,785</u>	<u>\$ 1,122,909</u>	<u>\$ 1,003,971</u>	<u>\$ 883,540</u>	<u>\$ 811,956</u>	<u>\$ 765,926</u>	<u>\$ 710,384</u>	<u>\$ 688,781</u>
Net position/net assets by component:										
Invested in capital assets	\$ 1,336,221	\$ 1,293,357	\$ 1,183,590	\$ 1,084,887	970,148	847,802	777,488	732,142	680,619	659,348
Unrestricted	26,659	22,615	57,195	38,022	33,823	35,738	34,468	33,784	29,765	29,433
% of Operating costs covered by revenues and operating grants. Operating costs are net of depreciation, gas tax, third-party agreements, rehabilitation and renovation-capital and rolling stock lease.	52.32%	52.49%	56.54%	56.87%	57.97%	54.97%	60.43%	62.11%	58.29%	53.71%

* Net assets replaced with net position as a result of GASB 63 implementation in fiscal year 2012-2013.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Table of Revenues, Expenses, and Changes in Net Assets

Last Ten Fiscal Years

(Dollar Amounts in Thousands)

YEARS ENDED JUNE 30

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues:										
Fares	\$ 85,673	\$ 84,360	\$ 79,986	\$ 74,171	\$ 69,343	\$ 73,057	\$ 69,892	\$ 62,275	\$ 54,656	\$ 47,808
Dispatching	2,488	2,598	2,957	3,079	3,071	3,111	3,050	2,957	2,962	2,938
Third-party agreements	26,676	28,630	26,548	11,183	20,642	17,407	16,427	11,736	12,489	7,591
Maintenance of way revenues	11,726	14,299	13,432	12,902	11,875	11,107	10,595	9,614	9,947	9,482
Gas tax revenue	1,684	10,101	10,235	10,300	8,484	7,832	8,100	9,600	9,372	7,980
Public liability and property damage recovery	3,164	40	32	76	82	380	218	308	1,000	-
Interest and other income	393	352	375	368	823	478	583	264	256	576
Total operating revenues	\$ 131,804	\$ 140,380	\$ 133,565	\$ 112,079	\$ 114,320	\$ 113,372	\$ 108,865	\$ 96,754	\$ 90,682	\$ 76,375
Nonoperating revenues:										
Member agency operating subsidies	\$ 80,972	\$ 71,503	\$ 59,080	\$ 59,151	57,446	55,612	45,249	39,328	41,453	43,131
Member agency self insurance reserve	16,273	18,066	17,850	19,612	21,217	15,479	10,822	9,810	8,998	9,052
Insurance recoveries	-	-	-	-	-	2,500	-	-	2,190	-
Operating grants	-	-	-	-	-	135	328	667	201	993
Net gain (loss) on disposal of capital assets	(603)	-	-	127	-	(1,624)	35	11	132	10,090
Interest and other income	1,771	1,202	1,068	1,285	2,512	1,508	3,396	5,551	2,257	2,315
Total nonoperating revenues	\$ 98,413	\$ 90,771	\$ 77,998	\$ 80,175	\$ 81,175	\$ 73,610	\$ 59,830	\$ 55,367	\$ 55,231	\$ 65,581
Capital contributions	\$ 86,203	\$ 119,722	\$ 173,476	\$ 199,238	188,336	136,656	84,875	91,737	45,593	34,947
Operating expenses:										
Train operations and support	\$ 151,575	\$ 147,556	\$ 129,860	\$ 120,297	\$ 115,248	\$ 120,680	\$ 106,730	\$ 96,098	\$ 88,637	\$ 83,419
Maintenance of way	29,867	29,313	24,127	30,687	24,289	22,931	23,340	19,913	20,820	21,978
Rehabilitation and renovation - capital	11,782	11,214	34,282	66,941	57,209	54,135	32,604	32,571	16,290	19,771
Gas tax expense	1,684	10,101	10,235	10,300	8,484	7,832	8,100	9,600	9,372	7,980
Third-party agreements	26,607	29,779	26,561	11,460	19,345	17,641	17,088	11,347	14,453	7,666
Insurance and liability claims	15,100	15,050	17,520	12,826	19,263	14,231	9,211	8,736	10,457	6,582
Public liability and property damage	1,173	1,746	1,848	1,466	2,130	4,252	1,961	1,727	1,997	3,085
Depreciation & amortization	31,724	30,927	22,730	18,577	17,432	10,352	8,506	8,324	7,877	7,467
Total operating expenses*	\$ 269,512	\$ 275,686	\$ 267,163	\$ 272,554	\$ 263,400	\$ 252,054	\$ 207,540	\$ 188,316	\$ 169,903	\$ 157,948
Increase in net assets	46,908	75,187	117,876	118,938	120,431	71,584	46,030	55,542	21,603	18,955
Fares as a percentage of total operating revenues	65.0%	60.1%	59.9%	66.2%	60.7%	64.4%	64.2%	64.4%	60.3%	62.6%

