Crowe Horwath.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES

(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

Financial Statements

June 30, 2015 and 2014

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises SAFE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 basic financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of SAFE as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The basic financial statements of SAFE as of June 30, 2014, were audited by other auditors whose report dated February 11, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and page 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
March 1, 2016

Management's discussion and analysis of the financial performance of the Service Authority for Freeway Emergencies (SAFE) presents an overview of SAFE's financial activities during the fiscal years ended June 30, 2015 and 2014. Management encourages readers to consider information presented here in conjunction with the financial statements (beginning on page 6). The financial statements, notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of management. All dollar amounts are expressed in thousands unless otherwise indicated.

Financial Highlights

- Fiscal year 2015 net position decreased by $5,164 or 17.37% compared to fiscal year 2014 mainly due to higher expenses for congestion relief operations.
- Total revenues are comprised of licenses and fines, intergovernmental revenue, and investment earnings. Licenses and fines revenue remained flat from 2014 to 2015. Investments earnings in fiscal year 2015 decreased by $145 or 47.08% compared to fiscal year 2014 mainly due to unfavorable investment conditions.
- Expenses increased by $2,279 or 20.94% in fiscal year 2015 compared to fiscal year 2014. The increase in expenses for fiscal year 2015 was mainly due to the implementation of MATIS (Motorist Aid Traveler Information System) and increase in the operating subsidy.

Overview of Financial Statements

This management's discussion and analysis serves as an introduction to SAFE's basic financial statements. SAFE's basic financial statements are comprised of three components: (1) the government-wide financial statements; (2) the fund financial statements, and (3) the notes to the basic financial statements. This report also contains required supplemental information in addition to the basic financial statements.

Government-wide financial statements provide a broad overview of SAFE's finances in a manner similar to private sector entities. The government-wide statements consist of: (1) the statements of net position, which present information on all of SAFE's assets and liabilities with the difference between the two being reported as net position, and (2) the statements of activities, which depict the changes in net position during the year. Trends of increasing or decreasing net position may serve as a useful indicator of financial health.

Fund financial statements represent the near-term inflows, outflows, and balances of spendable resources. The basic fund financial statements consist of: (1) the balance sheets, which present SAFE's assets and liabilities, with the difference between assets and liabilities being reported as fund balance; and (2) the statements of revenues, expenditures, and changes in fund balances. This report presents the underlying events or activities of the fund that affected the balance sheets.

The notes to the basic financial statements are various disclosures that accompany the government-wide and fund financial statements in order to provide a full understanding of SAFE's finances.

Analytical Overview

The table below shows the condensed schedule of net position for fiscal years 2015, 2014, and 2013:

	Governmental Activities Schedule of Net Position		
	2015	**2014**	**2013**
Total assets	$ 25,678	$ 30,624	$ 33,903
Total liabilities	1,119	901	1,448
Total net position	$ 24,559	$ 29,723	$ 32,455

Total assets decreased by $4,946 or 16.64% in fiscal year 2015, and $3,279 or 9.67% in fiscal year 2014. This was due to increases in capital and operating subsidies which were reported as transfers to the Los Angeles County Metropolitan Transportation Authority.

The total liabilities increased by $218 or 24.20% mainly due to increase in program expenditures during the year and timing differences. Total liabilities for fiscal year 2014 decreased by $547 or 37.78% below fiscal year 2013 due to a decrease in congestion relief operations program expenditures and lower unpaid Freeway Service Patrol (FSP) program expenditure reimbursement to LACMTA.

