



**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Financial Statements  
Fiscal years ended June 30, 2017 and 2016

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

**Table of Contents**

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	3
<b>Management's Discussion and Analysis (Unaudited)</b>	5
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statements of Net Position	8
Statements of Activities	9
Fund Financial Statements:	
Balance Sheets	10
Statements of Revenues, Expenditures, and Changes in Fund Balances	11
Notes to the Basic Financial Statements	12
<b>Required Supplementary Information</b>	
Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Unaudited)	16

## 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 Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2017 and 2016, 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 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAFE as of June 30, 2017 and 2016, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *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 as listed in the table of contents, 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of SAFE'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 the SAFE's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

Los Angeles, California  
December 1, 2017

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities of the 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, 2017, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated December 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SAFE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAFE's internal control. Accordingly, we do not express an opinion on the effectiveness of SAFE's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SAFE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely 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 the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crowe Horwath LLP*

Crowe Horwath LLP

Los Angeles, California  
December 1, 2017

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2017 and 2016

---

The 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, 2017 and 2016. Management encourages readers to consider information presented here in conjunction with the financial statements (beginning on page 8). The basic financial statements, the notes to the basic 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**

- SAFE's net position decreased by \$3,580 or 15.95% compared to fiscal year 2016 mainly due to higher expenditures incurred for the operation of the call box system and the continued development of the Southern California 511. The favorable variance of \$771 in actual receipts of vehicle registration fees over budgeted amount was mainly due to an increase in vehicle registrations by the California Department of Motor Vehicles from the previous year. The favorable variance of \$1,940 in administration and other expenditures under budgeted amount was mainly due to lower operating subsidy to LACMTA for its freeway service project.
- Revenues are comprised of vehicle registration fees and investment earnings. Investment earnings in fiscal year 2017 decreased by \$283 or 66.75% compared to fiscal year 2016 mainly due to lower cash balance available for participation in the LACMTA pooled investments.
- Expenditures increased by \$1,395 or 13.16% compared to fiscal year 2016. The increase in expenditures was mainly due to higher expenditures incurred for professional and technical services and advertising for the operation of the call box system and the Southern California 511.

### **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 supplementary 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 financial statements consist of: (1) the **statements of net position**, which present information on all of SAFE's assets and liabilities with the difference 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 fund financial statements consist of: (1) the **balance sheets**, which present SAFE's assets and liabilities, with the difference being reported as fund balance; and (2) **the statements of revenues, expenditures, and changes in fund balance**. 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.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2017 and 2016

**Analytical Overview**

The table below shows the condensed schedule of net position as of June 30, 2017, 2016, and 2015:

	<b>Governmental Activities</b>		
	<b>Schedule of Net Position</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total assets	\$ 19,764	\$ 23,387	\$ 25,678
Total liabilities	890	933	1,119
Total net position	\$ 18,874	\$ 22,454	\$ 24,559

Total assets decreased by \$3,623 or 15.49% in fiscal year 2017 and by \$2,291 or 8.92% in fiscal year 2016. This was due mainly to increases in expenditures incurred for its congestion relief operations and other programs.

Total liabilities decreased by \$43 or 4.61% in fiscal year 2017 and by \$186 or 16.62% in fiscal year 2016 mainly due to lower accrued liabilities in program expenses.

The following table is a condensed schedule of activities for the fiscal years ended June 30, 2017, 2016, and 2015:

	<b>Governmental Activities</b>		
	<b>Summary Schedule of Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Program expenses, net of revenues:			
Congestion relief operations	\$ 10,492	\$ 8,310	\$ 8,205
Subsidies to LACMTA	1,500	2,287	4,956
Total program expenses	11,992	10,597	13,161
General revenues:			
License fees	8,271	8,068	7,834
Investment income	141	424	163
Total general revenues	8,412	8,492	7,997
Change in net position	\$ (3,580)	\$ (2,105)	\$ (5,164)



**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2017 and 2016

---

**Factors Impacting Future Periods**

SAFE anticipates continuing the operation and management of the call box system (fixed and mobile) and Southern California 511. SAFE completed an additional phase of the fixed call box system restructuring as well as the transition from 2G to 3G wireless capabilities during FY17. The cost to continue operating the fixed call box system will decrease in FY18 with further reviews to be conducted for its continued operation. The use of the mobile call box service is projected to increase slightly but the costs should be relatively stable as the new contract for call answering services was recently awarded. The operational costs associated with Southern California 511 will also decrease in FY18 due to the transition to a new system. The SoCal 511 operational costs are projected to remain relatively stable with any increases occurring as a result of new service/functionality development and implementation. Finally, there may be a reduction to the annual allocation in support of Metro Freeway Service Patrol due to the potential of obtaining additional new funds from the State. SAFE will monitor this situation and will reduce its annual allocation as warranted after discussions with LACMTA. Overall, it is anticipated that in the near term, the future costs will be relatively stable.