* In compliance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants are included as a separate component after nonoperating revenue.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Sources of Capital Contributions

Last Ten Fiscal Years

(Dollar Amounts in Thousands)

	YEARS ENDED JUNE 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Amtrak	\$ -	\$ -	\$ -	\$ -	\$ 164	\$ 62	\$ 46	\$ 415	\$ 803	\$ 648
FEMA, FHWA	6,518	12,513	4,435	5,389	-	-	-	-	268	2
Federal Transit Administration	15,700	9,669	26,800	16,968	34,999	50,491	29,182	33,819	27,356	20,208
State of California	43,594	70,046	86,062	40,767	25,674	19,602	14,990	25,910	8,560	5,492
L.A.C. Metropolitan Transportation Authority	14,601	20,442	8,507	16,631	37,597	26,611	21,391	21,655	3,769	6,458
Orange County Transportation Authority	2,495	(579)	41,599	104,915	83,223	32,933	15,696	7,748	1,484	868
Riverside County Transportation Commission	162	12,586	40	2,385	177	200	93	(61)	(11)	(66)
San Bernardino Associated Governments	348	539	1,059	4,161	1,841	2,403	1,508	1,079	520	515
Ventura County Transportation Commission	-	22	31	311	99	(40)	190	34	143	404
Other capital (CMAQ, AQMD, FRA)	2,785	847	4,943	7,711	4,563	4,393	1,779	830	2,701	418
Total capital contributions	\$ 86,203	\$ 126,085	\$ 173,476	\$ 199,238	\$ 188,337	\$ 136,655	\$ 84,875	\$ 91,429	\$ 45,593	\$ 34,947

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

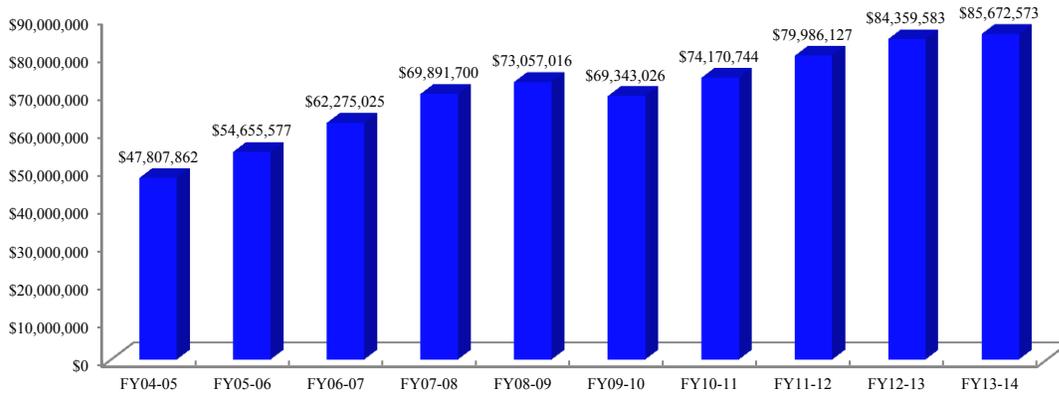
Passenger Fares and Farebox Recovery Ratio

June 30, 2014

PASSENGER FARES: 2004-05 THROUGH 2013-14

Total increase in passenger fares in FY2013-14 over FY2012-13 is attributed primarily due to an average of 5% system wide fare increase effective July 1, 2013. Marketing promotions increased corporate partnerships and improved connectivity with alternate transportation modes, including buses and shuttles throughout the territories served.