The following table is a condensed schedule of activities for the years ended June 30, 2015, 2014, and 2013:

	Governmental Activities Summary Schedule of Activities		
	2015	**2014**	**2013**
Program expenses, net of revenue:			
Congestion relief operations net of revenue	$ 8,205	$ 6,353	$ 7,355
Operating subsidies to the Los Angeles County Metropolitan Transportation Authority	4,956	4,529	933
Program expenses, net of revenue	13,161	10,882	8,288
General Revenues:			
Licenses and fines	7,834	7,842	7,607
Investment and earnings	163	308	53
Total general revenues	7,997	8,150	7,660
Change in net position	$ (5,164)	$ (2,732)	$ (628)

Factors Impacting Future Periods

For the foreseeable future, SAFE will continue to operate and manage the call box system (fixed and mobile) and the Southern California 511 traveler information system. In fiscal year 2015, SAFE completed an evaluation of the fixed call box system and obtained approval to proceed with a restructuring of the fixed call box system. This restructuring will begin in fiscal year 2016 and is expected to be completed in fiscal year 2017. The restructuring will result in the removal of approximately 400 call boxes and the reduction in the operating costs for the fixed call box system. The mobile call box service has been fully transitioned into Southern California 511 and will continue to operate as a motorist aid service similar to the fixed call box system thereby providing motorists with a readily available alternative to the fixed call box system. The Southern California 511 system is operated under contract and the contract is set to expire in June 2017. As a result, it is anticipated that during fiscal year 2017, overall costs to support 511 may increase as both the cost to maintain current operations and the anticipated development of the next generation system will need to be accounted for. The goal of the next generation 511 system will be to streamline operations and hopefully reduce or contain future operating costs. SAFE will continue to provide financial support to the Metro Freeway Service Patrol program as long as funds remain available. Finally, SAFE is also participating in the evaluation and possible integration of operations into the Los Angeles Transportation Management Center operated jointly by CHP and Caltrans. The purpose of this project is to evaluate opportunities to better utilize SAFE services in the overall management of the operation of the freeway system. It is anticipated that there will be a slight cost increase to support this project and future cost reductions will be realized through the operational improvements.

Further Information

This report has been designed to provide all interested parties with a general overview of SAFE'S financial condition and related issues. Inquiries should be directed to the Accounting Department, One Gateway Plaza, Mail Stop 99-20-7, Los Angeles, CA 90012-2952.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Statements of Net Position
June 30, 2015 and 2014
(Amounts expressed in thousands)

	Governmental activities	
	2015	**2014**
Assets:		
Cash and investments	$ 24,918	$ 30,501
Intergovernmental receivable	653	123
Interest receivable	107	—
Total assets	25,678	30,624
Liabilities:		
Accounts payable and accrued expenses	1,119	901
Total liabilities	1,119	901
Net position:		
Restricted	24,559	29,723
Total net position	$ 24,559	$ 29,723

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Statements of Activities
Years ended June 30, 2015 and 2014
(Amounts expressed in thousands)

	Governmental activities	
	2015	**2014**
Program expenses, net of revenue:		
Transit operations:		
Congestion relief operations	$ 8,207	$ 6,358
Less operating grants and contributions	(2)	(5)
Net congestion relief operations	8,205	6,353
Operating subsidies to the Los Angeles County Metropolitan Transportation Authority	4,956	4,529
Total program expenses, net of program revenue	13,161	10,882
General revenues:		
Licenses and fines	7,834	7,842
Investment and other earning	163	308
Total general revenues	7,997	8,150
Change in net position	(5,164)	(2,732)
Net position – beginning of year	29,723	32,455
Net position – end of year	$ 24,559	$ 29,723

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Balance Sheets
June 30, 2015 and 2014
(Amounts expressed in thousands)

	Special Revenue Fund	
	2015	**2014**
Assets:		
Cash and investments	$ 24,918	$ 30,501
Intergovernmental receivable	653	123
Interest receivable	107	-
Total assets	25,678	30,624
Liabilities:		
Accounts payable	1,119	901
Total liabilities	1,119	901
Fund balance:		
Restricted	24,559	29,723
Total fund balance	24,559	29,723
Total liabilities and fund balance	$ 25,678	$ 30,624

See accompanying notes to the basic financial statements.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority)
Statements of Revenues, Expenditures, and Changes in Fund Balance
Years ended June 30, 2015 and 2014
(Amounts expressed in thousands)

