AGENDA

Finance and Administration Committee Meeting

Committee Members
Andrew Do, Chairman
Richard Murphy, Vice Chairman
Michael Hennessey
Steve Jones
Todd Spitzer
Michelle Steel

Orange County Transportation Authority
Headquarters
550 South Main Street
Board Room – Conf. Room 07
Orange, California
Wednesday, November 14, 2018 at 10:30 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Call to Order

Pledge of Allegiance

Director Hennessey

1. Public Comments

Special Calendar

There are no Special Calendar matters.

Consent Calendar (Items 2 through 5)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

2. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of October 24, 2018.

3. **Agreement for Datrium Data Center Equipment**
Michael Beerer/Andrew Oftelie

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2018-19 budget, the Orange County Transportation Authority's Board of Directors approved expenditures related to hardware and software equipment for the co-location data center. Bids were received in accordance with the Orange County Transportation Authority's procurement procedures for materials and equipment. Board of Directors' approval is requested to execute the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1912 between the Orange County Transportation Authority and Lynbrook Solutions LLC, the lowest responsive, responsible bidder, in the amount of $882,248, for Datrium data center equipment.

4. **Environmental Mitigation Program Endowment Fund Investment Report For September 30, 2018**
Jennifer Matano/Andrew Oftelie

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and the investment performance. Attached is the quarterly investment report for the Endowment Pool for the period ending September 30, 2018. The report has been reviewed and is consistent with the pool objectives

Recommendation

Receive and file as an information item.

5. Orange County Employees Retirement System Early Payment for Fiscal Year 2019-20
Jennifer Matano/Andrew Oftelie

Overview

The Orange County Employees Retirement System has offered an early payment discount to member agencies of 4.5 percent if they elect to prepay their contributions for fiscal year 2020. Advance payments must be received before January 15, 2019. The Orange County Transportation Authority has estimated the savings over the next year and a half under this payment option will total approximately $1.2 million.

Recommendation

Authorize the early payment of approximately $26.2 million by January 15, 2019, to the Orange County Employees Retirement System, for member contributions for fiscal year 2019-20.

Regular Calendar

6. Fiscal Year 2017-18 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements
Benjamin Torres/Andrew Oftelie

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements and schedules. Vavrinek, Trine, Day and Company, LLP, an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority's Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements for fiscal year 2017-18.

Recommendation

Receive and file the fiscal year 2017-18 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements.

Discussion Items

7. Chief Executive Officer's Report

8. Committee Members' Reports

9. Closed Session

There are no Closed Session items scheduled.

10. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, November 28, 2018,** at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

Committee Members Present
Andrew Do, Chairman
Richard Murphy, Vice Chairman
Michael Hennessey
Steve Jones

Committee Members Absent
Todd Spitzer
Michelle Steel

Staff Present
Darrell E. Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board
James Donich, General Counsel
OCTA Staff and Members of the General Public

Call to Order

The October 24, 2018 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Do at 10:37 a.m.

Pledge of Allegiance

Committee Vice Chairman R. Murphy

Committee Chairman Do introduced high school senior Miley Madrazo from Oxford Academy who will be shadowing him for the day.

1. Public Comments

No public comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 15)

2. Approval of Minutes

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to approve the minutes of the Finance and Administration Committee of October 10, 2018.

3. Fiscal Year 2018-19 Internal Audit Plan, First Quarter Update

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file the first quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2018-19 Internal Audit Plan as an information item.

4. Financial and Compliance Audits of Eight Measure M2 Comprehensive Transportation Funding Programs Projects

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to:

A. Receive and file financial and compliance audits of eight Comprehensive Transportation Funding Programs projects.

B. Direct staff to follow up with the City of Orange on the status of implementation of two recommendations.

5. Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2018

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file Investments: Compliance, Controls, and Reporting, January 1 through June 30, 2018, Internal Audit Report No. 19-501, as an information item.

6. ACCESS Service, Internal Audit Report No. 18-514

This item was pulled by Committee Chairman Do who requested that staff return to the Finance and Administration Committee with an update on the status of implementation for Recommendation 1 of the Internal Audit Report No. 18-514 (Attachment A of the Staff Report).

A motion was made by Committee Chairman Do, seconded by Director Jones, and declared passed by those present, to direct staff to implement five recommendations provided in ACCESS Service, Internal Audit Report No. 18-514.

7. Fiscal Year 2017-18 Fourth Quarter Budget Status Report

This item was pulled by Committee Chairman Do who inquired on the vacancy rate for maintenance workers and operators and impacts on operations and cost.

Darrell E. Johnson, Chief Executive Officer, (CEO), stated that from a daily operations standpoint a ten percent or less on vacancy rate would be ideal. He stated on the policy side that staff is monitoring Proposition 6 and are cautious with vacancy rates.

Mr. Johnson, CEO, stated that the current mechanic vacancy rate is 7.5 percent.

7. (Continued)

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Hennessey, and declared passed by those present, to receive and file as an information item.

8. First Quarter Fiscal Year 2018-19 Procurement Status Report

A motion was made by Director Hennessey, seconded by Committee Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

9. Local Agency Investment Fund - September 2018

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

10. Orange County Treasurer's Management Report - September 2018

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

11. Orange County Transportation Authority Investment and Debt Programs Report - September 2018

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

12. Amendment to Agreement for Renewable Natural Gas

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to:

A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 to Agreement No. C-5-3636 between the Orange County Transportation Authority and Element Markets Renewable Energy, LLC, to increase the maximum obligation for the initial three-year term in the amount of $2,000,000 to purchase renewable natural gas as fuel.

12. (Continued)

B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 6 to Agreement No. C-5-3636 between the Orange County Transportation Authority and Element Markets Renewable Energy, LLC, to exercise the first two-year option term, in the amount of $8,000,000, to provide renewable natural gas and consulting services for the management of the Low Carbon Fuel Standard Program. This will increase the maximum obligation of the agreement to a total contract value of $18,060,000.

13. Amendment to Cooperative Agreement with the City of Laguna Beach for Public Transit Services

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Cooperative Agreement No. C-3-1705 between the Orange County Transportation Authority and the City of Laguna Beach, in the amount of $119,735, for Federal Transit Administration funding, and to extend the current contract term an additional seven months through June 30, 2019. This will increase the maximum obligation of the cooperative agreement to a total contract value of $869,735.

14. Property Insurance Policy Renewal

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A40297, in the amount of $550,000, to Marsh Risk and Insurance Services, Inc., to purchase property insurance on behalf of the Orange County Transportation Authority for the policy period of December 1, 2018 to December 1, 2019.

15. Measure M2 Sales Tax Forecast

A motion was made by Director Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

Regular Calendar

16. Approval of the 2018 Measure M2 Plan of Finance, Issuance of Measure M2 Bonds, Selection of Underwriting Team, and Bond Counsel Services Amendment

Committee Chairman Do recused himself from the discussion, voting on this item, and left the room, citing the Levine Act.

Andrew Oftelie, Executive Director of Finance and Administration, provided an overview on the following:

- The Orange County Transportation Authority (OCTA) has secured the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan;
- OCTA is currently using pay as you go funds;
- Eliminate the need for a line of credit;
- Issue bonds to keep on schedule, and
- Next Steps.

A lengthy discussion ensued, and the Committee provided their concerns and suggestions. In addition, Director Hennessey requested staff return to the Finance and Administration Committee with the final Plan of Finance documents.

The Committee requested recommendation "D" of the Staff Report be removed before going on to the November 12, 2018, Board of Directors (Board) meeting. The Committee was supportive of recommendation "D", and requested the recommendation be included for an upcoming Finance and Administration Committee when the final Plan of Finance is recommended for approval.

Due to lack of quorum, no action was taken on this item.

Discussion Items

17. Chief Executive Officer's Report

Mr. Johnson, CEO, reported on the following:

- On October 25th, staff will host a Public Hearing for the Northbound State Route 57 Improvement Project from Orangewood Avenue to Katella Avenue at Portola Middle School in Orange. Staff will be available from 5:30 p.m. to 7:30 p.m. to provide information and answer questions.

17. (Continued)

- Mr. Johnson, CEO, requested Andrew Oftelie, Executive Director of Finance and Administration comment on Item #15 on this agenda.

  Mr. Oftelie provided a brief update on the long-term growth rate forecast. He stated that staff will continue to use the estimate analysis with Muni-Services for fiscal year 2017-18 which shows a 4.1 percent growth.

  Committee Chairman Do inquired on the need to change the forecast.

  Mr. Oftelie responded that staff would only update the forecast if there was a major economic shift.

  Mr. Johnson, CEO, commented that the Board-adopted policy is to use MuniServices, LLC, forecast for the first five years and the three-university average for the remaining years.

18. Committee Members' Reports

There were no Committee Members' reports.

19. Closed Session

There were no Closed Session items scheduled.

20. Adjournment

The meeting was adjourned at 11:08 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, November 14, 2018,** at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Andrew Do
Committee Chairman

November 14, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Agreement for Datrium Data Center Equipment

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2018-19 budget, the Orange County Transportation Authority's Board of Directors approved expenditures related to hardware and software equipment for the co-location data center. Bids were received in accordance with the Orange County Transportation Authority's procurement procedures for materials and equipment. Board of Directors' approval is requested to execute the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1912 between the Orange County Transportation Authority and Lynbrook Solutions LLC, the lowest responsive, responsible bidder, in the amount of $882,248, for Datrium data center equipment.

Discussion

The Orange County Transportation Authority's (OCTA) existing data center located at the administrative building in the City of Orange was originally constructed in 1993. While OCTA has periodically updated the compute and storage equipment the past 25 years, the current equipment is at or very near end of life. Staff is now seeking to purchase new computing hardware and software equipment to replace existing equipment that has met its useful life. The newly purchased computing hardware and software equipment will be located at the co-location data center provider's facility in Nevada, which was approved by OCTA's Board of Directors (Board) on June 25, 2018.

OCTA completed an updated Business Impact Analysis (BIA) and Continuity of Operations Plan (COOP) in 2017 that established mission essential functions to be performed or resumed during an emergency or disruptive event. To meet or exceed OCTA's current BIA and COOP requirements, staff is recommending the purchase of Hyper-Converged Infrastructure (HCI) computing hardware and software equipment, which is the current Information Technology (IT) and Information Systems (IS) industry best practice.

By utilizing HCI equipment, OCTA can realize cost savings in the long term and increase the continuity of operations with features that OCTA's existing computing, memory, and storage hardware do not have, such as system-level redundancy and performance enhancements that decrease support costs in future years.

IS Department's staff conducted market research and discussed with Gartner, Inc., an IT consulting firm contracted with OCTA, the various HCI hardware and software equipment solutions available. Based on OCTA's needs and requirements with regards to functionality, redundancy, flexibility, performance, and cost, staff is seeking to install HCI hardware and software equipment developed by Datrium, Inc. (Datrium) at the new co-location data center facility.

Procurement Approach

This procurement was handled in accordance with OCTA's Board-approved procedures for materials and equipment greater than $50,000. These procedures, which conform to both federal and state requirements, require that contracts are awarded to the lowest responsive, responsible bidder after a sealed bidding process.

Invitation for Bids 8-1912 was released on September 20, 2018 through OCTA's CAMM NET system. The project was advertised on September 20 and 27, 2018, in a newspaper of general circulation. On October 11, 2018, three bids were received and publicly opened.

All bids were reviewed by staff from both Contracts Administration and Materials Management and IS departments to ensure compliance with the contract terms and conditions, and technical specifications. The list of bidders and bid amounts are presented below:

Firm and Location	Bid Amount
Lynbrook Solutions LLC San Jose, California	$882,248
Questivity, Inc. Santa Clara, California	$889,553
Bridge IT Consulting LLC Danville, California	$917,301

Lynbrook Solitons LLC's bid is approximately 4.6 percent lower than the independent cost estimate of $922,795 and, therefore, considered to be fair and reasonable.

Fiscal Impact

The project was approved in Orange County Transportation Authority's Fiscal Year 2018-19 Budget, Finance and Administration/Information Systems, Account 1284-9028-A5352-18I, and is funded through local funds.

Summary

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to execute Agreement No. C-8-1912 between the Orange County Transportation Authority and Lynbrook Solutions LLC, the lowest responsive, responsible bidder, in the amount of $882,248, for Datrium data center equipment.

Attachment

None.

Prepared by:

Michael Beerer
Senior Section Manager,
Information Systems
(714) 560-5352

Approved by:

Andrew Oftelie
Executive Director,
Finance and Administration
(714) 560-5649

Virginia Abadessa
Director, Contracts Administration and
Materials Management
(714) 560-5623

November 14, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report For September 30, 2018

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and the investment performance. Attached is the quarterly investment report for the Endowment Pool for the period ending September 30, 2018. The report has been reviewed and is consistent with the pool objectives.

Recommendation

Receive and file as an information item.

Background

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Approximately $2.9 million on an annual basis will be deposited in the endowment. Orange County Transportation Authority (OCTA) has made three deposits of $2,877,000 to the endowment in March 2017, August 2017 and, most recently, August 15, 2018. These deposits are expected to continue annually for ten to 12 years or until the fund totals approximately $46.2 million.

Discussion

As of September 30, 2018, total pool assets in the CCF Endowment Pool were $1.14 billion with a diversified portfolio of 47 managers. Total foundation assets were $1.33 billion. Performance for the Endowment Pool was 0.4 percent for the month, 0.4 percent above the benchmark; 2.9 percent for the quarter, above the customized benchmark by 0.7 percent. The one-year return was 7.7 percent, exceeding the benchmark by 2 percent.

The balance in the OCTA-Measure M2 Environmental Mitigation Program Fund (V398) as of September 30, 2018 was $9,311,197. The number exceeds the projected balance of $9,097,957 due to higher than projected investment earnings and lower than projected fees. The projected annualized cost for endowment services was 0.75 percent based on indications received during the due diligence process. The program is currently paying 0.25 percent fee based on total assets.

Summary

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment Report to the Board of Directors. The report is for the quarter ending September 30, 2018.

Attachments

A. California Community Foundation Fund Statement - September 30, 2018
B. California Community Foundation Endowment Pool Investments – September 30, 2018

Prepared by:

Jennifer Matano
Department Manager
Treasury/Public Finance
714-560-5563

Approved by:

Andrew Oftelie
Executive Director,
Finance and Administration
714-560-5649

ATTACHMENT A

California COMMUNITY Foundation

Fund Name	OCTA - Measure M2 Environmental Mitigation Program Fund
Fund Start Date	2/28/2017
Investment Pool(s)	Endowment Pool

FUND STATEMENT

OCTA - Measure M2 Environmental Mitigation Program Fund (V398)

7/1/2018 - 9/30/2018

Fund Summary

	Report Period 7/1/2018 - 9/30/2018	Calendar YTD 1/1/2018 - 9/30/2018
Opening Fund Balance	$6,241,770.26	$6,220,553.14
Contributions (see attached detail)	2,877,000.00	2,877,000.00
Investment Activity, net	192,426.82	231,243.61
Administration & Grant Management Fees	0.00	(17,599.67)
Net Changes to Fund	3,069,426.82	3,090,643.94
Ending Balance	**$9,311,197.08**	**$9,311,197.08**

Investment Pool Performance as of 09/30/2018

	This Qtr.	1-Year	3-Years	5-Years	10-Years
Endowment Pool	2.9%	7.7%	9.7%	6.1%	6.8%
Social Impact Endowment Pool	4.1%	8.8%	9.6%	7.0%	7.1%
Conservative Balanced Pool	2.2%	4.9%	5.5%	4.7%	n/a
Short Duration Bond Pool	0.2%	-0.4%	0.7%	n/a	n/a
Capital Preservation Pool	0.5%	1.5%	0.8%	0.5%	0.7%

Endowment Pool - invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps pace with inflation over time. The target asset allocation is 50% equities, 14% hedge funds, 22% fixed income and 14% real assets. Investment management fees are 66 basis points.

Social Impact Endowment Pool - invested in a diversified pool aiming for capital growth for long-term grantmaking; underlying instruments undergo rigorous environmental and social analysis, with an asset allocation of approximately 60%-75% equities and 25%-40% fixed income. Investment management fees are 68 basis points.

Conservative Balanced Pool - designed to aim for moderate growth and to offer diversified exposure to the U.S. equity market and to investment grade fixed income with maturities from one to five years and an asset allocation of 70% fixed income and 30% equities investments. Investment management fees are 9 basis points.

Short Duration Bond Pool - invested to offer diversified exposure to investment grade fixed income with maturities from one to five years for the purposes of grants over a near-term one to four year horizon. Investment management fees are 5 basis points.

Capital Preservation Pool - designed to preserve principal and provide liquidity for present grantmaking needs through investment in short-term fixed income and cash instruments. Investment management fees are 10 basis points.

Contribution Details

Date	Donor Name	Amount
08/15/2018	Orange County Transportation Authority	2,877,000.00
		$2,877,000.00

California COMMUNITY Foundation

Endowment Pool

September 2018

INVESTMENTS

The Endowment Pool returned 0.4% for the month of September 2018, 40 basis points ahead of its benchmark. For the trailing year, the pool returned 7.7%, 200 basis points ahead of its benchmark.

Total Pool Assets

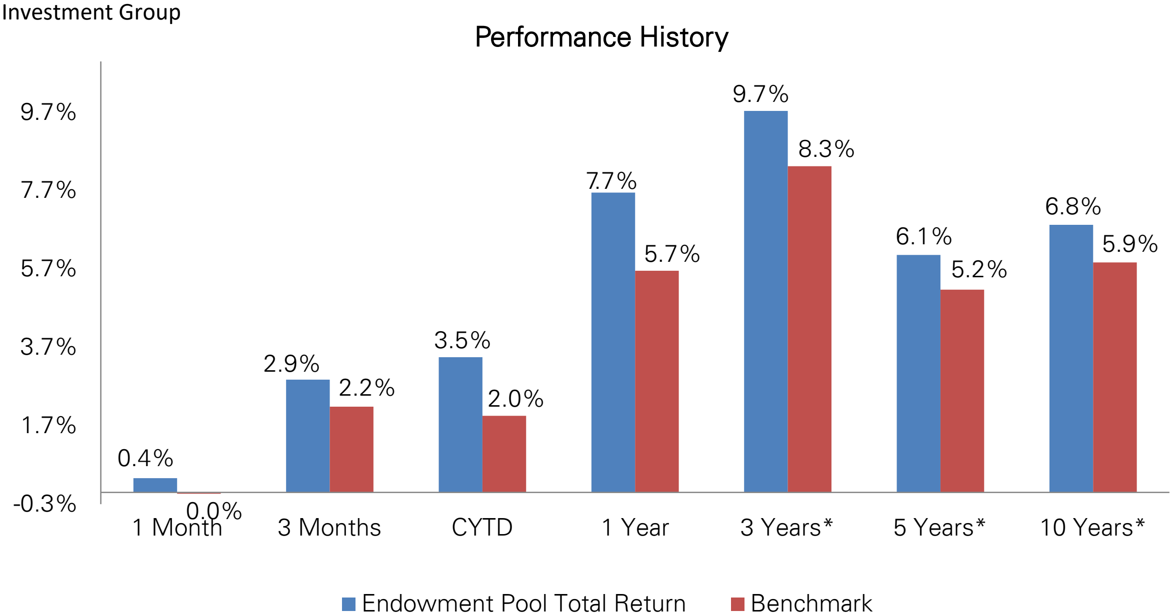
$1.142 billion (Endowment Pool), $1.80 billion (total foundation assets) as of September 30, 2018.

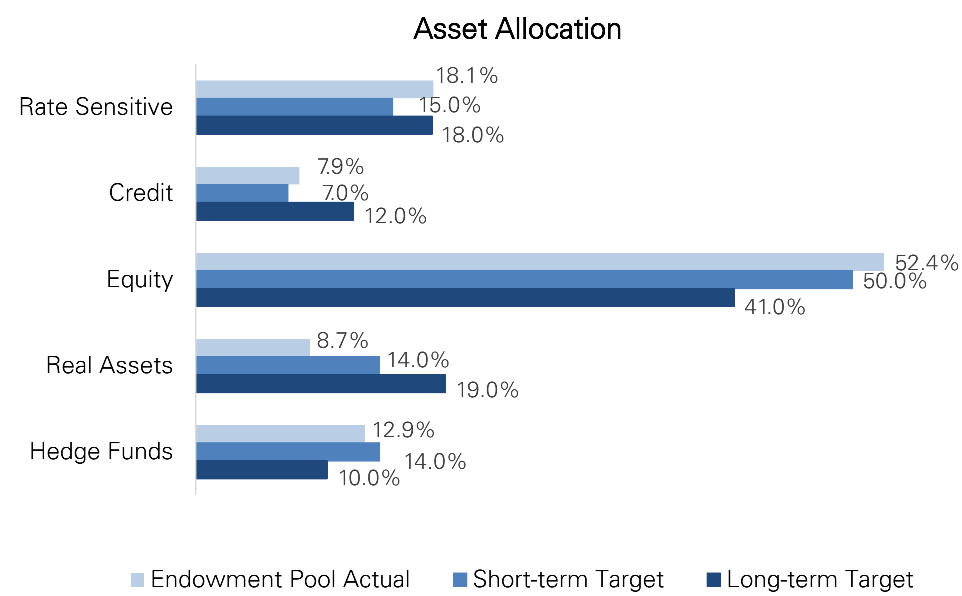
Pool Objective

Preserve the real (i.e., inflation-adjusted) purchasing power of the investment pool net of annual distributions for grants and expenses. An additional objective is to provide a relatively predictable, stable stream of distributions for grants and expenses that keep pace with inflation over time.

Investment Consultant

Meketa Investment Group





**Represents annualized returns.*

1) Investment expense ratio approximates 0.64%, excluding fund manager incentive fees.
2) Investment performance is presented net of investment expenses, inlcuding fund manager incentive fees.
3) Total Fund Benchmark is a combination of: 50% MSCI ACWI / 14% HFR FOF / 14% S&P Real Assets Indx / 15% Barc Agg. / 7% Barc High Yield.
4) Short-term target allocation is over 2-5 years, long-term target allocation is over 5-10 years.

Updated 10/22/2018

November 14, 2018

To: Finance and Administration

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Employees Retirement System Early Payment for Fiscal Year 2019-20

Overview

The Orange County Employees Retirement System has offered an early payment discount to member agencies of 4.5 percent if they elect to prepay their contributions for fiscal year 2020. Advance payments must be received before January 15, 2019. The Orange County Transportation Authority has estimated the savings over the next year and a half under this payment option will total approximately $1.2 million.