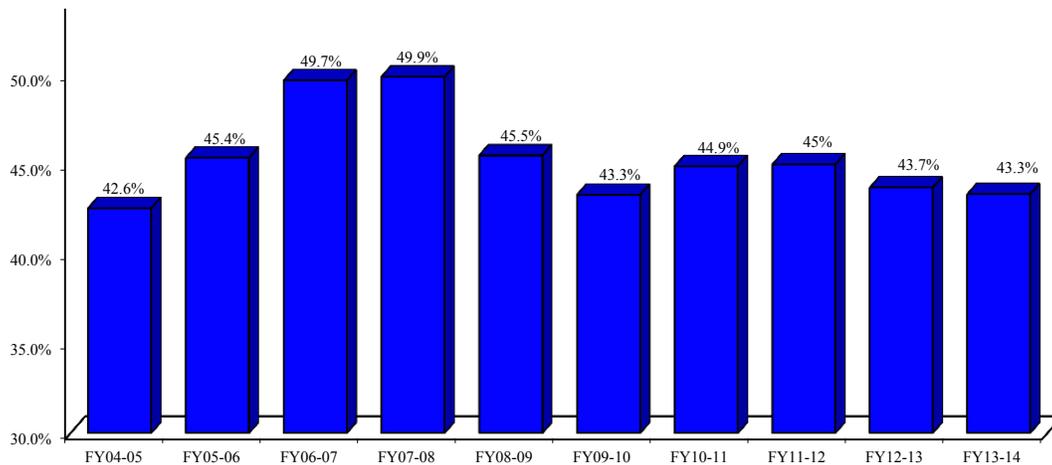
PASSENGER FARES



FAREBOX RECOVERY RATIO: 2004-05 THROUGH 2013-14

Farebox recovery is a ratio of fare revenue to direct operating expenses (train operations, maintenance-of-way, including extra-ordinary maintenance, claims and insurance; excludes gas tax exchange funds, rolling stock lease, third-party activity, and depreciation).