**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  
Fiscal years ended June 30, 2017 and 2016  
(Amounts expressed in thousands)

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Assets:		
Cash and cash equivalents	\$ 8,029	\$ 9,221
Investments	11,643	13,286
Intergovernmental receivable	—	791
Interest receivable	92	89
Total assets	19,764	23,387
Liabilities:		
Accounts payable and accrued expenses	890	933
Net position:		
Restricted	18,874	22,454
Total net position	\$ 18,874	\$ 22,454

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  
Fiscal years ended June 30, 2017 and 2016  
(Amounts expressed in thousands)

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Program expenses, net of revenues:		
Transit operations:		
Congestion relief operations	\$ 10,492	\$ 8,310
Subsidies to LACMTA	1,500	2,287
Total program expenses	11,992	10,597
General revenues:		
License fees	8,271	8,068
Investment income	141	424
Total general revenues	8,412	8,492
Change in net position	(3,580)	(2,105)
Net position – beginning of year	22,454	24,559
Net position – end of year	\$ 18,874	\$ 22,454

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  
 Fiscal years ended June 30, 2017 and 2016  
 (Amounts expressed in thousands))

	<b>Special Revenue Fund</b>	
	<b>2017</b>	<b>2016</b>
Assets:		
Cash and cash equivalents	\$ 8,029	\$ 9,221
Investments	11,643	13,286
Intergovernmental receivable	—	791
Interest receivable	92	89
Total assets	19,764	23,387
Liabilities:		
Accounts payable	890	933
Fund balance:		
Restricted	18,874	22,454
Total liabilities and fund balance	\$ 19,764	\$ 23,387

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
 (A Component Unit of the  
 Los Angeles County Metropolitan Transportation Authority)  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Fiscal years ended June 30, 2017 and 2016  
 (Amounts expressed in thousands)

	<b>Special Revenue Fund</b>	
	<b>2017</b>	<b>2016</b>
Revenues:		
License fees	\$ 8,271	\$ 8,068
Investment income	141	424
Total revenues	8,412	8,492
Expenditures:		
Administration and other transportation projects	10,492	8,310
Subsidies to LACMTA	1,500	2,287
Total expenditures	11,992	10,597
Net change in fund balance	(3,580)	(2,105)
Fund balance - beginning of year	22,454	24,559
Fund balance - end of year	\$ 18,874	\$ 22,454

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2017 and 2016

---

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 SAFE 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.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2017 and 2016

---

**(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 for 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 are 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 generally accepted accounting principles (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.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
 (A Component Unit of the  
 Los Angeles County Metropolitan Transportation Authority)  
 Notes to the Basic Financial Statements  
 June 30, 2017 and 2016

---

**(h) Receivables**

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experience. Receivables include license and fine revenue due from the State Department of Motor Vehicles. As of June 30, 2016, SAFE had a receivable for license fees of \$791. No receivable was necessary as of June 30, 2017.

**(i) Vehicle Registration Fees**

Vehicle registration fees revenue is recognized when earned and is generated by a \$1 (amount not in thousands) per each car registered in Los Angeles County, which is collected by the State Department of Motor Vehicles.

**(j) Effects of New GASB Pronouncements**

There were no new GASB Pronouncements applicable to SAFE for the year ended June 30, 2017.

**(2) Cash and Investments**

The following is a breakdown of SAFE's cash and investments as of June 30, 2017 and 2016.

	<b>2017</b>	<b>2016</b>
LACMTA investment pool	\$ 18,953	\$ 21,834
LA County investment pool	719	673
	\$ 19,672	\$ 22,507

SAFE's cash balances are pooled with other LACMTA funds. 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 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, 2017 and 2016. 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's 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 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, 2017 and 2016. 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



**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2017 and 2016

---

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, 2017, SAFE does not have any investments with more than 5% of the total investments under one issuer.

*(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 a 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.

*(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, 2017 and 2016, there was no exposure to foreign 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 \$603 and \$774 of outstanding contractual commitments as of June 30, 2017 and 2016, respectively that had not been claimed or disbursed.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Unaudited)  
Fiscal years ended June 30, 2017 and 2016  
(Amounts expressed in thousands)

	2017				2016			
	Original Budget*	Final Budget*	Actual	Variance with Final Budget	Original Budget*	Final Budget*	Actual	Variance with Final Budget
Revenues:								
Licenses and fines	\$ 7,500	\$ 7,500	\$ 8,271	\$ 771	\$ 7,500	\$ 7,500	\$ 8,068	\$ 568
Investment income	75	75	141	66	100	100	424	324
Total revenues	<u>7,575</u>	<u>7,575</u>	<u>8,412</u>	<u>837</u>	<u>7,600</u>	<u>7,600</u>	<u>8,492</u>	<u>892</u>
Expenditures:								
Administration and other transportation projects	12,932	12,932	10,492	2,440	10,328	10,328	8,310	2,018
Subsidies to LACMTA	<u>1,000</u>	<u>1,000</u>	<u>1,500</u>	<u>(500)</u>	<u>2,000</u>	<u>2,000</u>	<u>2,287</u>	<u>(287)</u>
Total expenditures	<u>13,932</u>	<u>13,932</u>	<u>11,992</u>	<u>1,940</u>	<u>12,328</u>	<u>12,328</u>	<u>10,597</u>	<u>1,731</u>
Net change in fund balance	(6,357)	(6,357)	(3,580)	2,777	(4,728)	(4,728)	(2,105)	2,623
Fund balance – beginning of year	<u>22,454</u>	<u>22,454</u>	<u>22,454</u>	—	<u>24,559</u>	<u>24,559</u>	<u>24,559</u>	—
Fund balance – end of year	<u>\$ 16,097</u>	<u>\$ 16,097</u>	<u>\$ 18,874</u>	<u>\$ 2,777</u>	<u>\$ 19,831</u>	<u>\$ 19,831</u>	<u>\$ 22,454</u>	<u>\$ 2,623</u>

\* Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.