	Special Revenue Fund	
	2015	**2014**
Revenues:		
Licenses and fines	$ 7,834	$ 7,842
Intergovernmental	2	5
Investment income	163	308
Total general revenues	7,999	8,155
Expenditures:		
Administration and other transportation projects	8,207	6,358
Subsidies to the Los Angeles County Metropolitan Transportation Authority	4,956	4,529
Total expenditures	13,163	10,887
Net change in fund balance	(5,164)	(2,732)
Fund balance - beginning of year	29,723	32,455
Fund balance - end of year	$ 24,559	$ 29,723

See accompanying notes to the basic financial statements.

The notes to the basic financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements. Unless otherwise indicated, all dollar amounts are expressed in thousands.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Service Authority for Freeway Emergencies (SAFE) was created in February 1988 pursuant to California Streets and Highway Code Section 2550 et seq., and is responsible for the operation, maintenance, and administration of the Los Angeles County Kenneth Hahn Call Box system. Under the authority of the above section, the Los Angeles County Metropolitan Transportation Authority (LACMTA) is the designated SAFE for Los Angeles County.

As LACMTA's board is SAFE's board, SAFE is a component unit of LACMTA and is included in LACMTA's financial statements as a blended component unit.

(b) Operations

SAFE is responsible for the implementation, maintenance, operation, and administration of motorist aid on the network of freeways, highways, and unincorporated county roads within Los Angeles County. SAFE operates and maintains approximately 2,700 call boxes along 436 miles of freeways, state highways, and selected county roads in Los Angeles County. SAFE also funds, operates and manages the Southern California 511 traveler information system. This system provides real-time and planned traffic, transit and other related traveler information to the public via the phone, web and mobile application.

(c) Government-wide Financial Statements

SAFE's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, consist of government-wide statements, including a statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the agency and are reported using the economic resources measurement focus and the accrual basis of accounting.

The statement of activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Licenses and fines and investment earnings not considered program revenues are reported as general revenues.

(d) Fund Accounting

SAFE utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for SAFE's activities. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Additionally, the SAFE fund is considered a special revenue governmental fund. Special revenue funds are used to account for specific revenue sources that are legally restricted to specific purposes. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SAFE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented.

(e) Fund Balance and Net Position

Restricted fund balance and net position include amounts that can be spent only for specific purposes stipulated by enabling legislation, by grants, creditors, or by regulations of other governments. SAFE's fund balance and net position were classified as restricted as they can only be used in accordance with the provisions of the California Streets and Highway Code Section 2550 et seq by which the fund was created.

(f) Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that the SAFE Board of Directors approve an annual budget. The Board of Directors conducts a public hearing for discussion of the proposed annual budget prior to adoption of the final budget. Unexpended appropriations lapse at year-end. The legal level of control is at the fund level, and expenses may not exceed total appropriations without board approval. By policy, the board has provided procedures for management to make revisions within operational or project budgets when there is no net dollar impact to total appropriations. The budget is prepared on a GAAP basis.

(g) Cash and Investments

SAFE maintains a minimum balance with the Los Angeles County Treasurer's external investment pool. Balances in excess of $50 are withdrawn and deposited into the LACMTA internal investment pool. Cash and investments are reported at fair market value which is the quoted market price.

(h) Receivables

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experience. Receivables includes license and fine revenue due from the State Department of Motor Vehicles.

(i) License and Fines

License and fines revenue is recognized when earned and is generated by a $1 (amount not in thousands) per car registration fee in Los Angeles County, which is receivable from the State Department of Motor Vehicles.