FAREBOX RECOVERY RATIO



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

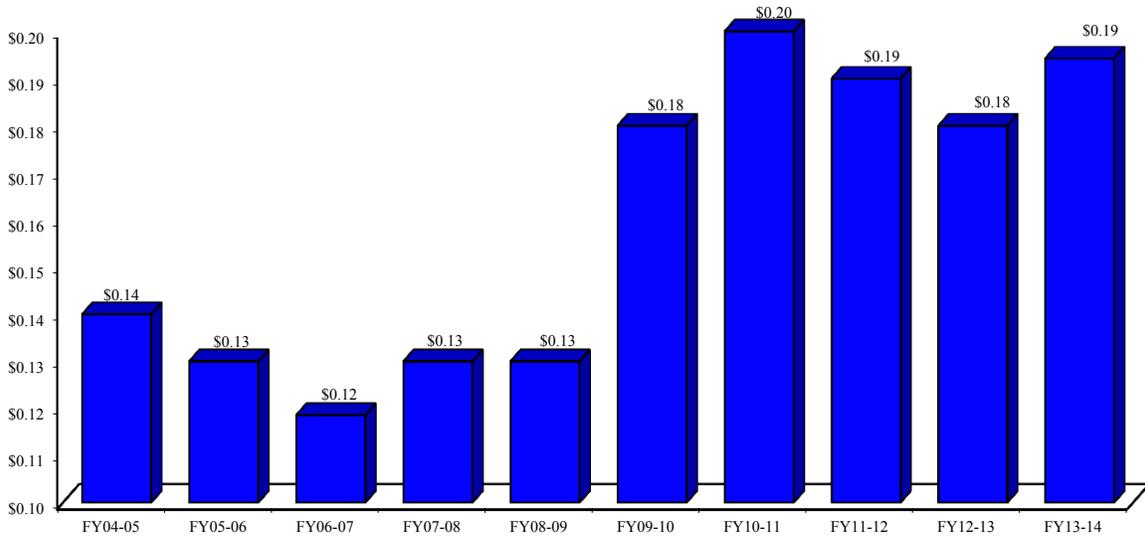
Subsidy / Passenger Mile

June 30, 2014

SUBSIDY / PASSENGER MILE: 2004-05 THROUGH 2013-14

Subsidy per passenger mile is a measure of public funding provided for each passenger mile of travel.

SUBSIDY / PASSENGER MILE



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Demographic and Economic Information

Last Ten Fiscal Years

	YEARS ENDED JUNE 30									
	2014	2013	2012	2011*	2010	2009	2008	2007	2006	2005
Population for Counties Served										
Los Angeles County	10,116,705	10,017,068	9,951,690	9,887,335	9,818,605	9,801,096	9,785,474	9,780,808	9,798,609	9,816,153
Orange County	3,145,515	3,114,363	3,085,355	3,047,860	3,010,232	2,990,805	2,974,321	2,960,659	2,956,334	2,956,847
Riverside County	2,329,271	2,292,507	2,264,879	2,226,865	2,189,641	2,140,626	2,102,741	2,049,902	1,975,913	1,895,695
San Bernardino County	2,112,619	2,088,371	2,077,453	2,055,562	2,035,210	2,019,432	2,009,594	1,989,690	1,959,715	1,921,423
Ventura County	846,178	839,620	834,398	828,258	823,318	815,284	808,970	803,572	799,049	795,962
Total Population for Counties Served	18,550,288	18,351,929	18,213,775	18,045,880	17,877,006	17,767,243	17,681,100	17,584,631	17,489,620	17,386,080
Unemployment Rates for Counties Served										
Los Angeles County	8.2	9.9	10.9	12.3	12.2	11.3	7.1	4.9	4.7	5.3
Orange County	5.5	6.2	7.6	8.8	9.5	9.3	5.3	3.9	3.7	3.8
Riverside County	8.2	10.3	12.1	13.7	14.5	14	8.4	5.7	4.9	5.1
San Bernardino County	8.1	10.1	11.9	13.4	14.3	13.7	7.9	5.4	5.0	5.0
Ventura County	6.4	7.8	9.1	10.1	10.6	10.3	6.1	4.7	4.4	4.7
Average Unemployment Rates for Counties Served	7.3	8.9	10.3	11.7	12.2	11.7	7.0	4.9	4.5	4.8
Per Capita Income for Counties Served*										
Los Angeles County	**	46,530	44,474	42,953	41,113	40,351	42,114	41,016	39,471	36,513
Orange County	**	54,519	52,342	50,642	48,769	48,841	51,688	51,492	50,775	47,172
Riverside County	**	33,278	31,742	31,074	29,563	29,433	30,808	30,871	30,309	28,873
San Bernardino County	**	32,747	32,072	31,121	29,950	29,788	30,524	30,039	28,951	27,806
Ventura County	**	50,507	48,837	47,279	44,842	44,220	46,348	46,813	45,022	42,079
Average Per Capita Income for Counties Served*	**	43,516	41,893	40,614	38,847	38,527	40,296	40,046	38,906	36,489
Percent of Ethnic Riders by Line Corridor										
Ventura County Line	41%	47%	52%	***	41%	***	42%	***	39%	***
Antelope Valley Line	60%	74%	58%	***	57%	***	54%	***	55%	***
San Bernardino Line	70%	71%	73%	***	69%	***	69%	***	70%	***
Riverside Line	73%	79%	75%	***	73%	***	79%	***	78%	***
Orange County Line	50%	54%	59%	***	50%	***	50%	***	51%	***
91 Line	61%	67%	71%	***	61%	***	57%	***	61%	***
Inland Empire - Orange County Line	46%	50%	47%	***	46%	***	51%	***	48%	***