Recommendation

Authorize the early payment of approximately $26.2 million by January 15, 2019, to the Orange County Employees Retirement System, for member contributions for fiscal year 2019-20.

Background

The Orange County Employees Retirement System (OCERS) provides retirement benefits to Orange County Transportation Authority (OCTA) employees. The majority of OCTA employees and retirees are covered by the OCERS plan. OCERS is a defined benefit plan with benefits determined by a formula based on years of service, age at retirement, and highest average salary over a consecutive three-year period. OCERS is administered by a ten-member retirement board. The OCERS Board of Retirement serves as fiduciary and administrative authority over investments and benefits. As of June 30, 2018, the plan had over $15.2 billion in assets. OCERS operates under the state statutory requirements of the County Employees Retirement Act of 1937, a section of the California Government Code.

Employer contributions to OCERS are calculated each pay period by OCTA and paid electronically every two weeks. During fiscal year (FY) 2019-20, based on data from the working budget, OCTA will contribute approximately $28.6 million to OCERS, based upon wages of approximately $102.6 million. OCTA's employer rate is 28.04 percent, and the Public Employees' Pension Reform Act (PEPRA) contribution rate is 27.26 percent during this time period.

Discussion

On July 16, 2018, the OCERS Retirement Board voted to offer an early payment discount on employer contribution payments made before January 15, 2019, for the succeeding FY. OCERS is offering to discount the contributions for FY 2019-20 by 4.5 percent. If the early payment option is exercised, OCERS will reconcile the projected payroll wages for the FY and collect appropriate additions or provide credits against the next pre-payment from OCTA for FY 2020-21.

The OCTA's Board of Directors approved a similar action in previous years where the early payment option was exercised. By using available cash now, OCTA will reduce the overall cost of future budgeted expenditures.

For FY 2019-20, OCERS increased OCTA's employer rates to 28.04 percent from the FY 2018-19 rate of 25.52 percent. The PEPRA contribution rate increased to 27.26 percent for FY 2019-20 from the 25.01 percent rate in FY 2018-19. The OCTA's estimated wages for FY 2019-20 are $102.6 million. Applying the 28.04 percent and 27.26 percent PEPRA employer's rates to the estimated wages for the year translates into an approximate contribution value of $28.6 million for FY 2019-20. Further, there is a balance from the prepayment contribution for FY 2018-19 of $1.2 million, which is required to be applied as a credit for this year's prepayment.

Under the early payment option, OCTA has the choice of paying OCERS $26.2 million ($28.6 million discounted by 4.5 percent less the credit) by January 15, 2019, or OCTA would make the regular bi-weekly payments of approximately $1,101,697 for the employer contribution, (for a total of $28.6 million) during FY 2019-20. Given these assumptions, OCTA has calculated the savings to equal approximately $1.2 million under this early payment option.

Based upon this analysis, it is financially advantageous for OCTA to exercise this early payment option. If this option were to be exercised, these funds would be deposited into OCERS on behalf of OCTA and be credited to OCTA's account. The funds will be paid from the General Fund (34.9 percent), Orange County Transit District Fund (64.8 percent), and the Orange County Taxi Administration Program (0.3 percent). The funding sources represent the current payroll allocation.

Summary

OCERS has offered an early payment of contributions to member agencies for the upcoming FY. Under this early payment option, a discount of 4.5 percent will be applied to the amounts due for employer contributions. OCTA has calculated the savings to equal approximately $1.2 million. Staff recommends exercising this early payment option.

Attachment

None.

Prepared by:

Jennifer Matano
Department Manager
Treasury/Public Finance
714-560-5563

Approved by:

Andrew Oftelie
Executive Director,
Finance and Administration
714-560-5649

November 14, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2017-18 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements and schedules. Vavrinek, Trine, Day and Company, LLP, an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority's Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements for fiscal year 2017-18.

Recommendation

Receive and file the fiscal year 2017-18 Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements.

Background

Pursuant to Section 40078 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting results of operations during the preceding fiscal year (FY) and OCTA's financial position at year-end. These financial statements are included in OCTA's Comprehensive Annual Financial Report (CAFR).

OCTA staff also prepares financial statements for the 91 Express Lanes Fund.

Discussion

Vavrinek, Trine, Day and Company, LLP has completed its annual audit of OCTA's financial records and systems and has issued its opinion on OCTA's financial statements for the FY ended June 30, 2018. The auditors have issued an unmodified opinion on the financial statements, indicating that the statements present fairly, in all material respects, the financial position of OCTA at June 30, 2018, and the results of its operations and cash flows of the proprietary funds for the FY then ended (Attachment A).

Fund financial statements for the 91 Express Lanes were also prepared and an unmodified opinion was issued (Attachment B).

The CAFR will be submitted to the Government Finance Officers Association (GFOA) for consideration for the Certificate of Excellence in Financial Reporting for FY 2017-18. The GFOA awards certificates only to those governments whose annual financial reports are deemed in conformance with the highest standards of public financial reporting. OCTA has been awarded the GFOA certificate for each year of its existence, commencing with the FY ended June 30, 1992. Such recognition has a positive effect on OCTA's ability to borrow at favorable interest rates. The CAFR is a useful tool in business dealings with outside organizations.

The 91 Express Lanes Fund financial statements will be forwarded to rating agencies, investors, and insurance companies.

Summary

Staff has prepared the Orange County Transportation Authority's Comprehensive Annual Financial Report and 91 Express Lanes Fund Financial Statements for the FY ended June 30, 2018. Vavrinek, Trine, Day and Company, LLP, has audited these financial statements and schedules and has issued unmodified opinions as to the fairness of the financial statement and schedule presentations.

Attachments

A. Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018
B. 91 Express Lanes Fund Financial Statements for the Year Ended June 30, 2018

Prepared by:

Benjamin Torres
Section Manager, Accounting and Financial Reporting
714-560-5894

Approved by:

Andrew Oftelie
Executive Director,
Finance and Administration
714-560-5649

ATTACHMENT A

2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For fiscal year ended June 30, 2018

OCTA

ORANGE COUNTY TRANSPORTATION AUTHORITY
ORANGE COUNTY, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For fiscal year ended June 30, 2018

Submitted by:
Darrell Johnson
Chief Executive Officer

Finance
and Administration Division
Andrew Oftelie
Executive Director

OCTA
ORANGE COUNTY TRANSPORTATION AUTHORITY
ORANGE COUNTY, CALIFORNIA

ORANGE COUNTY TRANSPORTATION AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June, 30 2018

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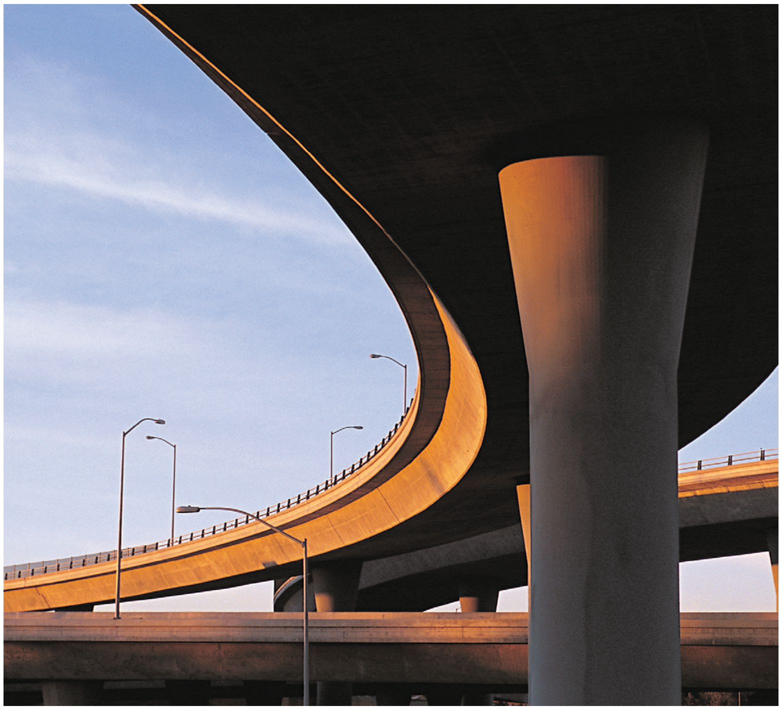
FREEWAY



STREETS AND ROADS

OCTA

BOARD OF DIRECTORS

Lisa A. Bartlett
Chairwoman

Tim Shaw
Vice Chairman

Laurie Davies
Director

Barbara Delgleize
Director

Andrew Do
Director

Lori Donchak
Director

Michael Hennessey
Director

Steve Jones
Director

Mark A. Murphy
Director

Richard Murphy
Director

Al Murray
Director

Shawn Nelson
Director

Miguel Pulido
Director

Todd Spitzer
Director

Michelle Steel
Director

Tom Tait
Director

Gregory T. Winterbottom
Director

(Vacant)
Ex-Officio Member

CHIEF EXECUTIVE OFFICE

Darrell E. Johnson
Chief Executive Officer

November 26, 2018

The Board of Directors
Orange County Transportation Authority
550 South Main Street
Orange, CA 92863

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Transportation Authority (OCTA) for the fiscal year (FY) ended June 30, 2018. The financial statements are presented in conformity with generally accepted accounting principles and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Responsibility for complete and fair presentation of financial information, including all disclosures, rests with OCTA's management. A comprehensive framework of internal control has been designed and implemented to ensure that the assets of OCTA are protected from loss, theft, or misuse, and to ensure that financial information is accurate and complete. Because the cost of internal controls should not outweigh the benefits, OCTA's system 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 respects.

Vavrinek, Trine, Day and Company, LLP has audited OCTA's financial statements and issued an unmodified ("clean") opinion thereon for the FY ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

The independent audit of the financial statements of OCTA was also designed to meet the broader, federally-mandated single audit of federal grantee agencies. A separately issued single audit report of OCTA provides the results of compliance with these federal requirements.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of OCTA

OCTA was established by state law and began serving the public on June 20, 1991. An 18-member Board of Directors (Board) governs OCTA and consists of five members of the Orange County Board of Supervisors, ten city

Orange County Transportation Authority
550 South Main Street / P.O. Box 14184 / Orange / California 92863-1584 / (714) 560-OCTA (6282)

representatives selected by all of the cities within the County, two public members selected by these 15 Board Members, and a representative appointed by the Governor of California serving in a non-voting capacity. A Chief Executive Officer manages OCTA and acts in accordance with the directions, goals, and policies approved by the Board.

OCTA serves Orange County residents and commuters by providing countywide bus and paratransit service, Metrolink commuter rail service, freeway improvements, street and road improvements, 91 Express Lanes, motorist aid services, and taxi program regulation.

Annually, OCTA develops a balanced budget for the upcoming FY. The budget details the expected sources and uses of funds. The Board adopts the budget before the beginning of each FY. During the FY, all major budget revisions are presented to the Board for consideration and adoption. On a quarterly basis, financial results are provided to the Board, including all significant variances between actual performance and budget in the areas of revenue, staffing, operating expenditures, and capital expenditures.

Orange County Economy

Orange County's economy continued to grow during FY ending June 2018. The unemployment rate in Orange County was 3.3 percent in June 2018 during which time statewide unemployment was 4.2 percent. National unemployment has fallen to 4.0 percent. Orange County continues to have unemployment levels below the state and national levels.

Overall, Orange County added 15,200 jobs from June 2017 to June 2018. The bulk of the new jobs added over the last 12 months were in education and health services, which increased 4.0 percent. The professional and business services sector also saw a year-over-year increase of 3.3 percent.

The Orange County real estate market remains strong. Median home prices in June 2018 increased by 5.1 percent year-over-year to $835,000. The inventory level remains low; however, interest rates have increased which may impact home sales in the future.

The regional inflation rate was at 4.0 percent in June 2018, a dramatic increase from 2.2 percent in June 2017, with most of the increase attributable to the housing and education/communication sectors.

The estimated sales tax growth rate for FY 2018-19 is 2.9 percent for M2 based on the forecast provided by MuniServices, LLC. Sales tax for the M2 Program is estimated to be $13.1 billion over the life of the measure. Sales tax growth for

OCTA's Local Transportation Fund (LTF) sales tax is estimated to be 2.2 percent in FY 2018-19.

Long-Term Financial Planning

In an effort to ensure long-term sustainability of transportation programs and services, OCTA updates the Comprehensive Business Plan (CBP) annually and seeks Board approval every two years. The FY 2018-19 CBP was approved by the Board at the September 24th meeting. The CBP is a financially constrained business planning tool providing a 20-year cash flow for each of OCTA's transportation programs and serves as the baseline for developing the annual budget. The CBP details a comprehensive, multimodal approach ensuring the financial viability of each of OCTA's programs and is developed consistent with the goals of OCTA's Strategic Plan, Long-Range Transportation Plan, and Next 10 Plan.

Relevant Financial Policies

OCTA utilizes several financial policies in guiding day-to-day operations and ensuring long-term financial sustainability. While there are overriding agency wide financial policies, some financial policies are program-specific.

A brief description of the major financial policies follows:

Budget Policy
OCTA's Budget Policy articulates that an annual budget will be prepared in accordance with the CBP, will be subject to a public hearing, and expenses will be controlled at the "Major Object" level. The three Major Objects for expenses at OCTA are: 1) salaries and benefits; 2) services and supplies; and 3) capital expenditures.

Position Control Policy
OCTA's Position Control Policy includes the control, maintenance, and reporting of OCTA's annual allocation of full-time equivalent (FTE) positions as approved by the Board. The Position Control Policy ensures that OCTA does not actively employ more FTEs than approved by the Board and ensures that positions are filled at or below the salary grades approved in the annual budget process.

Orange County Transit District (OCTD) 45-Day Working Capital Policy
The CBP requires a 45-day working capital reserve fund for bus operations. This reserve fund is in place to accommodate normal fluctuations in revenues and expenditures and protects against significant changes in funding or major expense items.

OCTD Capital Asset Reserve Policy
Each year, OCTA sets aside operating funds for future capital expenditures to support the transit system. The process of establishing the set-aside involves analyzing available revenues and capital requirements over the next

20 years to determine the amount that needs to be set-aside in the upcoming budget year.

91 Express Lanes Financial Policies

In managing the 91 Express Lanes, the Board has adopted a policy on the use of "excess revenues" and the establishment of a capital replacement fund in excess of what is required under the bond indenture. "Excess revenues" are defined as total revenues less operating, capital, senior and subordinated debt service payments, and reserve fund payments. After meeting all debt service requirements, if additional revenues remain, these excess revenues may be used to retire debt early or used for State Route 91 (SR-91) corridor improvements.

Major Initiatives

On November 7, 2006, Orange County voters, by a margin of 69.7 percent, approved the renewal of the Measure M one-half cent sales tax for transportation improvements. Voters originally endorsed Measure M in 1990 (M1) with a sunset in 2011. With the approval of Renewed Measure M (M2), the voters agreed to a continued investment of local tax dollars in Orange County's transportation infrastructure for another 30 years to 2041.

Since M2 approval, the OCTA Board has continued to advance implementation of M2 through the adoption of a series of early delivery plans. These early delivery plans are designed to ensure the delivery of projects and programs through 2041 as promised to the voters, bring transportation improvements earlier to residents and commuters of Orange County, and as appropriate, address slower growth in sales tax revenue projections through strategic financing and successfully capturing and augmenting the program with external revenue. To date, there have been three early delivery plans. The most recent is the Next 10 Plan which was approved by the Board on September 10, 2018.

In the past FY, OCTA continued to move Orange County forward with M2 projects and other notable accomplishments, including:

- Procured a consultant to conduct the M2 Performance Assessment Report for FYs 2015-16 through FY 2017-18. The contract was executed and work began in July 2018.
- Updated the Next 10 Delivery Plan to address a lower M2 sales tax revenue projection of $13.1 billion. The Next 10 Delivery Plan is a project delivery framework for the next ten years with the overarching goal of successfully delivering the M2 Program by 2041 as promised.
- The Measure M Taxpayers Oversight Committee determined that OCTA is delivering Measure M projects and programs as promised to Orange County voters for the 27th consecutive year.

- Successfully applied for more than $382 million in grant requests from a variety of federal, state, and local sources. Of these, more than $188 million were pursued through competitive grant programs.

- The I-5 between Avenida Pico to San Juan Creek Road opened to traffic in March 2018. Led by OCTA in cooperation with Caltrans, the $230 million project added nearly six miles of carpool lanes in each direction between Avenida Pico in San Clemente and San Juan Creek Road in San Juan Capistrano. The project also improved freeway on-ramps and off-ramps, enhanced safety by improving the southbound freeway curve near Pacific Coast Highway, and reconstructed the Avenida Pico interchange.

- The I-5 between Oso Parkway and Alicia Parkway project reached 100 percent design in December 2017 and achieved ready-to-list status in June 2018. The project is expected to advertise for construction in October 2018.

- Design began for the SR-55 between I-405 and I-5 in September 2017. Design is expected to be complete in early 2020.

- Construction on the $1.9 billion I-405 Improvement Design-Build Project began in March 2018.

- As part of the I-405 Improvement Design-Build Project, submitted the first Transportation Infrastructure Finance and Innovation Act (TIFIA) loan reimbursement request for $165 million and received the amount in April 2018.

- The 91 Express Lanes added 18,000 new customers.

- In March 2018, Kapsch TrafficCom USA was chosen to design, install, operate and maintain the electronic tolling and traffic management systems for the 405 Express Lanes and 91 Express Lanes in Orange County.

- As part of the OC Streetcar Project, in April 2018, the Board approved a $51.5 million contract with Siemens Industries for the manufacture and delivery of eight streetcar vehicles.

- Approved $32 million in funding for 11 projects for the Regional Capacity Program. Since M2 began, OCTA has invested approximately $271 million in M2 funds and leveraged $24 million in external funds for the Regional Capacity Program.

- As part of the 2018 Regional Traffic Signal Synchronization Program (RTSSP) Call for Projects, approved funding for six projects totaling $15.5 million, including $6.6 million from SB-1. To date, OCTA and local agencies have synchronized more than 2,000 intersections (exceeding the M2 target) along more than 750 miles of streets through 66 corridors totaling $98 million, including $18 million in external funding.

- Completed the Raymond Avenue and State College Boulevard railroad grade separation projects as part of OC Bridges. With all seven grade separations open to traffic in late 2017, an OC Bridges completion ceremony was held in October 2017.

- Completed construction of the Laguna Niguel/Mission Viejo Metrolink Station Americans with Disabilities Act (ADA) Ramps project in September 2017. The project added new ADA-compliant access ramps on either side of the pedestrian undercrossing and a unisex ADA-compliant restroom, vending machine room, and three passenger canopies.

- Construction for the Orange Transportation Center Metrolink Parking Structure began in July 2017. The project will include a 611-space, five-level shared-use parking structure.

- Design plans were completed in July 2017 for the Placentia Metrolink Rail Station project which includes a parking structure, an OCTA bus stop, and passenger amenities. The project will also include a third track to assist with the on-time performance of train operations and provide operational flexibility for both freight and passenger trains. Once a track-sharing agreement with BNSF Railway is in place, the project will be ready to advertise for bidding.

- Design of the Anaheim Canyon Station began in March 2018. The project will lengthen the existing platform, construct a second main track and platform, and improve pedestrian circulation. The project adds benches, shade structures, and ticket vending machines.

- In June 2018, the Board approved the third round of funding for Community-Based Transit Circulators, in the amount of $6.8 million, for six transit projects.

- Approved Environmental Cleanup Program allocations of up to approximately $3.13 million for 16 projects selected through the 2017 Tier 1 call for projects. The 2018 Environmental Cleanup Program Tier 1 call for projects was released in March and programming recommendations are expected in August 2018.

- Received streamlined federal and state clean water permitting requirements for the Environmental Mitigation Program. This secured assurances related to advanced mitigation and freeway project permit issuance.

- Five of seven resource management plans (RMPs) for the Environmental Mitigation Program Preserves were completed and finalized in September 2017. These RMPs guide the management of the preserves as outlined within the M2 OCTA Natural Community Conservation Plan/Habitation Conservation Plan. The remaining two RMPs are anticipated to be finalized in 2018.

- Approved a one-year pilot program for OC Flex, an on-demand curb-to-curb shared ride service to be offered in two zones beginning in the fall of 2018.

- Launched a program with Santa Ana College that uses grant funding to allow students to ride OC Bus for free during the first year of a three-year program. Developed by OCTA, this is the first program of its kind in Orange County.

- After obtaining funding for a zero-emission bus deployment project and awarding agreements for the purchase of ten hydrogen fuel cell electric buses and construction of a hydrogen fuel station, awarded a contract for the construction, operation, and maintenance of a hydrogen fueling station at the Santa Ana base.

- Completed installation of mobile readers on all active fleet vehicles as part of OC Bus 360°, an initiative to increase bus system ridership. At the close of the FY, the OC Mobile App had approximately 35,623 registered users, 22,398 purchases, and 7.4 percent penetration of total sales.

- Funded by the Mobile Source Air Pollution Reduction Review Committee (MSRC), the OC Fair Express recorded nearly 80,000 boardings to and from the OC Fair during five weeks of service and helped take thousands of cars off local roads.

- Hosted three workshops for local cities promoting tips and guidance for state funding of active transportation projects.

- Drafted OC Active: Orange County's Bike + Pedestrian Plan to position cities for future funding pursuits. OC Active provides the first countywide pedestrian analysis and identifies future locally planned bikeways.

- Utilized grant funding to host seven bicycle safety education classes and distribute bicycle and pedestrian safety materials including 5,500 reflective key chains, 300 bicycle helmets, and 700 bicycle lights.

- Coordinated with local jurisdictions in their Go Human safety promotion events in Costa Mesa and Garden Grove.

Awards and Acknowledgments

For the eighth consecutive year, the National Purchasing Institute awarded OCTA the Achievement of Excellence in Procurement® award based on outstanding innovation, professionalism, productivity, e-procurement, and leadership attributes.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCTA for its CAFR for the FY ended June 30, 2017. This was the 35th consecutive year OCTA or its predecessor agency received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the CAFR for the FY ended June 30, 2018, continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA, expecting it to be eligible for another certificate.

The preparation of the CAFR required the dedication of staff in many OCTA departments. We wish to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Special appreciation is extended to the Board for its support for maintaining the highest standards of professionalism in the management of OCTA's finances.