(j) Effects of New GASB Pronouncements

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

In June 2012, GASB issued Statement No. 68, *"Accounting and Financial Reporting for Pensions."* This Statement replaces the requirements of Statement No. 27, *"Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of GASB 50, *Pension Disclosures,"* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This statement establishes standards for governmental employer recognition, measurement, and presentation of information about pensions provided through pension plans that are within the scope of this statement. It also establishes requirements for reporting information about pension-related financial support provided by entities that make contributions to pension plans that are used to provide pensions to the employees of other entities. The requirement of this Statement is effective for fiscal years beginning after June 15, 2014. The implementation of the new reporting requirements of GASB 68 did not have any impact on SAFE.

In January 2013, GASB issued Statement No. 69, *"Government Combinations and Disposals of Government Operations."* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Government mergers include combinations of legally separate entities without the exchange of significant considerations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement also provides guidance for transfers of operations that do not constitute legally separate entities and in which no significant consideration is exchanged. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The implementation of the new reporting requirements of GASB 69 did not have any impact on SAFE.

In November 2013, GASB issued Statement No. *71, Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68.* This Statement amends paragraph 137 of Statement 68 which requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition, only if it is practical to determine all such amounts. At transition to Statement 68, Statement 71 states that if it is not practical for an employer or non-employer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2014. The implementation of the new reporting requirements of GASB 71 did not have any impact on SAFE.

In February 2015, GASB issued Statement No. 72 *"Fair Value Measurement and Application."* This standard is applicable primarily to investments made by state and local governments and defines fair value and describes how fair value should be measured, identifies the assets and liabilities that should be measured at fair value, and requires specific information about fair value to be disclosed in the financial statement. This new standard also expands note disclosures to categorize fair values according to their relative reliability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. SAFE plans to implement the new reporting requirement of GASB 72 for the fiscal year ending June 30, 2016, if applicable.

In June 2015, GASB issued Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68,*" and "Amendments to Certain Provisions of GASB Statements 67 and 68." GASB Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. SAFE plans to implement the new reporting requirements for the fiscal year ending June 30, 2016, if applicable.

In June 2015, GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* which replaces GASB Statement No. 43,"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". Statement 74 addresses the financial reports of defined retiree benefit by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires additional disclosures and RSI related to the measurement of the retiree benefit plan liabilities with accumulated assets, including information about the annual money-weighted rates of return on plan investments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016. SAFE plans to implement the new reporting requirements for the fiscal year ending June 30, 2017, if applicable.

In June 2015, GASB issued Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* which replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (retiree benefits)". Statement No. 75 directs governments to report a liability on their financial statements for their retiree benefits. It requires governments in all types of retiree benefit plans to present additional disclosures and supplementary information (RSI) about their retiree benefit liabilities. The requirements of Statement 75 are effective for fiscal years beginning after June 15, 2017. SAFE plans to implement the new reporting requirements for the fiscal year ending June 30, 2018, if applicable.

In June 2015, GASB issued Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"* which reduces the GAAP hierarchy from four categories under GASB Statement No. 55 to two categories. The first category consists of GASB Statements of Governmental Accounting Standards; the second category comprises GASB Technical Bulletins, Implementation Guides, and guidance from the AICPA. The most significant change is the raising of the level of authority of the Implementation Guides. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions, assessing accountability, and enhancing the comparability of financial statement information among governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. SAFE plans to implement the new reporting requirements for the fiscal year ending June 30, 2016, if applicable.

In August 2015, GASB issued Statement No. 77 *"Tax Abatement Disclosures."* This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by abatement recipients, 2) the gross dollar amount of taxes abated during the period, and 3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for fiscal years beginning after December

15, 2015. SAFE plans to implement the new reporting requirements for the fiscal year ending June 30, 2017, if applicable.

In December 2015, GASB issued Statement No. 78 "*Pension Provided Through Certain Multiple-employer Defined Benefit Pension Plan.*" This statement amends the scope and applicability of GASB 68 to exclude pensions provided to benefit pension plan that; 1) is not a state or local governmental pension plan, 2) is used to provide define benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and 3) has no predominant state or local governmental employer (either individual or collectively with other states or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for fiscal years beginning after December 15, 2015. SAFE plans to implement the new reporting requirements for the fiscal year ending June 30, 2017, if applicable.