* Per Capita Figures for FY 2008, 2009 and 2010 are conservative estimates of 5% growth supported by Bureau of Economic Analysis data

**Per Capita Figures for CY 2014 have not been released as of 4/21/2015

*** No survey was conducted this year

Source: U.S Census Bureau, U.S Department of Commerce Bureau of Economic Analysis, U.S Department of Labor Bureau of Labor Statistics, and SCRRA's Fact Sheet

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Ridership, Annual and Average Weekday

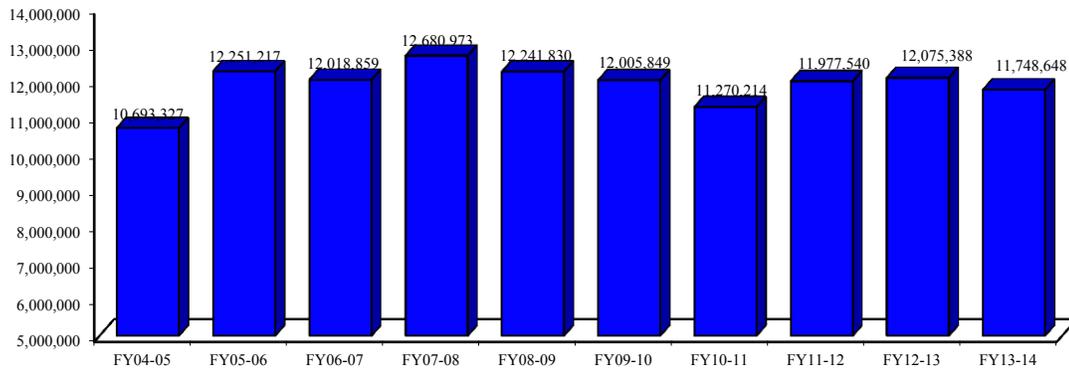
June 30, 2014

RIDERSHIP: 2004-05 THROUGH 2013-14

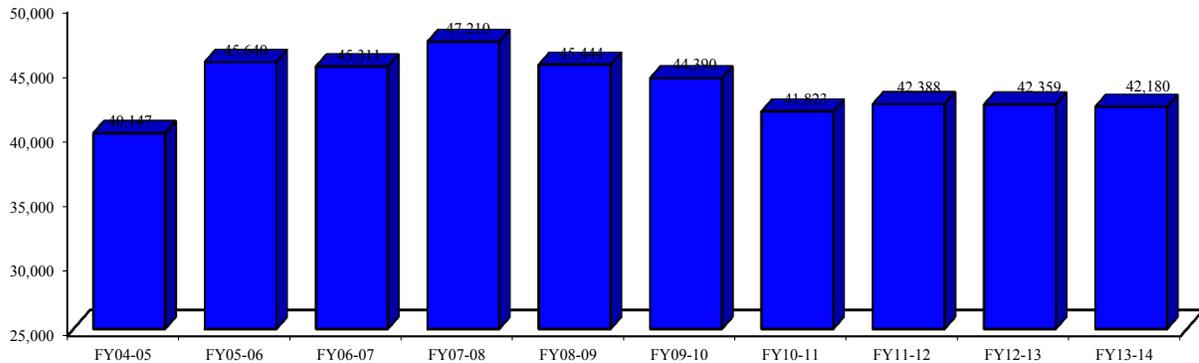
During nearly sixteen years of Metrolink operations, ridership grew steadily with slight declines in FY06-07 and FY08 through FY11. In FY07-08, record fuel prices helped drive a significant increase in ridership. During the latter part of FY08 through FY11 ridership steadily declined, which was due in large part to the continued weakened economic conditions in the Southern California region as well as nationwide.

The following charts show the number of passengers carried for each of the last ten fiscal years and the average weekday ridership. Since FY03-04 the Annual and Average Weekday Ridership is based on unaudited conductor counts.