Respectfully submitted,

Darrell E. Johnson
Chief Executive Officer

Andrew Oftelie
Executive Director,
Finance and Administration

ORANGE COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART

Board of Directors

Internal Audit
Janet Sutter
Executive Director

Chief Executive Officer
Darrell E. Johnson

Deputy CEO
Kenneth G. Phipps

Clerk of the Board
Laurena Weinert
Director

Public Information Office
Joel Zlotnik
Manager

Security & Emergency Prep
Katrina Faulkner
Manager

Express Lanes Programs
Kirk Avila
General Manager

Operations
Jennifer Bergener
Chief Operating Officer

Functions:
- Bus Operations / Maintenance
- Service Planning & Customer Advocacy
- Community Transportation Services
- Motorist Services
- Contracted Services
- Transit Program Controls
- LOSSAN
- OC Streetcar
- Rail Operations

Finance and Administration
Andrew Oftelie
Executive Director

Functions:
- Contracts Administration & Materials Management
- Accounting & Financial Reporting
- Financial Planning & Analysis
- General Services
- Information Systems
- Treasury / Public Finance
- Revenue Administration

Planning
Kia Mortazavi
Executive Director

Functions:
- Measure M2
- Strategic Planning
  - Regional Modeling and Traffic Operations
  - Geographical Information Systems
  - Transportation Planning
  - Capital Programming

External Affairs
Lance Larson
Executive Director

Functions:
- Marketing and Public Outreach
- Grants Development & Compliance
- State and Federal Relations
- Regional Initiatives

Capital Programs
James Beil
Executive Director

Functions:
- Highway Programs
- Rail & Facilities Engineering
  - Facilities Engineering
  - Transit Extension
- Project Controls
- Real Property

Human Resources & Organizational Development
Maggie McJilton
Executive Director

Functions:
- Human Resources
- Labor & Employee Relations
  - EEO/Affirmative Action
- Learning & Development
- Risk Management
- Health, Safety and Environmental Compliance

ORANGE COUNTY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

Lisa A. Bartlett
Chairwoman
Supervisor, 5th District

Tim Shaw
Vice Chairman
City Member, 4th District

Laurie Davies
Director
City Member, 5th District

Barbara Delgleize
Director
City Member, 2nd District

Andrew Do
Director
Supervisor, 1st District

Lori Donchak
Director
City Member, 5th District

Michael Hennessey
Director
Public Member

Steve Jones
Director
City Member, 1st District

Mark A. Murphy
Director
City Member, 3rd District

Richard Murphy
Director
City Member, 2nd District

Al Murray
Director
City Member, 3rd District

Shawn Nelson
Director
Supervisor, 4th District

Miguel Pulido
Director
City Member, 1st District

Todd Spitzer
Director
Supervisor, 3rd District

Michelle Steel
Director
Supervisor, 2nd District

Tom Tait
Director
City Member, 4th District

Gregory T. Winterbottom
Director
Public Member

(Vacant)
Governor's Ex-Officio Member
District Director, Caltrans District 12

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT STAFF

Darrell E. Johnson	Chief Executive Officer
Kenneth G. Phipps	Deputy Chief Executive Officer
Laurena Weinert	Clerk of the Board
Janet Sutter	Executive Director, Internal Audit
James Donich	General Counsel

Kirk Avila	General Manager, Express Lanes Programs
James Beil	Executive Director, Capital Programs
Jennifer Bergener	Chief Operating Officer, Operations
Katrina Faulkner	Manager, Security & Emergency Preparedness
Lance Larson	Executive Director, External Affairs
Beth McCormick	General Manager, Transit
Maggie McJilton	Executive Director, Human Resources & Organizational Development
Kia Mortazavi	Executive Director, Planning
Andrew Oftelie	Executive Director, Finance and Administration
Joel Zlotnik	Manager, Public Information Office

Virginia Abadessa	Director, Contracts Administration and Materials Management
Vicki Austin	Manager, Accounting and Financial Reporting
Sara Belovsky	Section Manager, General Services
Meena Katakia	Manager, Capital Projects
Sam Kaur	Manager, Revenue Administration
William Mao	Chief Information Officer, Information Systems
Jennifer Matano	Manager, Treasury and Public Finance
Sean Murdock	Director, Finance and Administration
Barry Reynolds	Manager, Information Systems & Operations Management
Lloyd Sullivan	Manager, Information Systems Enterprise Business Solutions
Pia Veesapen	Manager, Contracts and Procurement
Victor Velasquez	Manager, Financial Planning and Analysis

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

BUS TRANSIT


OCTA


Bravo!
stop. More go.
5814
543TRANSP CENTER


6421
5703
OCBUS

RAIL


FEB 3 4:19 PM
Track
2


879
METROLINK
Track
3


EXPRESS
angels.com
METROLINK


METROLINK

INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise OCTA'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 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 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 opinions.

25231 Paseo De Alicia, Suite 100, Laguna Hills, CA 92653 P 949.768.0833 F 949.768.8408 W vtdcpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 12 and 19 to the financial statements, OCTA adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, budgetary comparison information on pages 84 through 86, supplemental pension plan trend data and other postemployment benefit trend data on pages 87 through 90, and related notes on page 91 be presented to supplement the basic 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 OCTA's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of OCTA'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 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 OCTA's 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 OCTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 31, 2018

As management of the Orange County Transportation Authority (OCTA), we offer readers of OCTA's financial statements this narrative overview and analysis of OCTA's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-xii and OCTA's financial statements that begin on page 18. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- As of June 30, 2018 total net position of OCTA was $1,611,223, which consisted of net investment in capital assets of $551,110; restricted net position of $582,429; and unrestricted net position of $477,684.

- Net position increased $31,405 during fiscal year 2017-18. The decrease in net position from governmental activities of $38,351 was primarily due to a decrease in the amount restricted for the Measure M program due to program costs exceeding revenues largely due to the I-405 Improvement Project. The increase in net position from business-type activities of $69,756 was primarily due to toll road revenues in excess of expenses due to an increase in total trips and transfers from the Local Transportation Fund (LTF) and State Transit Assistance Fund (STAF) for transit operations.

- OCTA's governmental funds reported combined ending fund balances of $935,231, a decrease of $53,202 compared to fiscal year 2016-17. Approximately 90% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

- Total capital assets, net of accumulated depreciation, increased $48,012, or 9%, over June 30, 2017. This increase in capital assets is primarily due to the progress made on the OC Streetcar and I-405 Improvement projects.

- Long-term liabilities increased $134,365 or 19%, primarily due to the execution of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan which will finance eligible project costs for the I-405 Improvement Project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OCTA's basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information and other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of OCTA's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of OCTA's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether OCTA's financial position is improving or deteriorating.

The statement of activities presents information showing how OCTA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements distinguish functions of OCTA that are principally supported by taxes and intergovernmental revenues, or governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, or business-type activities. The governmental activities of OCTA include general government, the Measure M program, motorist services and commuter rail. The business-type activities of OCTA include fixed route transit services, paratransit services, toll road operations and the taxicab administration program.

The government-wide financial statements include only OCTA and its blended component units and can be found on pages 18-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of OCTA's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

OCTA maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for OCTA's major governmental funds comprised of the General fund; Local Transportation Authority (LTA) and LTF, which are special revenue funds; and LTA Debt Service fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information section of this report.

OCTA adopts an annual budget for all funds. Budgetary comparison schedules have been provided for the General fund and the LTA and LTF special revenue funds as required supplementary information to demonstrate compliance with the annual appropriated budgets. The governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds consist of enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. OCTA uses enterprise funds to account for its transit, toll road and taxicab administration operations. Internal service funds are an accounting mechanism used to accumulate and allocate costs internally to the departments benefiting from OCTA's risk management activities, which include general liability and workers' compensation. Since these risk management activities predominantly benefit business-type rather than governmental functions, they have been included within business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Orange County Transit District (OCTD), the 91 Express Lanes, and the I-405 Express Lanes fund which are considered to be major enterprise funds of OCTA. Additionally, data from the General Liability and Workers' Compensation internal service funds are combined into a single, aggregated presentation.

The proprietary fund financial statements can be found on pages 24-30 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside OCTA. Fiduciary funds are not reflected in the government-wide financial statements, as the resources of those funds are not available to support OCTA's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The fiduciary fund financial statements can be found on pages 31-32 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-83 of this report.

Other information is in addition to the basic financial statements and accompanying notes. This report also presents certain required supplementary information concerning OCTA's budgetary results for the General fund and major special revenue funds with appropriated budgets. Additionally, trend data for OCTA's pension plans and other postemployment benefits are included. Required supplementary information can be found on pages 84-91 of this report.

The combining statements of nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for the LTA Debt Service Fund and nonmajor governmental funds are located in this section. This other supplementary information can be found on pages 92-104 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2018, OCTA's assets and deferred outflows exceeded liabilities and deferred inflows by $1,611,223.

Our analysis on the following pages focuses on net position (Table 1) and changes in net position (Table 2) of OCTA's governmental and business-type activities.

OCTA's net investment in capital assets was $551,110, compared to $592,378 in fiscal year 2016-17. OCTA's net position reflects its investment in capital assets (i.e., construction in progress; land; buildings and improvements; machinery, equipment and furniture; transit vehicles; intangible assets; and transponders), less any outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transit services to the residents and business community of Orange County. The decrease of $41,268 was primarily related to the execution of the TIFIA loan which is used to offset the cost of the I-405 Improvement Project.

Restricted net position, representing resources subjected to external restrictions on how they may be used, were 36% and 40% of the total net position at June 30, 2018 and 2017, respectively. The change in restricted net position in fiscal year 2017-18 was $52,350 and was primarily due to a decrease in the restricted net position from governmental activities of $55,927 offset by an increase of $3,577 for business activities. This decrease for governmental activities was a result of program costs exceeding revenues of the Measure M program whereas the increase for business activities was primarily related to the funds restricted for the state of good repair funds.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. At the end of fiscal year 2017-18, OCTA's unrestricted net position was $477,684, an increase of $124,424 from fiscal year 2016-17. The increase was primarily due to an increase in business-type activities of $116,055. The increase was primarily due to transfers from LTF and STAF for operating assistance and 91 Express Lanes revenues in excess of expenses consistent with the Comprehensive Business Plan (CBP) and a decrease in net pension liability.

Table 1
Orange County Transportation Authority
Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$1,077,623	$1,133,431	$755,882	$560,203	$1,833,505	$1,693,634
Restricted assets	6,242	2,965	24,321	23,998	30,563	26,963
Prepaid retirement	5,477	5,304	10,982	12,033	16,459	17,337
Assets held for resale	3,598	10,371	-	-	3,598	10,371
Capital assets, net	211,433	202,587	401,489	362,323	612,922	564,910
Intangible asset, net	-	-	122,868	125,454	122,868	125,454
Total assets	1,304,373	1,354,658	1,315,542	1,084,011	2,619,915	2,438,669

Table 1
Orange County Transportation Authority
Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Deferred outflows of resources	21,767	15,437	48,388	39,956	70,155	55,393
Total deferred outflows of resources	21,767	15,437	48,388	39,956	70,155	55,393
Current liabilities	105,734	109,024	68,992	68,122	174,726	177,146
Long-term liabilities	382,748	397,027	456,975	308,331	839,723	705,358
Total liabilities	488,482	506,051	525,967	376,453	1,014,449	882,504
Deferred inflows of resources	22,625	10,299	41,773	20,842	64,398	31,141
Total deferred inflows of resources	22,625	10,299	41,773	20,842	64,398	31,141
Net position:						
Net investment in capital assets	211,433	202,587	339,677	389,791	551,110	592,378
Restricted	565,653	621,580	16,776	13,199	582,429	634,779
Unrestricted	37,947	29,578	439,737	323,682	477,684	353,260
Total net position	$815,033	$853,745	$796,190	$726,672	$1,611,223	$1,580,417

OCTA's total revenues decreased by 4%, while the total costs of all programs increased by 14%. The decrease in total revenues is primarily due to a decrease in capital grants and contributions in the amount of $81,814. This decrease is due to federal capital assistance grants received in the prior fiscal year for the purchase of transit vehicles. Sales tax revenue increased $40,664 due to continued growth in the economy.

During fiscal year 2017-18, OCTA's total expenses increased $99,215. The increase in expenses is primarily due to costs related to freeway projects including the I-405 Improvement Project. Approximately 36% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

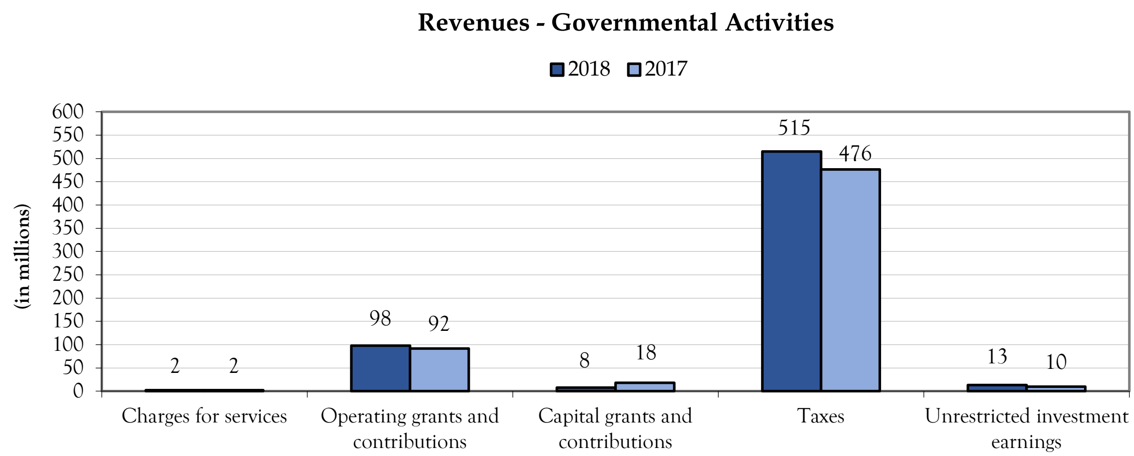
Table 2
Orange County Transportation Authority
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 2,386	$ 1,834	$ 106,716	$ 107,414	$ 109,102	$ 109,248
Operating grants and contributions	98,233	92,486	74,236	74,966	172,469	167,452
Capital grants and contributions	7,679	17,602	17,849	89,740	25,528	107,342
General revenues:						
Taxes	515,475	475,863	15,995	14,943	531,470	490,806
Unrestricted investment earnings	12,609	9,807	2,892	2,332	15,501	12,139
Other miscellaneous revenue	133	99	5,604	5,071	5,737	5,170
Total revenues	636,515	597,691	223,292	294,466	859,807	892,157
Expenses:						
General government	80,877	94,929	-	-	80,877	94,929
Measure M program	439,279	280,154	-	-	439,279	280,154
Motorist services	5,725	5,826	-	-	5,725	5,826
Commuter rail	414	39,736	-	-	414	39,736
Fixed route	-	-	208,167	204,969	208,167	204,969
Paratransit	-	-	67,883	64,594	67,883	64,594
Toll road	-	-	25,672	38,455	25,672	38,455
Taxicab administration	-	-	385	524	385	524
Total expenses	526,295	420,645	302,107	308,542	828,402	729,187
Indirect expense allocation	(43,163)	(41,045)	43,163	41,045	-	-
Increase (decrease) in net position before transfers	153,383	218,091	(121,978)	(55,121)	31,405	162,970
Transfers	(191,734)	(162,292)	191,734	162,292	-	-
Change in net position	(38,351)	55,799	69,756	107,171	31,405	162,970
Net position—beginning of year, as restated*	853,384	797,946	726,434	619,501	1,579,818	1,417,447
Net position—end of year	$ 815,033	$ 853,745	$ 796,190	$ 726,672	$1,611,223	$1,580,417

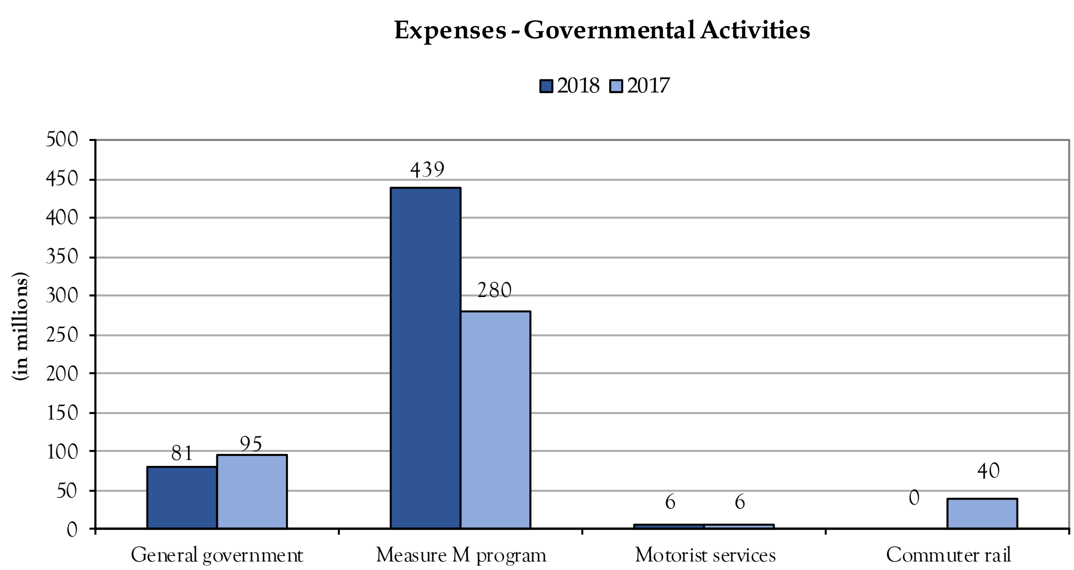
*Net position, beginning of year, was restated for fiscal year 2017-18 due to the implementation of GASB 75.

Governmental Activities

Total revenues for OCTA's governmental activities increased $38,824 primarily due to an increase in sales tax offset by a reduction in capital grants for the OC Streetcar project received in the prior fiscal year.

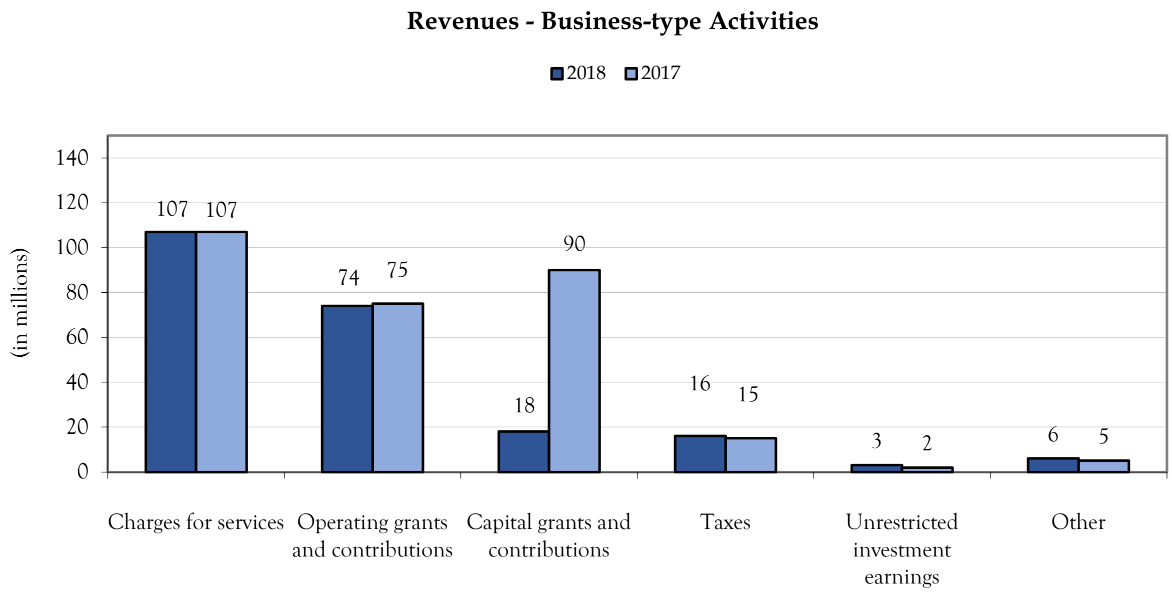


Total expenses for OCTA's governmental activities increased $105,650 primarily due to an increase in Measure M program costs related to freeway project including the I-405 improvement project.

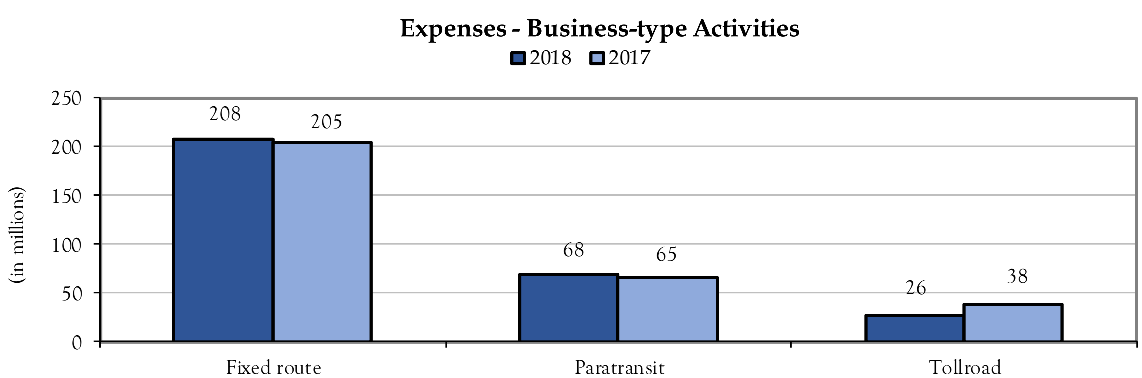


Business-type Activities

Revenues of OCTA's business-type activities decreased $71,174 primarily due to a decrease in capital grants and contributions for the purchase of transit vehicles in the prior fiscal year.



Total expenses related to business-type activities decreased $6,435 primarily due to a decrease in operating expenses related to the 91 Express Lanes. This decrease is due to the 91 Express Lanes pavement rehabilitation project completed in the prior fiscal year.



Financial Analysis of OCTA's Funds

As noted earlier, OCTA uses fund accounting to ensure and demonstrate compliance with financial and legal requirements.

Governmental funds

The focus of OCTA's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing OCTA's financing requirements.

As of June 30, 2018, OCTA's governmental funds reported combined ending fund balances of $935,231, a decrease of $53,202 compared to fiscal year 2016-17. Approximately 98% or $915,892 of this amount is restricted, the majority of which relates to the Measure M program. $23,843 represents the portion of fund balance that is not in a spendable form, such as condemnation deposits, notes receivable, prepaid retirement and advances for projects. $2,413 is assigned for transportation capital projects. The remainder of fund balance of $(6,917) is unassigned.