In December 2015, GASB issued Statement No. 79, *"Certain External Investment Pools and Pool Participants."* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The provisions of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. SAFE plans to implement the new reporting requirements for the fiscal year ending June 30, 2016, if applicable.

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

(2) Cash and Investments

The following is a breakdown of SAFE's cash and investments as of June 30, 2015 and 2014.

	2015	2014
LACMTA investment pool	$ 24,868	$ 29,752
Los Angeles County investment pool	50	749
Total	$ 24,918	$ 30,501

SAFE cash balances are pooled with other LACMTA funds participating in the investment pool by the LACMTA Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The LACMTA Board of Directors provides regulatory oversight for the LACMTA pool. Each fund maintains an equity interest in the pool and is presented as cash and investments in the Statement of Net Position. The fair value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2015 and 2014. Detailed information regarding the LACMTA's pooled cash and investments can be found in the LACMTA Comprehensive Annual Financial Report (CAFR). A copy of the LACMTA's CAFR can be obtained by submitting a written request to the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

SAFE cash balances are also pooled with other County funds and invested by the Los Angeles County Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The County Board of Supervisors provides regulatory oversight for the Los Angeles County Investment Pool (LACIP). The fair value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2015 and 2014. Detailed information regarding the County's pooled cash and investments can be found in the County of Los Angeles Comprehensive Annual Financial Report (CAFR). A copy of the County's CAFR can be obtained by submitting a written request to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

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

(a) Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. SAFE maintains investment policies that establish thresholds for holdings of individual securities. SAFE does not have any holdings meeting or exceeding these threshold levels. As of June 30, 2015, SAFE does not have any investments with more than 5% of the total investments under one issuer except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

(b) Custodial Credit Risk

SAFE has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. SAFE measures interest rate risk on its short-term investments using the effective duration method. SAFE maintains policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years. This policy does not apply to investments of proceeds related to bond financings. SAFE measures interest rate risk on its bond proceeds and debt service investments using the weighted average maturity method.

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2015, there is no exposure to currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

(3) Significant Commitments

SAFE has entered into a Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, for PTSC to provide cost reimbursable administrative support services to SAFE. The MOU will remain in effect until terminated by either party with a minimum of sixty (60) days written notice.

SAFE had $2,583 of outstanding contractual commitments as of June 30, 2015 that had not been claimed or disbursed.

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
(A Component Unit of the
Los Angeles County Metropolitan Transportation Authority
Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the years ended June 30, 2015 and 2014
(Amounts expressed in thousands)

	2015				2014			
	Original Budget [1]	Final Budget [1]	Actual	Variance with Final Budget	Original Budget*	Final Budget *	Actual	Variance with Final Budget
Revenues:								
Licenses and fines	$ 9,000	$ 9,000	$ 7,834	$ (1,166)	$ 8,325	$ 8,325	$ 7,842	$ (483)
Intergovernmental	-	-	2	2	-	-	5	5
Investment income	500	500	163	(337)	500	500	308	(192)
Total revenues	9,500	9,500	7,999	(1,501)	8,825	8,825	8,155	(670)
Expenditures:								
Administration and other transportation projects	11,707	11,589	8,207	3,382	11,760	11,705	6,358	5,347
Subsidies to the Los Angeles County Metropolitan Transportation Authority	5,000	5,000	4,956	(44)	1,500	1,500	4,529	(3,029)
Total expenditures	16,707	16,589	13,163	3,426	13,260	13,205	10,887	2,318
Net change in fund balances	(7,207)	(7,089)	(5,164)	1,925	(4,435)	(4,380)	(2,732)	1,648
Fund balances – beginning of year	29,723	29,723	29,723	-	32,455	32,455	32,455	-
Fund balances – end of year	$ 22,516	$ 22,634	$ 24,559	$ 1,925	$ 28,020	$ 28,075	$ 29,723	$ 1,648

* Budget prepared in accordance with GAAP.