ANNUAL RIDERSHIP



AVERAGE WEEKDAY RIDERSHIP



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

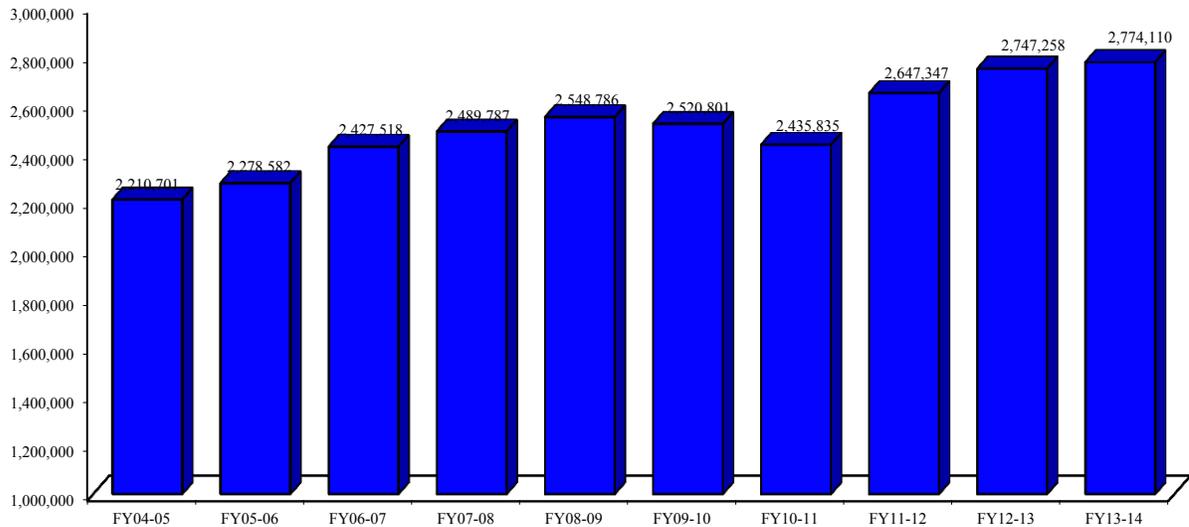
Total Train Miles

June 30, 2014

TOTAL TRAIN MILES: 2004-05 THROUGH 2013-14

Until FY09-10 total Train Miles realized annual yearly increases due to additions of new trains, routes, train schedules as well as modifications to existing schedules. These modifications have enhanced overall service and efficiency. Several additional emergency services were started after the Northridge earthquake and many have been retained. In May 2002, the 91 Line was opened, linking Riverside, Fullerton, and downtown Los Angeles. In addition to the new 91 Line, additional trains and extended service (including new weekend service) were added to the Antelope Valley line and San Bernardino line. As a result of the decline in ridership and increased operating costs, weekend service was reduced on the Inland Empire Orange County (IEOC) as well Orange County line.