Significant changes in the fund balances of OCTA's major governmental funds are as follows:

The General fund increased by $10,772, primarily due to the sale of land held for resale and the continued receipt on the note receivable from the City of Anaheim for the ARTIC.

The LTA fund decreased by $73,614, which represents a decrease of 8% in comparison to fiscal year 2016-17. This decrease is primarily due to excess of expenditures over revenues primarily due to the increase in the I-405 Improvement Project and the grade separation projects.

The LTA Debt Service fund increased $9,474, due to interest earned in excess of debt service payments.

Proprietary funds

OCTA's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the enterprise funds totaled $772,869 at June 30, 2018 compared to $704,533 at June 30, 2017. Following are the significant changes in net position of OCTA's major proprietary funds:

The OCTD fund net position at June 30, 2018 was $564,688. During fiscal year 2017-18, the total net position increased $39,093, primarily due to the transfers from LTF and STAF for operating assistance in excess of expenses consistent with the CBP.

The 91 Express Lanes fund net position at June 30, 2018 was $206,857. The unrestricted net position increased $30,666 primarily due to the opening of the Riverside County Transportation Commission (RCTC) extension of the 91 EL which resulted in additional trips and an increase in customers.

General Fund Budgetary Highlights

Revenues

The primary sources of revenues for the general fund are from federal, state, and local sources. Actual revenues were $253 less than the final budget. This is primarily due to OCTA receiving $2,268 less in capital assistance grants. The grant revenues are associated with bikeway and pedestrian facilities projects as well as transit corridor studies. In both cases, projects were not completed in fiscal year 2017-18 and corresponding grant revenue reimbursements could not be sought. These projects were rebudgeted in fiscal year 2018-19. This was offset by OCTA receiving $1,897 more in contributions from other agencies primarily due to the timing of reimbursements for STIP programming, planning, and monitoring funds.

Expenditures

There was no material difference between original budget and final budget general fund expenditures in fiscal year 2017-18.

Actual expenditures were $7,236 less than the final budget of $21,743. This is primarily due to a $3,955 underrun in supplies and services associated with timing of transportation planning and study projects which have been rebudgeted in fiscal year 2018-19. Additionally, underruns in contributions to local agencies of $3,220 are associated with bikeway and pedestrian facilities projects that were not completed in fiscal year 2017-18. Salaries and benefits costs underran the expense budget by $2,333 driven by higher vacancies.

Capital Asset and Intangible Asset

Capital Assets

As of June 30, 2018, OCTA had $612,922, net of accumulated depreciation, invested in a broad range of capital assets including: land, buildings, transit vehicles, construction in progress, and machinery, equipment and furniture (Table 3).

During fiscal year 2017-18, OCTA's capital assets increased by $48,012. Capital assets related to governmental activities increased by $8,846. This increase is primarily due to construction in progress related to the OC Streetcar project. Capital assets related to business-type activities increased by $39,166. This increase is primarily due to construction in progress related to the I-405 Express Lanes project.

Table 3
Orange County Transportation Authority
Capital Assets, net of depreciation

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 172,238	$ 172,236	$ 52,402	$ 52,402	$ 224,640	$ 224,638
Buildings and improvements	992	1,161	65,816	67,621	66,808	68,782
Transit vehicles	-	-	160,352	171,724	160,352	171,724
Machinery, equipment and furniture	3,117	3,275	27,958	26,056	31,075	29,331
Construction in progress	35,086	25,915	94,961	44,520	130,047	70,435
Totals	$ 211,433	$ 202,587	$ 401,489	$ 362,323	$ 612,922	$ 564,910

Major capital asset additions during 2018 included:

- $59,717 for the I-405 Express Lanes project.
- $14,359 for transit vehicles.
- $9,161 for the OC Streetcar project.

Major capital asset deletions during 2018 included $29,475 for transit vehicles.

OCTA has outstanding capital expenditure commitments, the most significant of which are: $1,046,028 for the I-405 Improvement Project, $46,230 for the I-5 freeway widening construction project, $22,555 for the SR 91 and I-405 express lane toll collection project, $12,963 for the purchase of 10 hydrogen buses, $11,520 for the Metrolink parking construction project, and $10,377 for the OC Streetcar project.

More detailed information about OCTA's capital assets is presented in note 7 to the financial statements.

Intangible Asset

Intangible asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Toll facility franchise	$ 205,264	$ -	$ -	$ 205,264
Less accumulated amortization	(79,810)	(2,586)	-	(82,396)
Total toll facility franchise, net	$ 125,454	$ (2,586)	$ -	$ 122,868

More detailed information about the toll facility franchise service concession agreement is presented in note 8 to the financial statements.

Debt Administration

As of June 30, 2018, OCTA had $413,840 in bonds outstanding compared to $427,140 at June 30, 2017, as presented in Table 4. The decrease is due to payments for principal in the amount of $13,300 during the fiscal year.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Sales tax revenue bonds	$310,235	$318,010	$ -	$ -	$ 310,235	$ 318,010
Revenue refunding bonds	-	-	103,605	109,130	103,605	109,130
Totals	$310,235	$318,010	$103,605	$109,130	$413,840	$427,140

OCTA maintains an "AA+" rating from Standard & Poor's, an "AA+" rating from Fitch and an "Aa2" rating from Moody's for its M2 Sales Tax Revenue Bonds. The Toll Road Revenue Refunding Bonds (91 Express Lanes) have ratings of "A1" by Moody's, "A+" from Fitch, and "AA-" by Standard & Poor's.

In fiscal year 2017-18, OCTA executed a TIFIA loan for the I-405 Improvement Project. The amount outstanding under this loan at June 30, 2018 is $165,988. The credit rating on the TIFIA loan is Baa2 (Moody's).

Additional information on OCTA's long-term debt can be found in note 10 to the financial statements.

Economic and Other Factors

The Board of Directors (Board) adopted the fiscal year 2018-19 budget on June 13, 2018. The $1.3 billion budget was developed in accordance with the goals of the Board and the Chief Executive Officer. This balanced budget is a result of OCTA's ongoing effort to deliver long-term sustainable transportation solutions for the residents of Orange County and is a reflection of OCTA's commitment to the residents of Orange County to be responsible stewards of taxpayer dollars.

Under the M2 Program, funds will continue to improve freeways, streets and roads throughout Orange County, as well as fund multiple transit programs. Included in the proposed budget is $212 million to help fund freeway improvement projects on Interstate 405, Interstate 5, State Route 55, State Route 57, and State Route 91. Approximately $171 million is budgeted to improve streets and roads, including $56 million to fund the Local Fair Share Program, $61 million for the Regional Capacity Program, and $128 million for M2 Transit bus and rail projects, including $43 million for the OC Streetcar project.

In fiscal year 2018-19, the budget to support the Bus Program is $366 million. The budget includes efforts to continue OC Bus 360°, which aims to improve bus service and increase efficiency of the transit system. The budget also maintains existing bus service levels at 1.6 million service hours and has no fare increase.

The fiscal year 2018-19 budget demonstrates OCTA's continued commitment to provide an effective, efficient, and innovative multi-modal transportation network to enhance the quality of life and keep the residents and commuters of Orange County moving.

Contacting OCTA's Management

This financial report is designed to provide a general overview of OCTA's finances for all those with an interest in the government's finances and to demonstrate OCTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2018

(amounts expressed in thousands)	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 874,347	$ 595,267	$ 1,469,614
Receivables:			
Interest	3,348	2,840	6,188
Operating grants	10,114	75,324	85,438
Capital grants	3,250	24,395	27,645
Other	247	19,694	19,941
Internal balances	(19,342)	19,342	-
Due from other governments	152,531	7,456	159,987
Condemnation deposits	15,331	5,684	21,015
Note receivable	26,204	-	26,204
Inventory	-	2,794	2,794
Restricted cash and investments:			
Cash equivalents	-	24,321	24,321
Investments	6,242	-	6,242
Prepaid retirement	5,477	10,982	16,459
Other assets	11,593	3,086	14,679
Assets held for resale	3,598	-	3,598
Capital assets, net:			
Nondepreciable	207,324	147,363	354,687
Depreciable	4,109	254,126	258,235
Intangible asset - tollroad franchise, net	-	122,868	122,868
Total Assets	**1,304,373**	**1,315,542**	**2,619,915**
Deferred Outflows of Resources			
Deferred charge on refunding	-	8,342	8,342
Deferred outflows - pensions	21,346	39,776	61,122
Deferred outflows - OPEB	421	270	691
Total Deferred Outflows of Resources	**21,767**	**48,388**	**70,155**
Liabilities			
Accounts payable	66,278	43,186	109,464
Accrued payroll and related items	1,881	3,903	5,784
Accrued interest payable	7,693	1,924	9,617
Due to other governments	18,104	3,426	21,530
Unearned revenue	11,713	16,250	27,963
Other liabilities	65	303	368
Noncurrent liabilities:			
Due within one year	8,171	15,954	24,125
Due in more than one year	314,029	287,298	601,327
Total OPEB liability	872	560	1,432
Net pension liability	59,676	153,163	212,839
Total Liabilities	**488,482**	**525,967**	**1,014,449**
Deferred Inflows of Resources			
Deferred inflows - pensions	22,625	41,773	64,398
Total Deferred Inflows of Resources	**22,625**	**41,773**	**64,398**
Net Position			
Net investment in capital assets	211,433	339,677	551,110
Restricted for:			
Measure M program	533,575	-	533,575
Measure M - Environmental Mitigation Program	6,242	-	6,242
Debt service	23,139	235	23,374
Motorist services	2,697	-	2,697
Capital	-	10,221	10,221
Operating reserve	-	3,066	3,066
State of Good Repair Program	-	3,254	3,254
Unrestricted	37,947	439,737	477,684
Total Net Position	**$ 815,033**	**$ 796,190**	**$ 1,611,223**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Total
Functions/Programs								
Primary government								
Governmental activities:								
General government	$ 80,877	$ (64,755)	$ 842	$ 10,446	$ 7,542	$ 2,708	$ -	$ 2,708
Measure M program	439,279	20,659	733	81,169	-	(378,036)	-	(378,036)
Motorist services	5,725	875	-	5,492	-	(1,108)	-	(1,108)
Commuter rail	414	58	811	1,126	137	1,602	-	1,602
Total governmental activities	526,295	(43,163)	2,386	98,233	7,679	(374,834)	-	(374,834)
Business-type activities:								
Fixed route	208,167	38,253	40,821	48,952	15,766	-	(140,881)	(140,881)
Paratransit	67,883	1,330	7,969	23,830	2,083	-	(35,331)	(35,331)
Tollroad	25,672	3,352	57,615	1,454	-	-	30,045	30,045
Taxicab administration	385	228	311	-	-	-	(302)	(302)
Total business-type activities	302,107	43,163	106,716	74,236	17,849	-	(146,469)	(146,469)
Total primary government	$ 828,402	$ -	$ 109,102	$ 172,469	$ 25,528	(374,834)	(146,469)	(521,303)
General Revenues:								
Property taxes						-	15,995	15,995
Sales taxes						515,475	-	515,475
Unrestricted investment earnings						12,609	2,892	15,501
Other miscellaneous revenue						133	5,604	5,737
Transfers						(191,734)	191,734	-
Total general revenues and transfers						336,483	216,225	552,708
Change in net position						(38,351)	69,756	31,405
Net position - beginning, as restated						853,384	726,434	1,579,818
Net position - ending						**$ 815,033**	**$ 796,190**	**$ 1,611,223**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Funds
June 30, 2018

(amounts expressed in thousands)	General	LTA	Local Transportation	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	$ 27,588	$ 799,424	$ 12,413	$ 20,761	$ 14,161	$ 874,347
Receivables:						
Interest	148	3,037	11	26	126	3,348
Operating grants	527	9,587	-	-	-	10,114
Capital grants	-	-	-	-	3,250	3,250
Other	209	3	-	-	35	247
Due from other funds	1,548	209	-	-	406	2,163
Due from other governments	2,366	104,925	31,938	2,352	10,950	152,531
Condemnation deposits	-	11,933	-	-	3,398	15,331
Note receivable	19,194	4,193	-	-	2,817	26,204
Advances to other funds	-	-	-	-	1,964	1,964
Restricted cash and investments:						
Investments	-	6,242	-	-	-	6,242
Prepaid retirement	9,759	-	-	-	-	9,759
Other assets	1,357	1,490	-	-	8,746	11,593
Total Assets	**$ 62,696**	**$ 941,043**	**$ 44,362**	**$ 23,139**	**$ 45,853**	**$ 1,117,093**
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 3,102	$ 57,824	$ -	$ -	$ 5,352	$ 66,278
Accrued payroll and related items	1,881	-	-	-	-	1,881
Compensated absences	6	-	-	-	-	6
Due to other funds	9	1,353	12,209	-	8,569	22,140
Due to other governments	282	16,526	641	-	655	18,104
Unearned revenue - other	659	5,504	-	-	5,550	11,713
Other liabilities	48	17	-	-	-	65
Advances from other funds	-	1,964	-	-	-	1,964
Total Liabilities	**5,987**	**83,188**	**12,850**	**-**	**20,126**	**122,151**
Deferred Inflows of Resources						
Unavailable revenue - interest on advances	-	-	-	-	818	818
Unavailable revenue - grant reimbursements	659	23,471	-	-	1,816	25,946
Unavailable revenue - reimbursements from others and other misc revenue	138	6,276	-	-	30	6,444
Unavailable revenue - sale of land	316	-	-	-	-	316
Unavailable revenue - sales tax	-	5,479	2,413	-	-	7,892
Unavailable revenue - ARTIC	18,295	-	-	-	-	18,295
Total Deferred Inflows of Resources	**19,408**	**35,226**	**2,413**	**-**	**2,664**	**59,711**
Fund Balances						
Nonspendable:						
Condemnation deposits	-	-	-	-	3,398	3,398
Note receivable	583	-	-	-	-	583
Prepaid retirement	9,759	-	-	-	-	9,759
Other assets - Deposits, inventory, prepaid amounts	1,357	-	-	-	8,746	10,103
Restricted for:						
Transportation programs	23,189	822,629	29,099	-	15,169	890,086
Motorist services	-	-	-	-	2,667	2,667
Debt service	-	-	-	23,139	-	23,139
Assigned to:						
Metrolink/rail operations	2,413	-	-	-	-	2,413
Unassigned	-	-	-	-	(6,917)	(6,917)
Total Fund Balances	**37,301**	**822,629**	**29,099**	**23,139**	**23,063**	**935,231**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 62,696**	**$ 941,043**	**$ 44,362**	**$ 23,139**	**$ 45,853**	**$ 1,117,093**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Net Position (page 18) are different because:

Total fund balances (page 20)	$	935,231
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		211,433
Assets held for resale are not current financial resources and, therefore, are not reported in the funds, unless a sales contract is executed prior to the issuance of the financial statements.		3,598
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.		59,711
Deferred outflows of resources related to pensions are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		17,064
Deferred outflows of resources related to OPEB are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		421
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		635
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(7,693)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(872)
Long-term liabilities related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		(59,676)
Deferred inflows of resources related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		(22,625)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(322,194)
Net position of governmental activities (page 18)	**$**	**815,033**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

(amounts expressed in thousands)	General	LTA	Local Transportation	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Sales taxes	$ -	$ 315,974	$ 164,470	$ -	$ 27,140	$ 507,584
Transportation improvement fee	-	-	-	-	5,673	5,673
Vehicle registration fees	-	-	-	-	2,941	2,941
Fines	201	-	-	-	-	201
Contributions from other agencies	8,381	81,308	-	-	2,550	92,239
Interest and investment income	536	4,983	(8)	6,609	133	12,253
Capital assistance grants	426	-	-	-	7,115	7,541
Miscellaneous	928	5,431	-	-	2	6,361
Total Revenues	**10,472**	**407,696**	**164,462**	**6,609**	**45,554**	**634,793**
Expenditures						
Current:						
General government	8,118	93,194	2,052	-	7,609	110,973
Transportation:						
Contributions to other local agencies	164	106,863	2,342	-	398	109,767
Capital outlay	1,562	239,569	-	-	9,161	250,292
Debt service:						
Principal	-	-	-	7,775	-	7,775
Interest	-	40	-	21,019	-	21,059
Total Expenditures	**9,844**	**439,666**	**4,394**	**28,794**	**17,168**	**499,866**
Excess (deficiency) of revenues over (under) expenditures	**628**	**(31,970)**	**160,068**	**(22,185)**	**28,386**	**134,927**
Other financing sources (uses)						
Transfers in	6,675	4,295	-	31,659	3,519	46,148
Transfers out	(136)	(45,939)	(160,870)	-	(30,937)	(237,882)
Proceeds from sale of capital assets	3,605	-	-	-	-	3,605
Total other financing sources (uses)	**10,144**	**(41,644)**	**(160,870)**	**31,659**	**(27,418)**	**(188,129)**
Net change in fund balances	**10,772**	**(73,614)**	**(802)**	**9,474**	**968**	**(53,202)**
Fund balances - beginning	26,529	896,243	29,901	13,665	22,095	988,433
Fund balances - ending	**$ 37,301**	**$ 822,629**	**$ 29,099**	**$ 23,139**	**$ 23,063**	**$ 935,231**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 19) are different because:

Net change in fund balances - total governmental funds (page 22)	$	(53,202)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		8,846
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(3,605)
Donations and/or sales related to land held for resale are not reported as revenues in governmental funds, unless a sales contract is executed prior to the issuance of the financial statements. However, they are included in the Statement of Activities.		(4,702)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds, but are reported as deferred inflows of resources.		5,834
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		8,522
The rent holiday related to the administrative headquarters building does not require the use of current financial resources, and therefore, is not reported as an expenditure in governmental funds.		(231)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		189
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		(2)
Change in net position of governmental activities (page 19)	**$**	**(38,351)**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2018

(amounts expressed in thousands)	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Assets						
Current assets:						
Cash and investments	$ 316,505	$ 155,650	$ 82,483	$ 50	$ 554,688	$ 40,579
Receivables:						
Interest	1,721	556	329	-	2,606	234
Operating grants	75,324	-	-	-	75,324	-
Capital grants	24,395	-	-	-	24,395	-
Violations, net	-	16,177	-	-	16,177	-
Farebox	465	-	-	-	465	-
Other	1,322	1,432	-	-	2,754	298
Due from other funds	20,186	-	-	-	20,186	-
Due from other governments	7,083	364	-	9	7,456	-
Condemnation deposits	-	-	5,684	-	5,684	-
Inventory	2,794	-	-	-	2,794	-
Prepaid retirement	10,928	-	-	54	10,982	-
Other assets	1,394	313	-	-	1,707	1,379
Total current assets	462,117	174,492	88,496	113	725,218	42,490
Noncurrent assets:						
Restricted cash and investments:						
Cash equivalents	-	24,321	-	-	24,321	-
Capital assets, net:						
Nondepreciable	55,199	-	92,164	-	147,363	-
Depreciable	249,612	4,486	28	-	254,126	-
Intangible asset - tollroad franchise, net	-	122,868	-	-	122,868	-
Total noncurrent assets	304,811	151,675	92,192	-	548,678	-
Total Assets	**766,928**	**326,167**	**180,688**	**113**	**1,273,896**	**42,490**
Deferred Outflows of Resources						
Deferred charge on refunding	-	8,342	-	-	8,342	-
Deferred outflows - pensions	39,626	-	-	150	39,776	-
Deferred outflows - OPEB	266	-	-	4	270	-
Total Deferred Outflows of Resources	**39,892**	**8,342**	**-**	**154**	**48,388**	**-**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds, Continued
June 30, 2018

(amounts expressed in thousands)	**OCTD**	**91 Express Lanes**	**I-405 Express Lanes**	**Nonmajor Enterprise Fund OCTAP**	**Total Enterprise Funds**	**Internal Service Funds**
Liabilities						
Current liabilities:						
Accounts payable	24,253	7,738	10,580	3	42,574	612
Accrued payroll and related items	3,895	-	-	8	3,903	-
Accrued interest	-	1,924	-	-	1,924	-
Due to other funds	-	209	-	-	209	-
Claims payable	-	-	-	-	-	3,374
Due to other governments	1,148	-	2,278	-	3,426	-
Unearned revenue	10,386	5,853	-	11	16,250	-
Other liabilities	3	300	-	-	303	-
Current portion of long-term liabilities	6,756	5,810	-	14	12,580	-
Total current liabilities	46,441	21,834	12,858	36	81,169	3,986
Noncurrent liabilities:						
Claims payable	-	-	-	-	-	14,548
Net OPEB liability	550	-	-	10	560	-
Net pension liability	152,604	-	-	559	153,163	-
Long-term liabilities	943	105,818	165,988	1	272,750	-
Total noncurrent liabilities	154,097	105,818	165,988	570	426,473	14,548
Total Liabilities	**200,538**	**127,652**	**178,846**	**606**	**507,642**	**18,534**
Deferred Inflows of Resources						
Deferred inflows - pensions	41,594	-	-	179	41,773	-
Total Deferred Inflows of Resources	**41,594**	**-**	**-**	**179**	**41,773**	**-**
Net Position						
Net investment in capital assets	304,810	34,867	-	-	339,677	-
Restricted for:						
Debt service	-	235	-	-	235	-
Capital	-	10,221	-	-	10,221	-
Operating reserves	-	3,066	-	-	3,066	-
State of Good Repair Program	3,254	-	-	-	3,254	-
Unrestricted	256,624	158,468	1,842	(518)	416,416	23,956
Total Net Position	**$ 564,688**	**$ 206,857**	**$ 1,842**	**$ (518)**	**$ 772,869**	**$ 23,956**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Fund Net Position of Proprietary Funds to the Statement of Net Position
June 30, 2018

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Net Position (page 18) are different because:

Total net position (page 25)	$	772,869
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund is included in this difference.		23,321
Net position of business-type activities (page 18)	**$**	**796,190**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