TOTAL TRAIN MILES



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

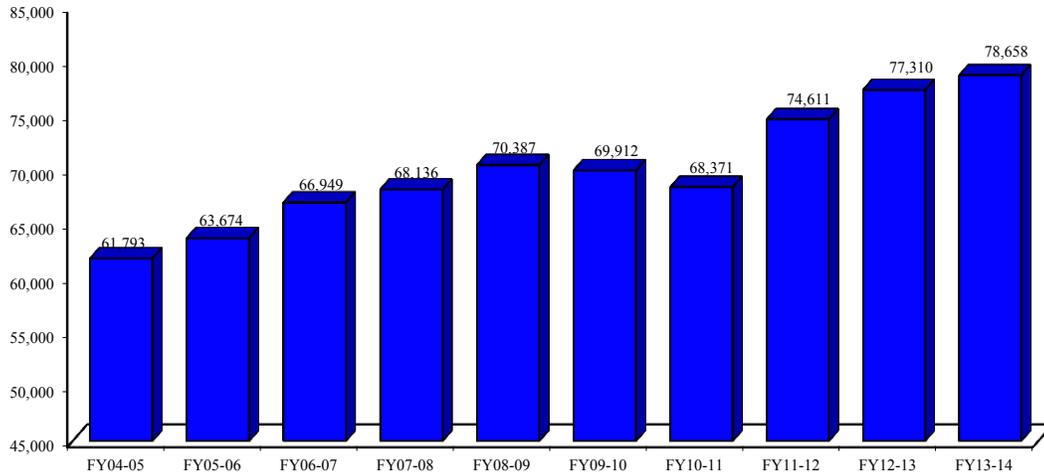
Service Hours and On-Time Performance

June 30, 2014

SERVICE HOURS: 2004-05 THROUGH 2013-14

Service Hours, like Train Miles, increased slightly in FY 2013-14.

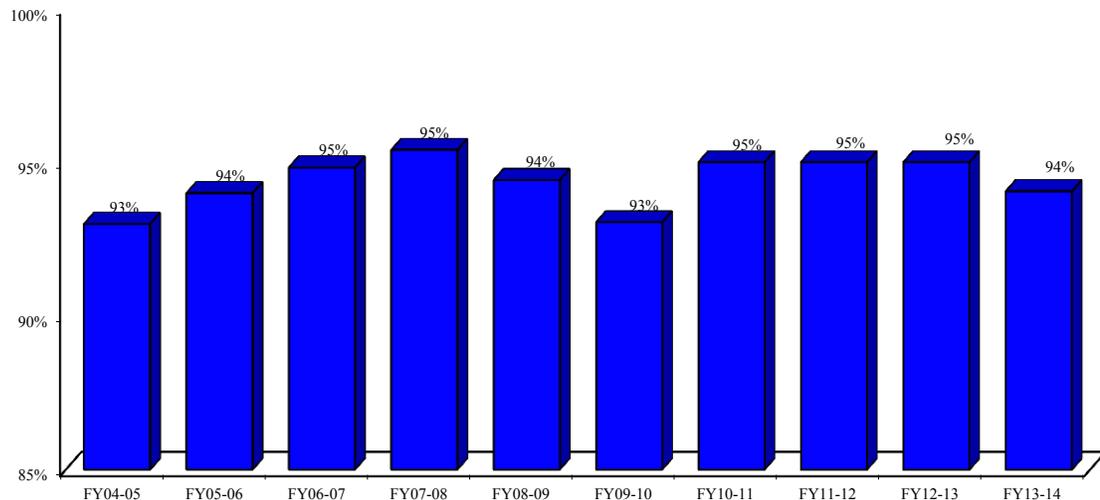
SERVICE HOURS



ON-TIME PERFORMANCE: 2004-05 THROUGH 2013-14

On-Time Performance remained relatively stable for the last couple fiscal years. Greater emphasis has been placed on on-time performance by attending to key issues that impact performance such as identifying recurring mechanical issues, station issues impeding timely passenger boarding and alighting, rail coordination with our freight railroad partners and evaluation and modifying the timing of construction projects all lead to an increase in on-time performance.

ON-TIME PERFORMANCE



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Miscellaneous Statistics

June 30, 2014

(Dollar Amounts in Thousands)

Date of Formation	August 1991	
Form of Government	Joint Powers Authority	
Purpose	To plan, design, construct and administer the operation of regional passenger rail lines.	
Member Agencies	Los Angeles County Metropolitan Transportation Authority Orange County Transportation Authority Riverside County Transportation Commission San Bernardino Associated Governments Ventura County Transportation Commission	
Counties Served	Los Angeles County Orange County Riverside County San Bernardino County Northern San Diego County Ventura County	
Highway-Rail Grade Crossings	Total Network At-Grade Crossings	451
	Public At-Grade Crossings	376
	Pedestrian At-Grade Crossings	12
	Private At-Grade Crossings	35
	SCRRRA Maintained At-Grade Crossings	300
 2014-15 Operating Budget	Operations	\$181,651
	Maintenance of Way	<u>39,845</u>
	Total	\$221,496

Source: SCRRRA's June 2014 Fact Sheet and operating budget

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Ticket Categories
June 30, 2014



A variety of tickets and passes are available for Metrolink passengers. The type of ticket best suited for you will depend on how often you plan to ride Metrolink. All tickets are good for a free transfer from Metrolink to participating directly connecting transit

Monthly Passes, Round-trip tickets and 7-Day Pass offer increasing discounts off the One-Way price. Tickets and passes, available through the Ticket Vending Machine include:

TYPES OF FARES

ADULT	YOUTH	CHILD	SENIOR
<ul style="list-style-type: none"> Ages 19 to 64 Weekdays and Weekends Regular Fare 	<ul style="list-style-type: none"> Ages 6 to 18 Weekdays- Regular Fare Weekends- 25% off One-Way and Round-Trip Tickets excluding Weekend Day Pass 	<ul style="list-style-type: none"> Ages 5 and under ride free Three children ride free with an adult using a valid ticket- each additional child pays Youth Fare 	<ul style="list-style-type: none"> Ages 65 and over 50% off one way or round trip ticket 25% off Monthly/7-Day Pass Please present photo ID with date of birth to far inspector upon request
DISABLED	STUDENTS	SCHOOL GROUP TRAVEL	RECREATIONAL GROUP TRAVEL
<ul style="list-style-type: none"> 50% off One-Way or Round-Trip and 25% off Monthly Pass and 7-Day Pass Access Services ID Card Holders ride at no cost Please present proof of eligibility upon request-LA county Transit Operators, Association ID Card, Medical ID Card, DMV placard Personal Care Attendants PCA Must have a Valid Metrolink 	<ul style="list-style-type: none"> 15% off all Metrolink tickets available through Metrolink Ticket Vending Machines. Except Weekend Day Pass 	<ul style="list-style-type: none"> Discount fares for groups of 15 or more students, ages 5-18 One adult chaperone required per five children ages 5-13 Reservations required six weeks prior travel date-800-371-LINK(5465) Limited space available 	<ul style="list-style-type: none"> For groups of ten or more person, maximum 50 Tickets cost \$12 per person, all ages Reservations must be made at least three weeks in advance-800-371-LINK(5465) Limited space available
<p>PCA card if assisting a person with a disability</p>		<ul style="list-style-type: none"> \$3 per person 	

TYPES OF TICKETS

One-Way Ticket:

Valid for a single one-way trip from the station where purchased to the selected destination. One-way tickets are valid for 3 hours from time of purchase. Future dated one Way tickets do not have time limitation.

Round-Trip Ticket:

- Destination portion is valid for 3 hours from time of purchase. Return portion is valid any time on day of purchase
- Future Dated round trip tickets do not have time limitation

Weekend Day Pass:

The \$10.00 Weekend Day Pass is available at all Ticket Vending Machines TVM

It is available on Saturday and Sunday only

It is only valid on Saturday or Sunday only. No advanced purchase option

The validity date is the date of purchase only and includes free transfers to buss and light rail/subway

Monthly Pass:

Valid for unlimited travel between the station where purchased and slected destination during a calendar month.

- Monthly passes are sold 25th prior-14th current Month

- Valid only during month printed on pass . Do not photocoy or laminate.

MULTI-LINE TICKET OPTION

Some Metrolink tickets and Monthly Passes can be used on more than one line. This gives people who live or work near stations on two different lines more tains to choose from.

- Monthly passes and tickets on the San Bernardino and Riverside Lines can be used to travel on either line (between stations of equal or lesser distance)

- Monthly passes and tickets on the Riverside, 91 and Inland Empire-Orange County Lines can be used for travel on any of three lines (Between stations of equal or lesser distance, as long as the origin station or the destination station is in Riverside or San Bernardino County.

Seven Day Pass

The 7-Day Pass is valid for unlimited travel during a consecutive seven-day period between station pairs. The ticket is valid starting on the day when the pass is purchased.