(amounts expressed in thousands)	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Operating revenues:						
User fees and charges	$ 45,006	$ 57,615	$ -	$ -	$ 102,621	$ -
Permit fees	-	-	-	311	311	-
Charges for services	-	-	-	-	-	9,970
Total operating revenues	**45,006**	**57,615**	**-**	**311**	**102,932**	**9,970**
Operating expenses:						
Wages, salaries and benefits	104,717	-	-	347	105,064	-
Maintenance, parts and fuel	13,723	-	-	-	13,723	-
Purchased services	87,587	6,484	-	-	94,071	-
Administrative services	39,385	2,481	870	228	42,964	198
Other	7,696	29	2	6	7,733	405
Insurance claims and premiums	-	332	-	-	332	8,503
Professional services	20,453	6,281	1,737	28	28,499	1,396
General and administrative	4,063	548	7	3	4,621	-
Depreciation and amortization	39,058	3,473	3	-	42,534	-
Total operating expenses	**316,682**	**19,628**	**2,619**	**612**	**339,541**	**10,502**
Operating income (loss)	**(271,676)**	**37,987**	**(2,619)**	**(301)**	**(236,609)**	**(532)**
Nonoperating revenues (expenses):						
Federal operating assistance grants	69,792	-	-	-	69,792	-
Property taxes allocated by the County of Orange	15,995	-	-	-	15,995	-
Investment earnings	2,065	900	(247)	4	2,722	170
Interest expense	-	(5,192)	(1,586)	-	(6,778)	-
Other	10,106	1,321	-	166	11,593	1,542
Total nonoperating revenues (expenses)	**97,958**	**(2,971)**	**(1,833)**	**170**	**93,324**	**1,712**
Income (loss) before contributions and transfers	**(173,718)**	**35,016**	**(4,452)**	**(131)**	**(143,285)**	**1,180**
Capital contributions	19,965	-	160	-	20,125	-
Transfers in	198,781	-	22	-	198,803	-
Transfers out	(5,935)	(1,134)	-	-	(7,069)	-
Change in net position	**39,093**	**33,882**	**(4,270)**	**(131)**	**68,574**	**1,180**
Total net position - beginning, as restated	525,595	172,975	6,112	(387)	704,295	22,776
Total net position - ending	**$ 564,688**	**$ 206,857**	**$ 1,842**	**$ (518)**	**$ 772,869**	**$ 23,956**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities
For the Year Ended June 30, 2018

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Activities (page 19) are different because:

Net change in fund net position - total enterprise funds (page 27)	$	68,574
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of the general liability and workers' compensation internal service funds are included in business-type activities in the Statement of Net Position. Additionally, the effect of allocating the workers' compensation Internal Service Fund loss to the governmental activities is included in this difference.		1,182
Change in net position of business-type activities (page 19)	**$**	**69,756**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

(amounts expressed in thousands)	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor Enterprise Fund OCTAP	Totals	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	$ 48,377	$ 54,338	$ -	$ 302	$ 103,017	$ -
Receipts from interfund services provided	-	-	-	-	-	9,912
Payments to suppliers	(128,661)	(13,293)	(1,771)	(39)	(143,764)	(2,127)
Payments to claimants	-	-	-	-	-	(7,637)
Payments to employees	(104,073)	-	(2)	(358)	(104,433)	-
Payments for interfund services used	(43,461)	(2,481)	(870)	(228)	(47,040)	(198)
Advertising revenue received	3,667	-	-	-	3,667	-
Miscellaneous revenue received	6,150	1,108	-	175	7,433	1,542
Net cash provided by (used for) operating activities	**(218,001)**	**39,672**	**(2,643)**	**(148)**	**(181,120)**	**1,492**
Cash flows from noncapital financing activities:						
Federal operating assistance grants received	13,081	-	-	-	13,081	-
Reimbursements from other governments	-	119	-	-	119	-
Property taxes received	16,006	-	-	-	16,006	-
Transfers from other funds	182,562	-	22	-	182,584	-
Transfers to other funds	(5,935)	(925)	-	-	(6,860)	-
Net cash provided by (used for) noncapital financing activities	**205,714**	**(806)**	**22**	**-**	**204,930**	**-**
Cash flows from capital and related financing activities:						
Federal capital grants for acquisition and construction of capital assets	7,186	-	968	-	8,154	-
Proceeds from sale of capital assets	8	-	-	-	8	-
Payments for condemnation deposits related to capital	-	-	(3,543)	-	(3,543)	-
Payments on transfers from other funds	-	-	(9,462)	-	(9,462)	-
Proceeds from issuance of long term debt	-	-	165,000	-	165,000	-
Principal payment on long-term debt	-	(5,525)	-	-	(5,525)	-
Payments on advances from other funds	-	-	(10,020)	-	(10,020)	-
Interest paid on long-term debt	-	(5,270)	(598)	-	(5,868)	-
Acquisition and construction of capital assets	(18,538)	(654)	(56,682)	-	(75,874)	-
Net cash provided by (used for) capital and related financing activities	**(11,344)**	**(11,449)**	**85,663**	**-**	**62,870**	**-**
Cash flows from investing activities:						
Investment earnings	1,675	611	(576)	-	1,710	119
Net cash provided by (used for) investing activities	**1,675**	**611**	**(576)**	**-**	**1,710**	**119**
Net increase (decrease) in cash and cash equivalents	**(21,956)**	**28,028**	**82,466**	**(148)**	**88,390**	**1,611**
Cash and cash equivalents at beginning of year	338,461	151,943	17	198	490,619	38,968
Cash and cash equivalents at end of year	**$ 316,505**	**$ 179,971**	**$ 82,483**	**$ 50**	**$ 579,009**	**$ 40,579**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds, Continued
For the Year Ended June 30, 2018

(amounts expressed in thousands)	**OCTD**	**91 Express Lanes**	**I-405 Express Lanes**	**Nonmajor Enterprise Fund OCTAP**	**Totals**	**Internal Service Funds**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	$ (271,676)	$ 37,987	$ (2,619)	$ (301)	$ (236,609)	$ (532)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	39,058	886	3	-	39,947	-
Amortization of franchise agreement	-	2,587	-	-	2,587	-
Amortization of prepaid retirement	16,748	-	-	77	16,825	-
Amortization of prepaid expense	-	35	-	-	35	-
Amortization of prepaid insurance	-	332	-	-	332	-
Pension expense	15,451	-	-	66	15,517	-
Advertising revenue	4,000	-	-	-	4,000	-
Miscellaneous	6,106	1,108	-	166	7,380	-
Insurance recoveries	-	-	-	-	-	1,542
Change in assets and liabilities:						
Receivables	115	(3,850)	-	-	(3,735)	20
Due from other governments	2,123	-	-	(9)	2,114	-
Inventory	135	-	-	-	135	-
Prepaid retirement	(15,703)	-	-	(71)	(15,774)	-
Other assets	562	(413)	-	-	149	(39)
Deferred outflows of resources related to pensions	(7,754)	-	-	(25)	(7,779)	-
Accounts payable	(15)	1,993	-	(2)	1,976	(524)
Accrued payroll and related items	200	-	-	(7)	193	-
Compensated absences	(19)	-	-	(21)	(40)	-
Claims payable	-	-	-	-	-	1,025
Due to other governments	587	(1,566)	(27)	-	(1,006)	-
Unearned revenue	353	544	-	13	910	-
Other liabilities	-	29	-	-	29	-
Net OPEB liability	51	-	-	1	52	-
Net pension liability	(8,323)	-	-	(35)	(8,358)	-
Total adjustments	53,675	1,685	(24)	153	55,489	2,024
Net cash provided by (used for) operating activities	**$ (218,001)**	**$ 39,672**	**$ (2,643)**	**$ (148)**	**$ (181,120)**	**$ 1,492**
Reconciliation of cash and cash equivalents to statement of net position:						
Cash and investments	$ 316,505	$ 155,650	$ 82,483	$ 50	$ 554,688	$ 40,579
Restricted cash and cash equivalents	-	24,321	-	-	24,321	-
Total cash and cash equivalents	**$ 316,505**	**$ 179,971**	**$ 82,483**	**$ 50**	**$ 579,009**	**$ 40,579**
Noncash capital, financing and investing activities:						
Capital contributions *	$ 9,675	$ -	$ (808)	$ -	$ 8,867	$ -
Investment earnings - accrued interest	1,244	236	326	-	1,806	37
Amortization of bond premium	-	(644)	-	-	(644)	-
Amortization of deferred amount on refunding	-	670	-	-	670	-

*For OCTD, cash portion related to this amount includes $7,186 for federal capital grants from acquisition and construction of capital assets and $6,420 from change in unearned revenues as well as $(3,316) from change in due from other governments relating to federal capital grants for OCTD. For nonmajor enterprise funds, cash portion related to this amount is $968.

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Fiduciary Funds
June 30, 2018

(amounts expressed in thousands)	Scholarship Trust Fund	ARBA Trust Fund
Assets		
Cash and cash equivalents held in OCTA pool	$ 5	$ -
Cash and cash equivalents held in OCERS pool	-	222
Investments at fair value:		
Mutual funds	-	16,300
Total Assets	**5**	**16,522**
Net Position		
Held in trust for future scholarships	5	-
Restricted for pension benefits	-	16,522
Total Net Position	**$ 5**	**$ 16,522**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

(amounts expressed in thousands)	**Scholarship Trust Fund**	**ARBA Trust Fund**
Additions		
Contributions:		
Employer contributions	$ -	$ 931
Private donations	15	-
Total contributions	15	931
Investment income:		
Investment income	-	1,179
Less investment expense	-	(24)
Net investment income	-	1,155
Total additions	**15**	**2,086**
Deductions		
Benefits	-	1,205
Scholarships	15	-
Total deductions	**15**	**1,205**
Net increase in net position	**-**	**881**
Net position - beginning	5	15,641
Net position - ending	**$ 5**	**$ 16,522**

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging the following agencies and funds:

Orange County Transportation Commission (OCTC)
Orange County Transit District (OCTD)
Orange County Local Transportation Fund (LTF)
Orange County Unified Transportation Trust (OCUTT)
Transit Development Reserve
Orange County Local Transportation Authority (LTA)
State Transit Assistance Fund (STAF)
Orange County Service Authority for Freeway Emergencies (SAFE)
Orange County Service Authority for Abandoned Vehicles (SAAV)
Orange County Consolidated Transportation Services Agency (CTSA)
Orange County Congestion Management Agency

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility (see note 8).

The OCTA Board of Directors (Board) consists of 18 members. Five members are the Orange County Board of Supervisors, 10 members are city representatives (one per supervisorial district selected by population-weighted voting, and one per supervisorial district selected on a one-city, one-vote method), two public members (neither of whom can be an elected official or have been an elected official during the previous four years), and one is a non-voting ex-officio member appointed by the governor (Caltrans District Director).

The accompanying financial statements present the government and its component units, entities for which OCTA is considered accountable. Blended component units are, in substance, part of the government's operations, even though they are legally separate entities. Thus blended component units are appropriately presented as funds of the primary government.

The Orange County Local Transportation Authority (LTA), a blended component unit of OCTA, was created pursuant to the provisions of the Local Transportation Authority and Improvement Act commencing with Section 180000 of the California Public Utilities Code and pursuant to Ordinance No. 2, adopted by the Board of Directors of the LTA on August 2, 1989. The Board also serves as the Board of Directors for the LTA. Management of OCTA is responsible for the operations of LTA. Separate financial statements for the LTA are prepared and available from the OCTA Finance and Administration Division.

The Orange County Service Authority for Freeway Emergencies (SAFE), a blended component unit of OCTA, was created by Senate Bill 1199 which authorized the County Board of Supervisors, upon approval from a majority of the cities with a majority of the population, to establish SAFE. In 1986, SAFE began the implementation and operation of a freeway system of call boxes to help with motorist emergencies. SAFE is funded by a $1.00 (absolute dollars) fee paid at the time of vehicle registration. The Board also serves as the Board of Directors for SAFE. Management of OCTA is responsible for the operations of SAFE. Separate financial statements are not issued for SAFE.

The Orange County Service Authority for Abandoned Vehicles (SAAV), a blended component unit of OCTA, was created by Senate Bill 4114 which authorized the County Board of Supervisors, upon approval from a majority of the cities with a majority of the population, to establish SAAV. In 1992, SAAV began funding cities' efforts to remove unsightly and potentially dangerous abandoned vehicles. SAAV was funded by a $1.00 (absolute dollars) fee paid at the time of vehicle registration. The Board also serves as the Board of Directors for SAAV. Management of OCTA is responsible for the operations of SAAV. Separate financial statements are not issued for SAAV. In April 2012, the fee authorization for SAAV expired. SAAV will continue to fund abandoned vehicle abatements until all revenue is expended.

The Orange County Transit District (OCTD), a blended component unit of OCTA, was created by an act of the California State Legislature in 1965 and approved by the voters of Orange County in November 1970. OCTD commenced operating a public transportation system in Orange County in August 1972. OCTD is primarily funded by the Local Transportation Fund (LTF), which is derived from a one-quarter cent of the general sales tax collected statewide. The Board also serves as the Board of Directors for OCTD. Management of OCTA is responsible for the operations of OCTD. Separate financial statements are not issued for OCTD.

There are many other governmental agencies, including the County of Orange (County), providing service within the area served by OCTA. These other governmental agencies have independently elected governing boards and are, therefore, not under the direction of OCTA. Financial information for these agencies is not included in the accompanying financial statements.

OCTA is funded primarily by sales taxes, farebox collections, tolls, property taxes, gasoline sales tax and various federal and state grant programs. OCTA oversees most Orange County bus and rail transit and the 91 Express Lanes operations, administers the Measure M program (one-half percent sales tax revenues), coordinates freeway and regional road projects, and serves as the local advocate and facilitator of state and federal transportation funding programs.

Basis of Presentation

OCTA's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements that provide a more detailed level of financial information.

Government-wide Statements: The statement of net position and the statement of activities report information for all of the nonfiduciary activities of OCTA. The effect of interfund activity, except for internal service fund activity provided and used, has been eliminated from these statements. Internal service fund activity predominately serves the OCTD Enterprise Fund and, therefore, the net balances are included in the business-type activities. Indirect costs have been allocated to the functions/programs on the statement of activities in a separate column entitled "Indirect Expense Allocation." Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges and fees for support.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Interest expense related to the sales tax revenue bonds and commercial paper, the capital lease, and the taxable bonds and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and toll road functions, respectively, as it would be misleading to exclude the interest from direct expenses and the borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2018, interest expense of $20,311, $6,778, was included in Measure M and toll road program costs, respectively. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other revenues are not reported as program revenues and instead, are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about OCTA's funds, including its fiduciary funds, though the latter are excluded from the government-wide financial statements. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

OCTA reports the following major governmental funds:

- ***General Fund*** – This fund is the general operating fund of OCTA. It is used to account for the financial resources of the general government as well as the transit operations of OCTA, except for those required to be accounted for in another fund.

  In fiscal year 2014-15, the Commuter and Urban Rail Endowment (CURE) fund, previously reported as a special revenue fund, was consolidated with the General fund as it no longer met the definition of a special revenue fund.

- ***Local Transportation Authority (LTA) Fund*** – This special revenue fund accounts for revenues received and expenditures made and is restricted for the implementation of the Orange County Traffic Improvement and Growth Management Plan (Measure M).

Funding is provided by a one-half percent sales and use tax assessed for twenty years pursuant to Measure M, which became effective April 1, 1991, and more recently was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance, as approved in an election by the voters of Orange County, requires that sales tax revenues only be expended on projects included in the ordinance.

- ***Local Transportation Fund (LTF)*** – This special revenue fund accounts for revenues received and expenditures made and is restricted for use on certain transit projects within Orange County. Funding is generated from a one-quarter percent state sales and use tax pursuant to the California Transportation Development Act (TDA). Expenditures of these monies must be made in accordance with TDA provisions.

- ***LTA Debt Service Fund*** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the LTA.

OCTA reports the following enterprise funds:

- ***Orange County Transit District (OCTD) Fund*** – This fund accounts for the transit operations of OCTA. The primary sources of funding for transit operations are the TDA one-quarter percent sales tax, farebox collections and federal/state grants.

- ***91 Express Lanes Fund*** – This fund accounts for the operations of the 91 Express Lanes. The primary source of funding for the operations is toll revenues and related fees.

- ***I-405 Express Lanes Fund*** – This fund accounts for the construction of the I-405 Express Lanes. The primary source of funding during the construction phase is the TIFIA Loan. After construction, this fund will account for the operations of the I-405 Express Lanes and the primary source of funding for the operations will be toll revenues and related fees.

- ***Orange County Taxicab Administration Program (OCTAP) Fund*** **–** This fund accounts for the taxicab licensing and driver's permit program. The sources of funding for the operations are the permit fees.

Additionally, OCTA reports the following fund types:

- ***Internal Service Funds*** – These funds account for the risk management activities of OCTA, which are managed through a combination of purchased insurance and self-insurance. OCTA's internal services funds are the General Liability fund and the Worker's Compensation fund.

OCTA reports the following fiduciary funds:

- ***Private-Purpose Trust Fund*** – This fund accounts for the resources legally held in trust for providing scholarships and supporting activities for other organizations' special programs.

- ***Additional Retiree Benefit Account (ARBA) Trust Fund*** – This fund accounts for the resources legally held in trust for additional retiree benefits.

Measurement Focus and Basis of Accounting

The government-wide and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tolls are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenues are recognized when customers utilize the toll road facility. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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, OCTA 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; however, principal and interest expenditures on long-term debt and compensated absences of governmental funds are recorded only when payment is due.

Revenues susceptible to accrual are sales and gas taxes collected and held by the state at year-end on behalf of OCTA, intergovernmental revenues, interest revenue, charges for services, and fines and fees. In applying the susceptible to accrual concept to intergovernmental revenues, there are two types of revenues. For one, monies must be expended for the specific purpose or project before any amounts will be paid to OCTA; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of OCTA's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Investments

OCTA maintains cash and investments in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended on June 11, 2018. The Policy complies with, or is more restrictive than, the California Government Code (Code). The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2018, the investment portfolios were held by MUFG Union Bank, N.A. as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily account balances.

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs. Most of OCTA's leveled investments are measured using Level 2 inputs.

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted market prices, except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value. The Orange County Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP. The state managed Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal instrumentality securities, federal agencies, state of California and local agency obligations, banker's acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other mutual funds, mortgage or asset-backed securities, LAIF, OCIP, California Asset Management Program, variable and floating rate securities, derivatives and bank deposits. Investment agreements are also allowed for bond issues.

LAIF is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. Investments in OCIP are limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is conducted by the County Treasury Oversight Committee.

All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code. OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of the Policy. Outside portfolio managers must review, on an ongoing basis, the portfolio they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, certificates of deposit, commercial paper, money market funds, and the proprietary funds' share of OCTA's commingled investment pool represent cash and cash equivalents for cash flow purposes.

Receivables

Receivables include an estimate for outstanding unpaid violations of the 91 Express Lanes that OCTA anticipates to collect. For violations less than 90 days old, the receivable is based on a 12-month average of violations collected during that time and is recorded net of an allowance for uncollectible accounts of $1,119. For those violations in excess of 90 days, the receivable is estimated using a three-year average of violations collected and is recorded net, as the majority is not considered probable of collection. Additionally, the 91 Express Lanes records a receivable for amounts owed from customers, net of an allowance of $394. Approximately $13,202 of the 91 Express Lanes violations and customer receivables are not expected to be collected within one year.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered. There are also numerous transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances, including internal financing balances, are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2017-18 fiscal year, $65,938 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers' compensation. Charges for risk management services are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged $9,970 to OCTA's operating funds.

Inventory

All inventory is valued at cost using the average cost method, which approximates market.

Prepaid Retirement

Orange County Employee Retirement System (OCERS) provides a 4.50% discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2018-19 in order to benefit from this discount. Under the full accrual basis of accounting, the portion of prepaid retirement, which is expected to reduce the OCTA's net pension liability (NPL) at the next measurement date, is recorded as deferred outflows of resources. The remaining amount, which is not expected to be applied to NPL at the next measurement date, is reported as prepaid asset.

Since OCERS records the prepaid retirement as a liability (unearned contributions) and recognizes them over the periods of the related payroll, the prepaid retirement is reported as a prepaid asset in the governmental fund financial statements (modified accrual perspective).

Restricted Cash and Investments

Certain proceeds of OCTA's long-term debt, as well as certain resources set aside for their repayment or capital maintenance, are classified as restricted investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

In addition, OCTA has restricted investments held by the California Community foundation (CCF). The amount invested in the CCF investment pool is a restricted asset as approved for funding by the OCTA Board of Directors in October of 2014. The CCF is headquartered in Los Angeles, California. CCF is a community foundation and holds a 501 (c) 3 status, which meets California State Government Code requirements for community foundations. Legislation providing for OCTA to use a qualified organization to hold and manage the endowment is provided in Government Code §§65965-65968. An investment committee of 14 members has full discretion over investment decisions. The Endowment Pool is a diversified pool invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps the pace with inflation over time. The target asset allocation is approximately 50% equities, 14% alternative investments, 14% real assets and 22% fixed income.

The purpose of the agreement between CCF and OCTA is to provide for the establishment of a fund within the CCF to receive and hold M2 Environmental Mitigation Program contributions made by OCTA during the endowment funding period for use in establishing the permanent endowment pursuant to the conservation plan. OCTA is the beneficiary of the fund and, therefore, has reported a restricted asset in the financial statements.

The CCF shall hold, administer, invest, and reinvest the fund in accordance with the CCF's proposal and the objectives set forth in the Scope of Work of the Request for Proposal, each of which is incorporated into the agreement by reference, and in compliance with all applicable state and federal laws, including, but not limited to, Sections 65965, 65966, 69667, and 65968 of the California Government Code and the Uniform Prudent Management of Institutional Funds Act, California Probate Code Section 18501 et seq. The agreement shall remain in place in full force and effect through December 31, 2019.

Assets Held for Resale

OCTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCTA (see Capital Assets below). These assets are reported as assets held for resale in the governmental activities column in the government-wide financial statements except in cases in which OCTA has entered into a sales contract prior to the issuance of the financial statements. In these cases, the assets held for resale are reported in the governmental funds financial statements. Proceeds received will be reimbursed to the fund in which the initial expenditure was recorded.

Capital Assets

Capital assets include land, construction in progress, buildings and improvements, machinery, equipment and furniture, transit vehicles, and transponders and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by OCTA as assets with an initial, individual cost of more than $5 and a useful life exceeding one year. OCTA also capitalizes transponder purchases, as they are considered a significant class of assets even though individually their cost is less than $5. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the acquisition date.

Freeway construction and certain purchases of right-of-way property, for which title vests with Caltrans, are included in capital outlay. Infrastructure consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where OCTA does not intend to maintain or operate the property when complete.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Buildings, machinery, equipment and furniture, vehicles, and transponders are depreciated using the straight line method over the following estimated useful lives:

Asset Type	Useful Life
Buildings and improvements	10-30 years
Machinery, equipment and furniture	3-10 years
Transit vehicles	3-14 years
Transponders	5-7 years

Intangible Asset – Toll Facility Franchise

OCTA purchased the interest in the franchise agreement for the toll facility from CPTC. The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2065.

Compensated Absences

Vacation hours accumulated and not taken are accrued at fiscal year-end, and a liability is reported in the government-wide and proprietary fund financial statements.

Sick leave is recorded as an expenditure or expense when taken by the employee. Annually, all administrative, maintenance, and Transportation Communication International Union employees may elect to be paid for sick leave accumulated in excess of 120 hours. Coach operators, on the other hand, may elect to be paid for sick leave accumulated in excess of 80 hours twice a year.

Upon termination, an employee with over 10 years of service is paid any earned but unused sick leave up to a ceiling determined by the employee's applicable union agreement or the personnel and salary resolution. Sick leave is accrued at year-end using the vesting method, and a liability is reported in the government-wide and proprietary fund financial statements.

A liability for vacation and sick leave is reported in the governmental funds as a result of employee terminations.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes include a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. OCTA has three items that qualify for reporting in this category, which are reported in the government-wide statement of net position. The first item is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The second item is the deferred outflow related to pensions, which represents OCTA's pension contributions made subsequent to the measurement date, change of assumptions, difference between expected and actual experience, and the net difference between projected and actual earnings on plan investments. The third item is the deferred outflow related to other postemployment benefits (OPEB), which represents the change of assumptions and difference between expected and actual experience.

In addition to liabilities, the financial statements will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. On the modified accrual basis of accounting, OCTA has one type of deferred inflow, unavailable revenue. The governmental funds report unavailable revenues from multiple sources for grant reimbursements, a note receivable with the City of Anaheim for ARTIC, a note receivable with the City of Buena Park and interest earned on advances to other funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, OCTA has a deferred inflow of resources reported in the government-wide statement of net position. This item is the deferred inflows related to pensions, which represents the change of assumptions, difference between expected and actual experience, and the net difference between projected and actual earnings on plan investments. Refer to note 11 for information related to amortization of the deferred outflows/inflows of resources related to pensions and note 12 for the amortization of the deferred outflows related to OPEB.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the OCTA's Orange County Employees Retirement System (OCERS) pension plan and the Additional Retiree Benefit Account (ARBA) supplemental pension plan through OCERS, and additions to/deductions from both plans' fiduciary net position have been determined on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

OPEB expense, deferred outflows of resources related to OPEB, and an implied subsidy payment were used to measure the total OPEB liability. OCTA does not provide any cash subsidy towards the benefit, and there are no assets accumulated in a trust for the plan.

Long-Term Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Risk Management

OCTA accounts for its risk management activities in internal service funds. Separate internal service funds are used for general liability and workers' compensation. Charges by internal service funds to the general fund, certain special revenue funds, OCTD and OCTAP enterprise funds are based on historical cost information and are adjusted over time, so that internal service fund revenues and expenses are approximately equal. Expenses for the actual or estimated loss from claims are recorded when it is probable that a loss will be incurred and the amount can reasonably be determined. OCTA's risk management activities are a combination of purchased insurance coverage and self-insured risk retention. OCTA's real and personal property, including revenue and non-revenue vehicles, are covered under a commercial property insurance policy. The 91 Express Lanes enterprise fund has purchased commercial property insurance, including business interruption, earthquake and flood coverage related to the toll facility.

Property Taxes

Property taxes are allocated to OCTA from the County based upon a percentage of real property taxes levied by the County. Following is the property tax calendar:

Lien Date	January 1
Levy Date	4th Monday in September
Due Dates	November 1 and February 1
Collection Dates	December 10 and April 10

Contributions to Other Agencies

Contributions to other agencies primarily represent sales tax revenues received by LTA and disbursed to cities for competitive projects, the local fair share, the senior mobility program, and to other outside agencies for projects which are in accordance with the Measure M ordinance. Additionally, contributions are made to Southern California Regional Rail Authority (SCRRA) from the Commuter and Urban Rail Endowment (CURE) fund.

Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and is classified into three categories.

- ***Net investment in capital assets*** – This balance reflects the net position of OCTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.

- ***Restricted Net Position*** – This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net position reports $536,272 of net position restricted by enabling legislation for transportation programs and motorist services.

- ***Unrestricted Net Position*** – This balance represents net position that is available for general use.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which OCTA is bound to honor constraints on the specific purposes for which amounts can be spent.

The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable*** – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

- ***Restricted*** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

- ***Committed*** – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board, as the highest level of decision making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Board removes or modifies the use through the adoption of a subsequent resolution.

- ***Assigned*** – amounts that are constrained by OCTA's intent to be used for specific purposes and that do not meet the criteria to be classified as restricted or committed. This classification also includes residual amounts in governmental funds, other than the general fund. The Board establishes and modifies assignments of fund balance through the adoption of the budget and subsequent budget amendments. The Board retains the authority to assign fund balance.

- ***Unassigned*** – this classification includes the residual fund balance for the General Fund. It also includes the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is OCTA's policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, OCTA's Board approved policy is to use committed amounts first, followed by assigned and then unassigned.

Use of Estimates

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds." The details of this $211,433 difference are as follows:

Capital assets	$ 224,570
Less accumulated depreciation	(13,137)
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	**$ 211,433**

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds." The details of this $(322,194) difference are as follows:

Bonds payable	$ (310,235)
Plus unamortized bond issuance premium (to be amortized to interest expense)	(1,205)
Administrative headquarters' rent holiday	(4,842)
Compensated absences	(5,912)
Net adjustment to decrease fund balance – total governmental funds to arrive at net position – governmental activities	**$ (322,194)**

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position - governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this $8,846 difference are as follows:

Capital outlay	$ 10,119
Depreciation expense	(1,273)
Net adjustment to increase net change in fund balance – total governmental funds to arrive at change in net position – governmental activities	**$ 8,846**

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $8,522 difference are as follows:

Principal repayments	$ 7,775
Change in accrued interest	145
Amortization of premium	602
Net adjustment to increase net change in fund balance – total governmental funds to arrive at change in net position – governmental activities	**$ 8,522**

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2018:

Deposits:	
Deposits	$ 32,015
Petty Cash	6
Total cash	**32,021**
Investments:	
With Orange County Treasurer	12,451
With LAIF	10,356
With Trustee	84,713
With Custodian	1,370,921
With CA Community Foundation	6,242
Total investments	**1,484,683**
Total Cash and Investments	**$ 1,516,704**

Total cash and investments are reported in the following funds:

Unrestricted Cash and Investments:	
Governmental Funds	$ 874,347
Proprietary Funds:	
Enterprise	554,688
Internal Service	40,579
Fiduciary Funds	16,527
Restricted Cash and Investments:	
Governmental Funds:	
LTA	6,242
Proprietary Funds:	
Enterprise	24,321
Total Cash and Investments	**$ 1,516,704**

Restricted investments at June 30, 2018, represent reserves for debt service, capital and operations. As of June 30, 2018, OCTA had the following investments along with weighted average maturity (WAM) information:

Investment	Fair Value	Principal	Interest Rate Range (Rounded)	Maturity Range	WAM (Years)
Orange County Investment Pool	$ 12,451	$ 12,515	0.87% - 1.24%	1 day-5 years	0.879
Local Agency Investment Fund	10,356	10,374	0.10% - 1.85%	193-194 days	0.528
U. S. Treasuries	560,950	568,345	Discount, 0.13% - 2.63%	8/31/18–3/31/23	1.959
U. S. Agency Notes	169,477	171,010	Discount, 0.88% - 2.90%	07/20/18-01/05/22	1.828
Medium Term Notes	323,499	327,658	Discount, 1.10% - 8.75%	08/01/18-01/23/23	1.950
Mortgage & Asset Backed Securities	158,248	159,627	1.06% - 5.11%	11/25/18-03/25/23	2.625
Money Market Funds *	63,400	63,400	0.00% - 1.82%	07/01/18	0.003
Variable Rate Notes	58,756	58,626	Discount, 0.77% - 6.36%	07/13/18-10/31/22	2.301
California & Local Agencies	33,178	33,649	1.13% - 7.75%	11/01/18-12/01/21	1.813
Commercial Paper *	58,142	58,142	0.00% - 1.77%	07/01/18-10/24/18	0.135
Negotiable CD	29,984	29,984	1.70% - 2.56%	08/23/18-03/04/19	0.490
CA Community Foundation Investment Fund	6,242	6,242	N/A	N/A	N/A
Total Investments	**$ 1,484,683**	**$ 1,499,572**			
Portfolio Weighted					**1.820**

* Money market funds and commercial paper are measured at amortized cost which approximates fair value.

OCTA holds investments that are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are significant unobservable inputs.

As of June 30, 2018, most of OCTA's investments, categorized within the fair value hierarchy, are classified as Level 2. These investments are valued using the market valuation approach based on quoted prices for similar assets with exception of the investment in the CA Community Foundation Investment Fund which is valued by the CA Community Foundation using significant unobservable inputs and, therefore, classified as Level 3.

	Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
Investments by Major Type				
U.S. Treasuries	$ 560,950	$ -	$ 560,950	$ -
U.S. Agency Notes	169,477	-	169,477	-
Medium Term Notes	323,499	-	323,499	-
Mortgage & Asset Backed Securities	158,248	-	158,248	-
Variable Rate Notes	58,756	-	58,756	-
State & Local Agencies	33,178	-	33,178	-
CA Community Foundation Investment Fund	6,242	-	-	6,242
Total Leveled Investments	**$ 1,310,350**	**$ -**	**$ 1,304,108**	**$ 6,242**
Money Market Funds	63,400			
Orange County Investment Pool	12,451			
Local Agency Investment Fund	10,356			
Commercial Paper	58,142			
Negotiable Certificate of Deposit	29,984			
Total Investments Measured at Fair Value	**$ 1,484,683**			

Interest Rate Risk

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of two years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore, less sensitive to interest rate changes. In accordance with the Policy, amounts restricted for debt service reserves are invested in accordance with the maturity provision of their specific indenture, which may extend beyond five years.

As of June 30, 2018, mortgage and asset-backed securities totaled $158,248. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA/Aaa by at least two of the three nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2018, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	$ 2,005	LIBOR + 43 basis points	Quarterly
American Express	1,178	LIBOR + 52.5 basis points	Quarterly
Avalon Bay Communities	1,175	LIBOR + 43 basis points	Quarterly
Bank of America	1,075	T2 5/8 5/15/21 + 80 bp	Monthly
Bank of New York	608	LIBOR + 87 basis points	Quarterly
Chevron Corp.	3,098	LIBOR + 41 basis points	Quarterly
Federal Farm Credit Banks	3,262	LIBOR + 0 basis points	Monthly
Federal Farm Credit Banks	851	LIBOR + 1 basis points	Monthly
Federal Farm Credit Banks	3,611	LIBOR + 8 basis points	Monthly
Federal Farm Credit Banks	1,470	LIBOR + 7 basis points	Monthly
Federal Home Loan Banks	4,454	LIBOR - 16 basis points	Quarterly
Federal Home Loan Mortgage	3,000	LIBOR + 20 basis points	Monthly
General Dynamics	818	LIBOR + 38 basis points	Quarterly
Goldman Sachs	1,575	LIBOR + 78 basis points	Quarterly
HSBC USA	821	LIBOR + 88 basis points	Quarterly
HSBC USA	1,366	LIBOR + 61 basis points	Quarterly
Huntington National Bank	1,563	LIBOR + 51 basis points	Quarterly
International Business Machines	170	LIBOR + 37 basis points	Quarterly
Jackson National Life	3,069	LIBOR + 48 basis points	Quarterly
JP Morgan Chase	1,392	LIBOR + 68 basis points	Quarterly
JP Morgan Chase	1,507	T2 1/31/20 + 48 bp	Monthly
JP Morgan Chase	771	T2 5/8 5/15/21 + 85 bp	Monthly
Key Bank	1,568	LIBOR + 81 basis points	Quarterly
Merck & Co	1,387	LIBOR + 37.5 basis points	Quarterly
Morgan Stanley	1,349	LIBOR + 114 basis points	Quarterly
Morgan Stanley	2,508	LIBOR + 80 basis points	Quarterly
Morgan Stanley	1,250	LIBOR + 93 basis points	Quarterly
Paccar Financial	1,400	LIBOR + 26 basis points	Quarterly
PNC Bank	2,048	LIBOR + 25 basis points	Quarterly
Suntrust Bank	1,521	T2 1/31/20 + 48 bp	Monthly
Toyota Motor Credit	2.949	LIBOR + 46 basis points	Quarterly
UBS AG Stamford	595	LIBOR + 85 basis points	Quarterly
US Bank	1,700	LIBOR + 32 basis points	Quarterly
Wells Fargo & Co.	1,642	LIBOR + 93 basis points	Quarterly
Total Variable Rate Notes	**$ 58,756**		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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 Policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2018, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three NRSROs: Standard & Poor's (S&P), Moody's Investor Service (Moody's), and Fitch Rating's (Fitch).

For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services. LAIF is not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2018. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S&P	Moody's	Fitch	% of Portfolio
CA Community Foundation Fund	NR	NR	NR	0.42%
Orange County Investment Pool	NR	NR	NR	0.84%
Local Agency Investment Fund	NR	NR	NR	0.70%
U.S. Treasuries	US	US	US	37.77%
U.S. Agency Notes	AA	Aaa	AAA	11.42%
Medium Term Notes				
Corporate Notes	AAA	Aaa	AAA	0.01%
Corporate Notes	AAA	Aaa	AA	0.51%
Corporate Notes	AA	Aaa	AAA	0.09%
Corporate Notes	AA	Aa	AA	0.32%
Corporate Notes	AA	Aa	A	0.31%
Corporate Notes	AA	Aa	NR	1.09%
Corporate Notes	AA	A	AA	0.47%
Corporate Notes	AA	A	A	0.48%
Corporate Notes	AA	A	NR	0.34%
Corporate Notes	A	Aa	AA	0.30%
Corporate Notes	A	Aa	A	0.28%
Corporate Notes	A	Aa	NR	0.04%
Corporate Notes	A	A	AA	1.20%
Corporate Notes	A	A	A	10.94%
Corporate Notes	A	A	BBB	0.27%
Corporate Notes	A	A	NR	3.45%

Investments	S&P	Moody's	Fitch	% of Portfolio
Corporate Notes	A	Baa	A	0.08%
Corporate Notes	A	NR	A	0.05%
Corporate Notes	BBB	A	A	1.56%
Mortgage and Asset-Backed Securities				
Securities	AAA	Aaa	AAA	0.33%
Securities	AAA	Aaa	NR	3.09%
Securities	AAA	NR	AAA	2.27%
Securities	AA	Aaa	AAA	2.68%
Securities	NR	Aaa	AAA	2.29%
Variable Rate Notes				
Notes	AA	Aaa	AAA	1.13%
Notes	AA	Aa	A	0.20%
Notes	AA	Aa	NR	0.21%
Notes	AA	A	AA	0.32%
Notes	AA	A	A	0.09%
Notes	A	Aa	AA	0.14%
Notes	A	A	AA	0.33%
Notes	A	A	A	0.68%
Notes	A	A	NR	0.23%
Notes	A	Baa	A	0.10%
Notes	BBB	A	A	0.53%
Money Market Funds	AAA	Aaa	AAA	4.27%
State of CA & Local Agencies				
Various Agencies	AA	Aa	AA	0.82%
LA County Redevelopment	AA	Aa	NR	0.11%
California HSG Fin Agency	AA	A	NR	0.18%
Various Agencies	AA	NR	AA	0.53%
LA Calif Municipal	AA	NR	A	0.29%
CA Public Works	A	A	A	0.15%
San Diego Redevelopment	A	NR	NR	0.15%
Commercial Paper				
Various Commercial Paper	A-1	P-1	F1	0.87%
Various Commercial Paper	A-1	P-1	NR	2.11%
US Bank	A-1	P-1	F1	0.74%
PEPSICO	A-2	P-1	NR	0.20%
Certificate of Deposit				
Various CD's	A-1	P-1	F1	0.67%
Various CD's	A-1	P-1	NR	1.35%
Total				**100%**

Concentration of Credit Risk

At June 30, 2018, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines for All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements, and OCTA's Debt

- 5% of any one corporation, bank, local agency, special purpose vehicle or other corporate name for one of more series of securities.

Issuer/Counter-Party Diversification Guidelines for Federal Agencies, Federal Instrumentalities and Repurchase Agreements

- 35% of any one Federal Agency or Federal Instrumentalities.
- 50% of any one repurchase agreement counter-party name if maturity/term is ≤ 7 days.
- 35% of any one repurchase agreement counter-party name if maturity/term is > 7 days.

Issuer/Counter-Party Diversification Guidelines for OCTA's Debt

- OCTA can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

The following is a summary of the concentration of credit risk by issuer as a percentage of the OCTA's investment portfolio at June 30, 2018:

Issuer	Amount	% of OCTA's Portfolio
Federal Home Loan Mortgage Corporation	$ 84,442	5.69%

The following is a summary of the concentration of credit risk by issuer as a percentage of the 91 Express Lanes Fund's investment portfolio at June 30, 2018:

Issuer	Amount	% of 91 Express Lanes Portfolio
US Bank (Commercial Paper)	$ 11,033	6.31%
PEPSICO (Commercial Paper)	$ 12,972	7.42%

Investment in State Investment Pool

OCTA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code. The Investment Advisory Board provides oversight for LAIF, consisting of five members as designated by statute, which includes the Treasurer of the State of California. The fair value of OCTA's investment in this pool is reported in the accompanying financial statements at amounts based upon OCTA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Deposits and withdrawals are made on the basis of $1.00 (absolute dollars) and not fair value.

Investment in Orange County Investment Pool

The TDA guidelines require the California Department of Tax and Fee Administration (CDTFA) to deposit State Transit Assistance and Local Transportation funds with the OCIP until claimed by OCTA. OCIP is monitored by the Treasury Oversight Committee (TOC) established by the County of Orange Board of Supervisors on December 19, 1995 by Resolution No. 95-946. The TOC reviews and monitors the annual investment policy prepared by the Treasurer in accordance with Government Code §27133. The fair value of OCTA's investment in this pool is reported in the accompanying financial statements at amounts based upon OCTA's pro-rata share of the fair value provided by OCIP for the entire OCIP portfolio (in relation to the amortized cost of that portfolio). Deposits and withdrawals are made on the basis of $1.00 (absolute dollars) and not fair value.

Investment in CA Community Foundation Investment Pool

The fair value of OCTA's investment in this pool is reported in the accompanying financial statements at amounts based upon OCTA's pro-rata share of the fair value provided by CCF for the entire CCF portfolio (in relation to the amortized cost of that portfolio).

4. GRANTS AND STATE ASSISTANCE

Operating Assistance Grants

Under provisions of the Federal Transit Administration (FTA), funds are available to OCTA for Americans with Disabilities Act (ADA) paratransit operating assistance, preventive maintenance, capital cost of contracting, demonstration projects, transportation planning, and related services. The appropriations for fiscal year 2017-18 total $58,926. A receivable of $85,438 is outstanding as of June 30, 2018.

Capital Grants

Under the provisions of FTA, appropriations are available for the development and capital investments for a public transportation system including the acquisition and construction of facilities, transit vehicles and related support equipment. The appropriations for fiscal year 2017-18 related to capital investments total $5,043. A receivable of $27,645 is outstanding as of June 30, 2018.

Local Transportation Fund

In fiscal year 2017-18, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, monies are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In fiscal year 2017-18, OCTA and OCTD became entitled to $3,814 and $157,056 in LTF monies, respectively. This revenue was recorded as a transfer from LTF. The remaining revenues received by LTF were contributed to other agencies for use in transit projects.

State Transit Assistance Program

State Transit Assistance (STA) revenue is generated by the state sales tax on diesel fuel as specified under the gas tax swap enacted in March 2010. The Road Repair and Accountability Act of 2017, signed into law April 2017, provided additional funding to existing programs as well as created new programs. STA revenues are then distributed based on several demographic factors. OCTA received $27,140 and $5,673 in sales tax and transportation improvement fees respectively, in fiscal year 2017-18.

Proposition 1B

As part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by California voters as Proposition 1B (Prop 1B) on November 7, 2006, OCTA was awarded funding from the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and the Transit System Safety, Security and Disaster Response Account (TSSSDRA). During fiscal year 2017-18, OCTA received $2,816 in TSSSDRA funding. As of June 30, 2018, OCTA has unspent Prop 1B proceeds and interest of $4,932 and $9,017 in PTMISEA and TSSSDRA funds, respectively.

5. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2018 in the fund financial statements are as follows:

	Governmental Funds					Enterprise Funds			
Receivables:	**General**	**LTA**	**LTF**	**LTA Debt**	**Nonmajor Funds**	**OCTD**	**91 EL**	**Nonmajor Funds**	**Total**
Sales taxes	$ -	$ 62,416	$ 31,938	$ -	$ 10,445	$ -	$ -	$ -	$ 104,799
Projects	1,775	42,509	-	2,352	-	-	364	-	47,000
Other	591	-	-	-	505	7,083	-	9	8,188
Total	**$ 2,366**	**$104,925**	**$ 31,938**	**$ 2,352**	**$10,950**	**$ 7,083**	**$ 364**	**$ 9**	**$159,987**

Amounts due to other governments as of June 30, 2018 are as follows:

	Governmental Funds				Enterprise Funds		
Payables:	**General**	**LTA**	**LTF**	**Nonmajor Funds**	**OCTD**	**I-405 EL**	**Total**
Projects	$275	$15,421	$ -	$ 566	$263	$2,278	$18,803
Use taxes	1	-	-	-	2	-	3
Other	6	1,105	641	89	883	-	2,724
Total	**$282**	**$16,526**	**$ 641**	**$ 655**	**$1,148**	**$2,278**	**$21,530**

6. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2018 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	LTA Fund	$ 583	ARTIC Station
General Fund	LTF Fund	965	LTF Planning cost
Nonmajor Governmental Funds	LTA Fund	397	OC Streetcar project & Local Fair Share withheld for loan program
Nonmajor Governmental Funds	General Fund	9	SR-73 Connector project
OCTD Fund	Nonmajor Governmental Funds	8,569	OCTD capital and operating cost
OCTD Fund	LTF Fund	11,244	OCTD & CTSA operations
OCTD Fund	LTA Fund	373	Mission Viejo Transit & Irvine Shuttle operations
LTA Fund	91 Express Lanes Fund	209	SR-91 Improvement project
Total		**$ 22,349**	

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
Nonmajor Governmental Funds	LTA Fund	1,964	M2 Expenditures
Total		**$ 1,964**	

Beginning with fiscal year 2006-07, OCUTT advanced monies to LTA to cover expenditures such as election costs, administrative costs, and accrued interest. The advance does not have a defined maturity schedule. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (1.52% for fiscal year 2017-18). LTA began repaying OCUTT when Measure M funds were collected.

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
General Fund	OCTD Enterprise Fund	$ 29	Irvine Shuttle
General Fund	Nonmajor Governmental Funds	22	SR-73 Connector project
General Fund	LTA Fund	85	Placentia Station & Regional Capacity Program
LTA Fund	LTA Debt Service Fund	31,659	Debt service
LTA Fund	Nonmajor Governmental Funds	3,497	OC Streetcar project
LTA Fund	I-405 Express Lanes	22	Capital Asset Purchase
LTA Fund	General Fund	2	Placentia Rail Station
LTA Fund	OCTD Enterprise Fund	10,759	Fare Stabilization and Irvine Shuttle
Local Transportation Fund	General Fund	3,814	OCTA planning & Administration
Local Transportation Fund	OCTD Enterprise Fund	157,056	OCTD and CTSA operations
Nonmajor Governmental Funds	OCTD Enterprise Fund	30,937	OCTD capital & operating cost
91 Express Lanes	LTA Fund	1,134	SR-91 Improvement project
OCTD Enterprise Funds	LTA Fund	3,076	Proceeds from sale of Federal Assets
OCTD Enterprise Funds	General Fund	2,859	Anaheim Transit Network
Total		**$ 244,951**	

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 172,236	$ 2	$ -	$ -	$ 172,238
Construction in progress	25,915	9,161	-	10	35,086
Total capital assets, not being depreciated	198,151	9,163	-	10	207,324
Capital assets, being depreciated:					
Building and improvements	3,877	-	-	-	3,877
Machinery, equipment and furniture	13,269	950	(818)	(32)	13,369
Total capital assets, being depreciated	17,146	950	(818)	(32)	17,246

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Less accumulated depreciation for:					
Buildings and improvements	(2,716)	(169)	-	-	(2,885)
Machinery, equipment and furniture	(9,994)	(1,104)	846	-	(10,252)
Total accumulated depreciation	(12,710)	(1,273)	846	-	(13,137)
Total capital assets, being depreciated, net	4,436	(323)	28	(32)	4,109
Governmental activities capital assets, net	**$ 202,587**	**$ 8,840**	**$ 28**	**$ (22)**	**$ 211,433**
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 52,402	$ -	$ -	$ -	$ 52,402
Construction in progress	44,520	59,685	-	(9,244)	94,961
Total capital assets, not being depreciated	96,922	59,685	-	(9,244)	147,363
Capital assets, being depreciated:					
Building and improvements	150,161	1,242	(6)	1,781	153,178
Transit vehicles	372,728	14,359	(29,475)	4,462	362,074
Machinery, equipment and furniture	89,524	3,818	(478)	3,023	95,887
Total capital assets, being depreciated	612,413	19,419	(29,959)	9,266	611,139
Less accumulated depreciation for:					
Buildings and improvements	(82,540)	(4,822)	-	-	(87,362)
Transit vehicles	(201,004)	(30,184)	29,466	-	(201,722)
Machinery, equipment and furniture	(63,468)	(4,939)	478	-	(67,929)
Total accumulated depreciation	(347,012)	(39,945)	29,944	-	(357,013)
Total capital assets, being depreciated, net	265,401	(20,526)	(15)	9,266	254,126
Business-type activities capital assets, net	**$ 362,323**	**$ 39,159**	**$ (15)**	**$ 22**	**$ 401,489**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General Government	$ 1,151
Motorist services	122
Total depreciation expense – governmental activities	**$ 1,273**
Business-type activities:	
Fixed route	$ 34,805
Paratransit	4,254
Toll road	886
Total depreciation expense – business-type activities	**$ 39,945**

8. SERVICE CONCESSION ARRANGEMENTS – TOLL FACILITY FRANCHISE

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility on a 10 mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR-55. The purchase was enabled by State Assembly Bill (AB) 1010 (Correa), passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs until 2030, and eliminated noncompete provisions in the franchise agreement for needed improvements on SR-91. The franchise agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

In September 2008, the Governor of California approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorized OCTA to assign its franchise rights, interests and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange County line to Interstate 15. In addition, the bill authorized the terms of the franchise to expire no later than December 31, 2065. SB 1316 also required OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

In December 2011, the Board approved the assignment of OCTA's franchise rights, interests and obligations in the Riverside County portion of the SR-91 franchise to RCTC. The Board also approved the extension of the expiration date to 2065 and a cooperative agreement between OCTA and RCTC that details the joint operation for the 91 Express Lanes extension.

Intangible asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Toll facility franchise	$ 205,264	$ -	$ -	$ 205,264
Less accumulated amortization	(79,810)	(2,586)	-	(82,396)
Total toll facility franchise, net	$ 125,454	$ (2,586)	$ -	$ 122,868

9. RISK MANAGEMENT – CLAIMS LIABILITY

OCTA is self-insured for workers' compensation and general liability claims, and also purchases excess workers' compensation and general liability insurance. Workers' compensation claims are self-insured up to a maximum amount of $750 per claim and have statutory coverage through a commercial insurer. General liability claims are self-insured up to a maximum amount of $4,000 and have additional coverage of $60,000 per occurrence through three commercial insurers. No losses have exceeded insurance coverage in the past three fiscal years. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. General liability and workers' compensation reserves are actuarially determined. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Management is of the opinion that the recorded liabilities for OCTA's self-insured claims are adequate.

OCTA's liability for claims where it has retained the risk of loss, as recorded in the appropriate internal service funds, is as follows:

	2018	2017
General Liability		
Unpaid claims as of July 1	**$ 3,679**	**$ 6,864**
Incurred claims (including claims incurred but not reported as of 6/30)	145	145
Payments	(1,549)	(1,731)
Increase/(decrease) in provision for prior years' events	1,423	(1,599)
Unpaid claims at June 30	**3,698**	**3,679**
Workers' Compensation		
Unpaid claims as of July 1	**13,218**	**12,803**
Incurred claims (including claims incurred but not reported as of 6/30)	2,388	1,644
Payments	(4,350)	(4,418)
Increase in provision for prior years' events	2,968	3,189
Unpaid claims at June 30	**14,224**	**13,218**
Total unpaid claims at June 30	**17,922**	**16,897**
Less current portion of unpaid claims	**3,374**	**3,093**
Total long-term portion of unpaid claims	**$ 14,548**	**$ 13,804**

10. LONG-TERM DEBT

Sales Tax Revenue Bonds

On December 9, 2010, LTA issued $293,540 in M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and $59,030 in 2010 Series B (Tax-Exempt Bonds), to finance and refinance the costs of certain transportation projects located in Orange County, to restructure the Tax Exempt Commercial Paper (TECP) Program, and to fund capitalized interest and costs of issuance related to the 2010 Series Bonds. A reserve fund is not required in connection with the 2010 Series Bonds per the bond indenture. The transaction closed on December 23, 2010. A total of $75,000 was used to refund outstanding TECP.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)
Issuance date	12/9/10	12/9/10
Original issue amount	$ 293,540	$ 59,030
Original issue premium	-	6,023
Net Bond Proceeds	**$ 293,540**	**$ 65,053**
Issuance costs	$ 1,905	$ 274
Interest rates	5.56%-6.91%	3.00%-5.00%
Maturity range	2021-2041	2014-2020
Final maturity	2041	2020
Bonds outstanding	$ 293,540	$ 16,695
Plus unamortized premium	-	1,205
Total	**$ 293,540**	**$ 17,900**

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest
2019	$ 8,165	$ 20,629
2020	8,530	20,263
2021	8,915	19,879
2022	9,235	19,384
2023	9,585	18,848
2024-2028	54,245	84,513
2029-2033	67,475	64,160
2034-2038	84,045	38,665
2039-2041	60,040	8,417
Total	**$ 310,235**	**$ 294,758**

Toll Road Revenue Refunding Bonds

On July 30, 2013, OCTA issued $124,415 in Senior Lien Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003 B-1 and Series 2003 B-2. OCTA refunded the outstanding Series 2003-A Bonds to reduce its total debt service payments over the life of the bonds and refunded the Series 2003 B-1 and Series 2003 B-2 Bonds to address the mandatory tender date of August 15, 2013 for the existing private placement with the OCIP. The Series 2013 Bonds were issued as fixed rate bonds. The transaction closed on August 8, 2013.

A summary of the terms of the Toll Road Revenue Refunding Bonds is as follows:

Issuance date	7/30/13
Closing date	8/8/13
Original issue amount	$124,415
Cash reserve requirements	$23,361*
Cash reserve balance	$24,321
Interest rate range	2% - 5%
Maturity	December 2030
Principal payment date	August 15
Current balance	$103,605
Unamortized premium	$8,022
Deferred amount on refunding	$(8,342)

*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the following three reserve funds are required to be maintained: Senior Lien Reserve Fund $10,361, Major Maintenance Reserve Fund $10,000, and Operating Reserve Fund $3,000. At June 30, 2018, all reserve requirements have been satisfied.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2018, are as follows:

Year Ending June 30,	**Principal**	**Interest**
2019	$ 5,810	$ 4,986
2020	6,110	4,688
2121	6,420	4,375
2122	6,750	4,046
2123	7,095	3,700
2024-2028	41,335	12,652
2029-2031	30,085	2,304
Total	**$ 103,605**	**$ 36,751**

TIFIA Loan Agreement

On July 26, 2017, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a TIFIA loan of up to $628,930 for eligible project costs for the I-405 Improvement Project. The Bureau required OCTA to secure a $900,000 line of credit secured by future M2 debt issuances to be committed at the time of closing on the TIFIA loan. The OCTA Board of Directors selected Bank of America N.A. (BANA) to provide a $900,000 line of credit to meet the Bureau's requirement. The line of credit was set up as two separate Credit and Fee Agreements, one with a 2019 maturity and the other with a 2021 maturity. The cost for the BANA Line is 26 basis points per year for the 2019 maturity and 36 basis points per year for the 2021 maturity. The two Credit and Fee Agreements were also executed on July 26, 2017. There were no amounts drawn on the line of credit as of June 30, 2018.

The payment obligations owed to BANA under the Credit and Fee Agreements is payable and secured by a pledge of, lien on, and security interest in the M2 sales tax revenues, including earnings on such amounts, subject only to the provisions of the Master Indenture. The pledge, lien, and security interest shall be junior and subordinate only to the pledge of M2 sales tax revenues in favor of the Senior Lien Debt pursuant to the express terms of the Master Indenture.

During construction and for a period of up to five years following the substantial completion, interest is capitalized and added to the initial TIFIA loan. The loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent that additional funds are available. TIFIA debt service payments are expected to commence on December 1, 2027, which is approximately five years after expected substantial completion of the I-405 Improvement Project, through December 1, 2057. The interest rate of the TIFIA loan is 2.91%. As of June 30, 2018, $165,000 was drawn on the TIFIA loan. The amount outstanding under the TIFIA loan at June 30, 2018 is $165,988.

The TIFIA loan is secured solely by toll revenues of the I-405 Express Lanes, which is estimated to open in 2023. The loan is non-recourse debt and is issued on a senior lien basis. The credit rating on the TIFIA loan is Baa2 (Moody's).

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Sales tax revenue bonds	$ 318,010	$ -	$ (7,775)	$ 310,235	$ 8,165
Unamortized premium	1,807	-	(602)	1,205	-
Compensated absences	5,707	5,734	(5,523)	5,918	6
Rent holiday	4,611	231	-	4,842	-
Net pension liability	66,800	10,406	(17,530)	59,676	-
Total OPEB liability	92	916	(136)	872	-
Total governmental activities long-term liabilities	**$ 397,027**	**$ 17,287**	**$ (31,566)**	**$ 382,748**	**$ 8,171**
Business-type activities:					
Tax-exempt bonds	$ 109,130	$ -	$ (5,525)	$ 103,605	$ 5,810
Unamortized premium	8,666	-	(644)	8,022	-
TIFIA loan	-	165,988	-	165,988	-
Claims payable	16,897	6,924	(5,899)	17,922	3,374
Compensated absences	7,700	9,327	(9,312)	7,715	6,770
Net pension liability	165,884	19,478	(32,199)	153,163	-
Total OPEB liability	54	588	(82)	560	-
Total business-type activities long-term liabilities	**$ 308,331**	**$ 202,305**	**$ (53,661)**	**$ 456,975**	**$ 15,954**

Compensated absences, net pension liability and other postemployment benefits will be paid from the general fund for governmental activities and from the OCTD and OCTAP enterprise funds for business-type activities.

Arbitrage Rebate

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Failure to follow the arbitrage regulations could result in the interest paid to bondholders being retroactively rendered taxable.

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, no excess earnings were calculated, therefore, no payments were made.

Pledged Revenue

OCTA has a number of debt issuances outstanding that are repaid and secured by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the summary of bonds outstanding tables. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions.

Debt service payments as a ratio of the pledged gross revenue, less certain expenditures/expenses as required by the debt agreement, for the year ended June 30, 2018, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments		Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	$ 249,427	$ 22,369	*	11.15
91 Express Lanes Net Toll Road Revenue	$ 42,210	$ 10,795		3.91

*OCTA recorded $6,424 in Build America Bonds subsidy to offset annual debt service payments for Measure M2 Sales Tax Revenue Bonds in fiscal year 2017-18.

11. PENSION PLANS

OCTA participates in the Orange County Employees Retirement System (OCERS) and Additional Retiree Benefit Account (ARBA) for supplemental pension plan which are subject to GASB Statement No. 68.

A summary of pension amounts for OCTA's plans at June 30, 2018 is presented below:

	OCERS	ARBA	Total
Deferred outflows – pensions	$ 60,946	$ 176	$ 61,122
Net pension liability	$ 212,117	$ 722	$ 212,839
Deferred inflows - pensions	$ 61,859	$ 2,539	$ 64,398
Pension Expenses	$ 23,783	$ 175	$ 23,958

A. Orange County Employees Retirement System

General Information about the Pension Plan

Plan Description: OCTA participates in OCERS Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by OCERS. The County Employees Retirement Law of 1937 and other applicable statutes grant the authority to establish and amend the benefit terms to the OCERS. OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by OCERS. This report is issued for each year ending December 31 and can be obtained online at www.ocers.org, or from its executive office: 2223 Wellington Avenue, Santa Ana, CA 92701.

Benefits Provided: OCERS provides for service retirement, death, disability, survivor benefits and annual cost-of-living benefits to plan members, who must be public employees and beneficiaries. Service retirement benefits are based on Plan Type, years of service, age at retirement and final average salary. The benefit formulas are an annual annuity equal to 2% of the employee's one-year final average salary for each year of service rendered at age 57 for Plan A members who were hired prior to September 21, 1979 and 1.67% of the employee's three year final average salary for each year of service rendered at age 57.5 for Plan B members who were hired after September 21, 1979.

Contributions: Per Government Code sections 31453.5 and 31454, participating employers are required to contribute a percentage of covered salary to the Plan. The contribution requirements of participating active members and employers are established and may be amended by the OCERS' Board of Retirement. Employee contributions are established by the OCERS' Board of Retirement and guided by state statute (Government Code sections 31621, 31621.5, 31621.8, 31639.25 and 31639.5) and vary based upon employee age at the time of entering OCERS membership. Participating employers may pay a portion of the participating active employees' contributions through negotiations and bargaining agreements.

Funding contributions for the OCERS plan are determined annually on an actuarial basis by OCERS. The contribution requirement for the year ended June 30, 2018 was 28.81% of total covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. OCTA's contributions to OCERS were $24,811 for the year ended June 30, 2018.

Beginning in fiscal year 2013-14, administrative employees pay 25% of the employee contribution to OCERS. This amount will increase by 25% per year until the employee pays 100% of the employee contribution. New employees pay 100% of the employee contribution. The employee contribution rate ranges from 5.44% to 14.00% (depending on age of entry). Employees that are employed under collective bargaining units pay their own employee contributions.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, OCTA reported a liability of $212,117 for its proportionate share of the net pension liability (NPL). The NPL was measured as of December 31, 2017, and determined by rolling forward the total pension liability (TPL) as of December 31, 2016 actuarial valuation date. OCTA's proportion of the NPL was based on the total contribution. Legally required employer contributions for each year less any amounts of those legally required contributions that are paid by the employees are used as the basis for determining each participating employer's proportion of total contributions. Contributions made by the employer on behalf of employees under Government Code Section 31581.2 are considered employee contributions and are not included in the proportionate share calculation.

At December 31, 2017, OCTA's proportion was 4.283%, which was a decrease of 0.153% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, OCTA recognized pension expense of $23,783. At June 30, 2018, OCTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 23,822	$ -
Net difference between projected and actual earnings on plan investments	-	25,897
Difference between expected and actual experience	638	28,751
Changes of assumptions	36,486	7,211
Total	$ 60,946	$ 61,859

$23,822 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows/outflows of resources related to changes of assumptions and difference between expected and actual experience will be recognized as pension expense over the average of the expected remaining service lives of all employees that are provided with pensions through OCERS which is 6.01 years determined as of

December 31, 2016 (the beginning of the measurement period ended December 31, 2017). In addition, the net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period on a straight-line basis beginning with the year in which they occur.

Following is a schedule for amortization of deferred outflows/inflows of resources:

Year ended June 30:		Increase/(Decrease) in Pension Expense
2019	$	(3,880)
2020		(6,857)
2021		(10,775)
2022		(7,658)
2023		4,391
Thereafter		44
Total	$	(24,735)

Actuarial Assumptions

Following are the key methods and assumptions used for the TPL as of December 31, 2017:

Actuarial Experience Study	Three year period ending December 31, 2016
Actuarial Cost Method	Entry age normal cost
Actuarial Assumptions:	
Investment Rate of Return	7.00% net of pension plan investment expenses, including inflation
Discount Rate	7.00%
Inflation Rate	2.75%
Cost of Living Adjustment	2.75% of retirement income
Projected Salary Increases	4.25% to 12.25%; Varies by service, including inflation

<u>Mortality Assumptions:</u> The underlying mortality assumptions used in the TPL at December 31, 2017 were based on the results of the actuarial experience study for the period January 1, 2014 through December 31, 2016 using the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table as a starting point, projected generationally using the two-dimensional Scale MP-2016, with age adjustments, and adjusted separately for healthy and disabled. In general, using a generational mortality table anticipates increases in the cost of the Plan over time as participants' life expectancies are projected to increase. This is in contrast to updating a static mortality assumption with each experience study as proposed in prior experience studies.

<u>Long-term Expected Rate of Return:</u> The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for

each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses.

The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity	35.00%	6.38%
Core Bonds	13.00%	1.03%
High Yield Bonds	4.00%	3.52%
Bank Loan	2.00%	2.86%
TIPS	4.00%	0.96%
Emerging Market Debt	4.00%	3.78%
Real Estate	10.00%	4.33%
Core Infrastructure	2.00%	5.48%
Natural Resources	10.00%	7.86%
Risk Mitigation	5.00%	4.66%
Mezzanine/Distressed Debts	3.00%	6.53%
Private Equity	8.00%	9.48%
Total	**100.00%**	

Discount Rate: The discount rate used to measure the TPL was 7.00% and 7.25% as of December 31, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2017 and 2016.

Change in Discount Rate: The discount rates originally used to determine the TPL and NPL as of December 31, 2017 and December 31, 2016 were 7.25% and 7.25%, respectively, following the same assumptions used by OCERS in the pension funding valuations as of December 31, 2016 and December 31, 2015. However, as the OCERS' Board has approved a new discount rate of 7.00% for use in the next pension funding valuation as of December 31, 2017, the impact of this assumption change was estimated by (1) revaluing the actuarial valuation TPL as of December 31, 2016 (before the roll forward) and (2) using this revalued TPL in rolling forward the results from December 31, 2016 to December 31, 2017.

Sensitivity of the Proportionate Share of the NPL to Changes in the Discount Rate: The following table represents the net pension liability of participating employers calculated using the discount rate of 7.00%, as well as what the NPL would be if it was calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
OCTA's Proportionate Share of the NPL	$ 348,498	$ 212,117	$ 101,325

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial report.

B. Supplemental Pension Plan

General Information about the Supplemental Pension Plan

Plan Description: On January 1, 1995, OCTA established the Additional Retiree Benefit Account (ARBA). ARBA is a single-employer defined benefit retirement plan. ARBA is authorized under Section 31694(a) of the California Government Code, for the sole purpose of funding benefits provided under a post-employment group health, life, welfare or other supplemental benefit plan. ARBA is administered for OCTA through OCERS. The OCTA Board governs the plan and has the authority to amend the benefits of ARBA. The plan financial statements are prepared using the accrual basis of accounting. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan. There is no stand-alone financial report for the plan issued.

Benefit Provided: ARBA provides a supplemental retirement benefit to individuals age 50 and over with at least 10 years of service with OCTA. Employees deferring retirement more than 30 days from date of separation from OCTA are not eligible. The plan provides a lifetime monthly annuity equal to $10 times the number of years of OCTA continuous service prior to retirement with a maximum of $150 per month. ARBA has no termination, disability, or survivor benefits.

Employees Covered by Benefit Terms: At June 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	710
Inactive plan members entitled to but not yet receiving benefits	3
Active plan Members	1,281
Total	**1,994**

Contributions: OCTA's policy is to make required contributions as determined by the plan's actuary. The required contributions were determined as part of the January 1, 2018 actuarial valuation. The actuarial determined contribution rate for the year ended June 30, 2018 was 0.61% of annual covered payroll and OCTA's contribution to the plan was $931. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. ARBA requires no employee contributions. Administrative costs of ARBA are paid through investment earnings.

Investment Policy: OCERS has the authority to invest the plan's assets, and has the sole, exclusive, and plenary discretionary authority and fiduciary responsibility to manage the investments and reinvestment of the plan's assets.

The investment objectives are based on a 20-year investment horizon. The plan may hold up to six months of cash, cash equivalent, and/or money market funds for near term benefits and expenses. All remaining assets will be invested in longer-term securities. The investment assets shall be diversified with the intent to minimize the risk of long-term investment losses. The total portfolio is constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries. Plan's investments are presented at fair value or estimated fair value.

The following was the assumed asset allocation as of June 30, 2018:

Asset Class	Target Allocation
Fixed Income	35.0%
Domestic Equity	50.0%
International Equity	15.0%
Cash Equivalents	0.0%
Total	**100.0%**

As of June 30, 2018, the plan held investments that represented 5% or more of the plan's fiduciary net position. The plan held 18.65% in Europe, Australia and Far East Equity Index Fund B, 47.35% in Russell 1000 Index Fund B, and 34.00% in U.S. Debt Index Fund B.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

OCTA's NPL for the ARBA is measured as the TPL, less ARBA's fiduciary net position. The NPL is measured as of June 30, 2018, using a bi-annual actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the NPL is shown below.

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions: The total pension was determined using the following actuarial assumptions:

Valuation Date	January 1, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal cost Actuarial
Actuarial Assumptions:	
Investment Rate of Return	7.25% net of pension plan investment expenses, including inflation
Discount Rate	7.25%
Inflation Rate	3.25%
Cost of Living Adjustment	Not applicable
Projected Salary Increases	Inflation plus 0.5% per annum across-the-board salary increase plus merit and promotional increases

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.

Given the size of the plan, there is not enough data available to conduct a credible experience study. However, OCTA participates in OCERS, and in general, demographic assumptions follow OCERS experience study. The most recent OCERS experience study was conducted in 2017 and collected and analyzed data for the period from January 1, 2014 to December 31, 2016.

The long-term expected rate of return on plan investments was determined using a building block method which best estimates ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation) for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	**Long-Term Expected Real Rate of Return**
Fixed Income	2.5%
Domestic Equity	5.5%
International Equity	5.5%
Cash	0.0%

Discount Rate: As of June 30, 2018 measurement date, the discount rate used to measure the TPL was 7.25%, which has not changed from June 30, 2017. The projection of cash flows used to determine the discount rate assumed that ongoing contributions will be made at the actuarial determined amounts.

Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/2017	$ 18,064	$ 15,641	$ 2,423
Changes for the year:			
Service Cost	377	-	377
Interest	1,229	-	1,229
Difference between expected and actual experience	(1,220)	-	(1,220)
Changes of assumptions	-	-	-
Contributions – Employer	-	931	(931)
Net investment income	-	1,180	(1,180)
Benefits payments, including refunds of employee	(1,205)	(1,205)	-
Administrative expense	-	(24)	24
Net changes	(819)	882	(1,701)
Balance at 6/30/2018	$ 17,245	$ 16,523	$ 722

Plan fiduciary net position as a percentage of the total pension liability 95.81%

Sensitivity of the NPL to Change in the Discount Rate: The following presents the NPL of OCTA, calculated using the discount rate of 7.25%, as well as what OCTA's NPL would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
OCTA's net pension liability	$ 888	$ 722	$ 592

Pension Expenses and Deferred Outflows/Inflows of Resources Related to ARBA

For the year ended June 30, 2018, OCTA recognized pension expense for the ARBA of $175. At June 30, 2018, OCTA reported deferred outflows/inflows of resources related to ARBA from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ 61	$ -
Difference between expected and actual experience	-	1,112
Changes of assumptions	115	1,427
Total	$ 176	$ 2,539

$61 reported as deferred outflows of resources related to investment earnings is the cumulative net difference that will be recognized as pension expense using a systematic and rational method over an initial five-year closed period. All other amounts reported as deferred outflows/inflows of resources are also cumulative and will be recognized as pension expense over the average of the expected remaining service lives of all employees. Below is the amortization schedule of collective deferred outflows/inflows of resources:

Year ended June 30,	Increase/(Decrease) in Pension Expense
2019	$ (267)
2020	(362)
2021	(512)
2022	(399)
2023	(400)
Thereafter	(423)
Total	$ (2,363)

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: OCTA sponsors and administers a single-employer defined-benefit postemployment healthcare plan (Plan) to provide medical insurance benefits to eligible retired employees. Benefit provisions are established and may be amended by the Board of Directors of OCTA. OCTA reports the financial activity of the Plan in its basic financial statements. No separate benefit plan report is issued.

OCTA allows Unrepresented Administrative Employees and Transportation Communications International Union Employees to continue participating in the group healthcare insurance program after retirement until age 65 for retirees who retire directly from OCTA at a minimum of age 50 with at least ten years of OCTA service. The retiree pays the full premium for retiree, spouse and dependents. OCTA does not provide any cash subsidy towards retiree medical benefits.

Funding Policy: Because of the nature of the implied subsidy, OCTA funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

OCTA allows retirees to participate in the same medical plan as active employees at the same premium rates. Because the rate is a "blended rate", payments for the active employees include an implied subsidy of what would normally be a higher rate for retirees if the retirees were in a stand-alone health plan.

For fiscal year ended June 30, 2018, the implied subsidy was determined as part of the January 1, 2018 actuarial valuation. The estimated implied subsidy at June 30, 2018 was $92.

GASB Statement 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit.

Employees covered by benefit terms:

As of January 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	449
Total participants covered by OPEB Plan	463

Total OPEB liability:

OCTA's total OPEB liability (TOL) of $1,432 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs:

The TOL of $1,432 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.44%
Healthcare Cost Trend Rates:	
Current Year Trend (Pre 65 / Post 65)	5.00%
Second Year Trend	6.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2022
Salary Increases	3.25%

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of January 1, 2018.

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance at 6/30/2017	**$ 745**
Changes for the Year:	
Service cost	40
Interest	28
Changes in assumptions	40
Differences between expected and actual experience	651
Benefit payments	(72)
Net changes	**687**
Balance at 6/30/2018	**$ 1,432**

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the TOL of OCTA, calculated using the discount rate of 3.44%, as well as what OCTA's TOL would be if it was calculated using a discount rate that is one percentage point lower (2.44%) or one percentage point higher (4.44%) than the current rate:

	1% Decrease 2.44%	Current Rate 3.44%	1% Increase 4.44%
OCTA's total OPEB liability	$ 1,493	$ 1,432	$ 1,369

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the TOL of OCTA, calculated using an initial trend rate of 5.00% (Pre 65 / Post 65), as well as what OCTA's TOL would be if it was calculated using a trend rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	1% Decrease 4.00%	Current Rate 5.00%	1% Increase 6.00%
OCTA's total OPEB liability	$ 1,243	$ 1,432	$ 1,655

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, OCTA recognized OPEB expense of $266. At June 30, 2018, OCTA reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 651	$ -
Changes of assumptions	40	-
Total	$ 691	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Increase/(Decrease) in OPEB Expense
2019	$ 110
2020	110
2021	110
2022	110
2023	110
Thereafter	141
Total	$ 691

13. PURCHASE COMMITMENTS

OCTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues.

Total commitments at June 30, 2018 are as follows:

	Total Purchase Commitments	Reserve for Encumbrances	Unencumbered Purchase Commitments
Governmental Funds:			
General	$ 168,692	$ 5,785	$ 162,907
LTA	1,262,682	783,160	479,522
LTF	149	-	149
Nonmajor governmental funds	40,652	1,855	38,797
Total Governmental Funds	1,472,175	790,800	681,375
Proprietary Funds:			
OCTD	210,331	36,831	173,500
91 Express Lanes	63,372	14,406	48,966
I-405 Express Lanes	262,094	235,303	26,791
Internal Service Funds	2,254	1,244	1,010
Total Proprietary Funds	538,051	287,784	250,267
Total	**$ 2,010,226**	**$ 1,078,584**	**$ 931,642**

The majority of the contracts relate to the expansion of Orange County's freeway and road systems, grade separation projects, expansion of commuter rail service, upgrades to rail facilities, services for the OC Streetcar project, the purchase of buses, paratransit bus services and services for the operation of the contracted fixed route, stationlink and express buses.

14. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

OCTA is a defendant in various legal actions. To the extent the outcome of such litigation has been determined to result in probable loss to OCTA, such loss has been accrued in the accompanying financial statements. OCTA believes that these accruals are adequate to provide for its estimated future obligations in these matters, and that any amounts in excess of such accruals will not have a significant effect on OCTA's financial position or changes in financial position.

Federal Grants

OCTA receives federal grants for capital projects and other reimbursable activities which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on OCTA's financial position or results of operations.

Lease Commitments

Operating leases

OCTA is committed under various leases for building, office space, non-revenue vehicles, a Compressed Natural Gas (CNG) Fueling Facility and tires for revenue vehicles. These leases are considered for accounting purposes to be operating leases. The lease for OCTA's administrative headquarters in Orange was originally for 15 years beginning in September 1993, but was amended to extend the lease term to January 31, 2029. OCTA accounts for scheduled rent increases on a straight line basis. The amended agreement included a rent holiday for the first 13 months of the lease. OCTA is recording a liability in the government-wide statements and will begin amortizing in fiscal year 2019-20. An expenditure will be recorded in the general fund when the payment becomes due.

Total costs for leases for the year ended June 30, 2018 amounted to $6,911. Future minimum payments for these leases are as follows:

Year Ending June 30:	Amount
2019	$ 6,686
2020	6,272
2021	4,187
2022	4,198
2023	4,208
2024-2031	24,422
Total	**$ 49,973**

15. JOINT VENTURE

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino Associated Governments (SANBAG) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its pro rata share of rail lines serving Orange County. OCTA expended $27,200 during fiscal year 2017-18 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by, and available from, SCRRA, which is located at One Gateway Plaza, 12th Floor, Los Angeles, CA 90012.

OCTA is one of 11 members of the Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor Agency, a joint powers authority created in 1989 and amended in 2013. The purpose of the JPA is to oversee passenger rail service and improvements in the rail corridor between San Diego, Los Angeles and San Luis Obispo. The LOSSAN's board consists of two members appointed by the LACMTA; two members appointed by OCTA; one member appointed by RCTC; one member appointed by VCTC; one member appointed by the Santa Barbara County Association of Governments; one member appointed by the San Luis Obispo Council of Governments and the following three agencies receive one member appointment but only two votes – the San Diego Metropolitan Transit System, the North County Transit District, and the San Diego Association of Governments. OCTA was selected as the managing agency for LOSSAN and is responsible for the ongoing coordination and service integration efforts. Administrative support is funded by the member agencies. OCTA charged $2,557 to LOSSAN for administrative support during fiscal year 2017-18. Separate financial statements are prepared by, and available from, LOSSAN at the OCTA offices which is located at 550 South Main Street, Orange, CA 92868.

16. PRIOR PERIOD ADJUSTMENT

Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

Restated for the GASB 75 implementation	Governmental Activities	Business-type Activities	OCTD	Nonmajor Enterprise Fund OCTAP
Beginning balance, as previously reported	$ 853,745	$ 726,672	$ 525,828	$ (382)
Net OPEB liabilities	(361)	(238)	(233)	(5)
Beginning balance, as restated	**$ 853,384**	**$ 726,434**	**$ 525,595**	**$ (387)**

17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the STAF Fund, expenditures exceeded appropriations for transfers in the amount of $2,056. This was a result of receiving less sales tax revenue than budgeted offset by transportation improvement fees received that were not previously budgeted.

18. FUND DEFICIT

The Orange County Taxi Administration Program (OCTAP) fund, an enterprise fund, had a net position deficit of $518. The fund deficit was the result of operating expenses exceeding operating revenues due to a decrease in operating revenue from permit fees.

19. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for OCTA's fiscal year ending June 30, 2018. See note 12.

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement is effective for OCTA's fiscal year ending June 30, 2019. OCTA has not determined the effect of this Statement.

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement is effective for OCTA's fiscal year ending June 30, 2020. OCTA has not determined the effect of this Statement.

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement is effective for OCTA's fiscal year ending June 30, 2018. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 86

In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for OCTA's fiscal year ending June 30, 2018. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for OCTA's fiscal year ending June 30, 2021. OCTA has not determined the effect of this Statement.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for OCTA's fiscal year ending June 30, 2019. OCTA has not determined the effect of this Statement.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for OCTA's fiscal year ending June 30, 2021. OCTA has not determined the effect of this Statement.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for OCTA's fiscal year ending June 30, 2020. OCTA has not determined the effect of this Statement.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines	$ 136	$ 136	$ 195	$ 59
Contributions from other agencies	5,195	5,195	7,092	1,897
Interest and investment income	458	458	534	76
Capital assistance grants	2,557	2,557	289	(2,268)
Miscellaneous	170	170	153	(17)
Total revenues	**8,516**	**8,516**	**8,263**	**(253)**
Expenditures				
Current:				
General government:				
Salaries and benefits	54,956	55,003	52,670	2,333
Supplies and services	29,965	29,869	25,914	3,955
Interfund reimbursements	(68,799)	(68,799)	(65,938)	(2,861)
Transportation:				
Contributions to other local agencies	3,392	3,392	172	3,220
Capital outlay	2,209	2,278	1,689	589
Total expenditures	**21,723**	**21,743**	**14,507**	**7,236**
Deficiency of revenues under expenditures	**(13,207)**	**(13,227)**	**(6,244)**	**6,983**
Other financing sources (uses)				
Transfers in	4,152	4,152	6,675	2,523
Transfers out	-	-	(106)	(106)
Proceeds from sale of capital assets	105	105	105	-
Total other financing sources	**4,257**	**4,257**	**6,674**	**2,417**
Net change in fund balance	**$ (8,950)**	**$ (8,970)**	**$ 430**	**$ 9,400**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ 430
Net change in fund balance (budgetary basis) - from CURE fund	4,956
Less: Estimated revenues for encumbrances outstanding at June 30	287
Less: Estimated revenues for encumbrances outstanding at June 30 - from CURE fund	232
Add: Current year encumbrances outstanding at June 30 - from CURE fund	770
Add: Current year encumbrances outstanding at June 30	5,135
Net change in fund balance (GAAP basis)	$ 10,772

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Authority Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 317,425	$ 317,425	$ 315,974	$ (1,451)
Contributions from other agencies	98,237	100,167	166,753	66,586
Interest and investment income	7,624	7,624	4,983	(2,641)
Miscellaneous	3,769	3,769	5,431	1,662
Total revenues	**427,055**	**428,985**	**493,141**	**64,156**
Expenditures				
Current:				
General government:				
Supplies and services	152,794	162,899	132,792	30,107
Transportation:				
Contributions to other local agencies	174,392	171,091	107,070	64,021
Capital outlay	1,118,621	1,120,551	982,804	137,747
Debt service:				
Interest	-	-	40	(40)
Total expenditures	**1,445,807**	**1,454,541**	**1,222,706**	**231,835**
Deficiency of revenues under expenditures	**(1,018,752)**	**(1,025,556)**	**(729,565)**	**295,991**
Other financing sources (uses)				
Transfers in	30,116	30,116	4,295	(25,821)
Transfers out	(88,068)	(88,068)	(45,939)	42,129
Total other financing uses	**(57,952)**	**(57,952)**	**(41,644)**	**16,308**
Net change in fund balance	**$ (1,076,704)**	**$ (1,083,508)**	**$ (771,209)**	**$ 312,299**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (771,209)
Less: Estimated revenues for encumbrances outstanding at June 30	85,445
Add: Current year encumbrances outstanding at June 30	783,040
Net change in fund balance (GAAP basis)	$ (73,614)

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 162,215	$ 162,215	$ 164,470	$ 2,255
Interest and investment income	20	20	(8)	(28)
Total revenues	**162,235**	**162,235**	**164,462**	**2,227**
Expenditures				
Current:				
General government:				
Supplies and services	1,765	1,765	2,052	(287)
Transportation:				
Contributions to other local agencies	2,303	2,303	2,342	(39)
Total expenditures	**4,068**	**4,068**	**4,394**	**(326)**
Excess of revenues over expenditures	**158,167**	**158,167**	**160,068**	**1,901**
Other financing uses				
Transfers out	(158,168)	(158,168)	(160,870)	(2,702)
Total other financing uses	**(158,168)**	**(158,168)**	**(160,870)**	**(2,702)**
Net change in fund balance	**$ (1)**	**$ (1)**	**$ (802)**	**$ (801)**

See accompanying notes to required supplementary information.

(amounts expressed in thousands)

Schedule of OCTA's Proportionate Share of the Net Pension Liability

Orange County Employees Retirement System Pension Plan

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
OCTA's Proportion of the NPL	4.283%	4.436%	4.377%	4.006%	4.112%
OCTA's proportionate share of the NPL	$ 212,117	$ 230,261	$ 250,193	$ 203,592	$ 217,569
OCTA's covered payroll	$ 94,528	$ 94,507	$ 93,110	$ 95,061	$ 92,200
OCTA's proportionate share of the NPL as a percentage of its covered payroll	224.40%	243.64%	268.71%	214.17%	235.98%
Plan fiduciary net position as a percentage of the total pension liability	74.93%	71.16%	67.10%	69.42%	67.16%

Note: The amounts presented for each fiscal year were determined as of December 31.

Schedule of OCTA Contributions

Orange County Employees Retirement System Pension Plan

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 24,811	$ 23,900	$ 26,347	$ 24,722	$ 22,244
Contributions in relation to the actuarially determined contributions	24,811	23,900	26,347	24,722	22,244
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 86,117	$ 86,925	$ 97,616	$ 92,878	$ 94,244
Contributions as a percentage of covered payroll	28.81%	27.50%	26.99%	26.62%	23.60%

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

(amounts expressed in thousands)

Schedule of the Changes in OCTA's Net Pension Liability and Related Ratios

Additional Retiree Benefit Account Plan

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 377	$ 401	$ 361	$ 423	$ 388
Interest	1,229	1,260	1,294	1,240	1,214
Changes of assumptions	-	-	(2,140)	207	-
Difference between expected and actual experience	(1,220)	-	(99)	-	-
Benefit payments, including refunds of employee contributions	(1,205)	(1,145)	(1,066)	(980)	(1,010)
Net change in total pension liability	(819)	516	(1,650)	890	592
Total pension liability - beginning	18,064	17,548	19,198	18,308	17,716
Total pension liability - ending (a)	$ 17,245	$ 18,064	$ 17,548	$ 19,198	$ 18,308
Plan fiduciary net position					
Contributions - employer	$ 931	$ 929	$ 955	$ 875	$ 848
Net investment income	1,180	1,596	209	467	2,075
Benefit payments, including refunds of employee contributions	(1,205)	(1,145)	(1,066)	(980)	(897)
Administrative expenses	(24)	(24)	(24)	(24)	(23)
Net change in plan fiduciary net position	$ 882	$ 1,356	$ 74	$ 338	$ 2,003
Plan fiduciary net position - beginning	15,641	14,285	14,211	13,873	11,870
Plan fiduciary net position - ending (b)	$ 16,523	$ 15,641	$ 14,285	$ 14,211	$ 13,873
Net pension liability - ending (a) - (b)	$ 722	$ 2,423	$ 3,263	$ 4,987	$ 4,435
Plan fiduciary net position as a percentage of the total pension liability	95.81%	86.59%	81.40%	74.02%	75.78%
Covered payroll	$ 95,212	$ 95,015	$ 94,011	$ 92,403	$ 89,494
Net pension liability as a percentage of covered payroll	0.76%	2.55%	3.47%	5.40%	4.96%

Notes to the schedule for Additional Retiree Benefit Account Plan

Change of assumptions: In fiscal year 2015-16, amounts reported as changes of assumptions resulted from adjustments to discount rate.

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

(amounts expressed in thousands)

Schedule of Investment Returns
Additional Retiree Benefit Account Plan
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	4.60%	11.09%	1.47%	3.38%	17.51%

Schedule of OCTA Contributions
Additional Retiree Benefit Account Plan
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 546	$ 786	$ 772	$ 904	$ 875
Contributions in relation to the actuarially determined contributions	931	929	955	874	848
Contribution deficiency (excess)	$ 385	$ 143	$ 183	$ (30)	$ (27)
Covered payroll	$ 95,212	$ 95,015	$ 94,011	$ 92,403	$ 89,494
Contributions as a percentage of covered payroll	0.98%	0.98%	1.02%	0.95%	0.95%

Notes to the schedule for Additional Retiree Benefit Account Plan

Valuation date: Actuarially determined contribution rates are calculated as of January 1, six months prior to the end of the fiscal year in which contributions are reported.

Actuarial Assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level-dollar basis
Remaining amortization:	12 years
Asset valuation method:	5-year smoothed, market value
Return on Assets:	7.25%
Discount Rate:	7.25%
Inflation:	3.00% per annum
Salary Scale:	Inflation plus 0.5% per annum across-the-board salary increase plus merit and promotional increases
Cost of Living:	Not applicable
Mortality Rates:	Rates are from the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

(amounts expressed in thousands)

Schedule of the Changes in OCTA's Total OPEB Liability and Related Ratios

Other Post Employment Benefit Plan

Last 10 Fiscal Years*

	2018
Total OPEB liability - beginning	$ 745
Changes for the year:	
Service cost	40
Interest	28
Changes in assumption	40
Difference between actual and expected experience	651
Benefit payments	(72)
Total OPEB liability - ending	$ 1,432

	2018
Covered employee payroll	$ 42,366
Total OPEB liability as a percentage of covered employee payroll	3.38%

Notes to the schedule for OPEB Plan

Funding policy: OCTA funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

1. BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual budget for all governmental funds. The budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2018 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

EXCESS EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations for fiscal year 2017-18 for the General fund and the major special revenue funds, except for the Local Transportation fund. In the Local Transportation fund, expenditures exceeded appropriations for supplies and services in the amount of $287 due to larger administrative expenses than OCTA anticipated during the budget process. In addition, contributions to other local agencies and transfers exceeded appropriations in the amount of $39 and $2,702 respectively, due to OCTA receiving more sales tax revenue over the 12-month apportionment period than anticipated and transferred out to OCTD based on monthly sales tax receipts.

Beginning fiscal year 2014-15, the CURE fund was consolidated with the General fund as it no longer met the definition of a special revenue fund. A separate budgetary schedule for the CURE fund is located in other supplementary information. A reconciliation is included on the General fund budgetary schedule for the consolidation.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Orange County Unified Transportation Trust (OCUTT) – This fund is used to account for the revenues received and expenditures made for disbursements to OCTA, California Department of Transportation and cities within Orange County for various transportation projects. The source of revenue is the interest earned by the general capital projects fund. Expenditures of monies in this fund must be made in accordance with provisions of the California Transportation Development Act (TDA).

Service Authority for Freeway Emergencies (SAFE) – This fund is used to account for revenues received and expenditures made for the implementation and maintenance of the motorist emergency aid system. Funding is provided from a one dollar per vehicle registration fee on vehicles registered in Orange County. Expenditure of monies in this fund must be made in accordance with the provisions of Chapter 14 of the California Streets and Highways Code.

Service Authority for Abandoned Vehicles (SAAV) – This fund is used to account for revenues received and expenditures made for the removal of abandoned vehicles from streets and roads throughout Orange County. The source of revenue is a one dollar per vehicle registration fee on vehicles registered in Orange County. Expenditure of monies in this fund must be made in accordance with the provisions of Section 22710 of the California Vehicle Code. In April 2012, the fee authorization for SAAV expired. SAAV will continue to fund abandoned vehicle abatements until all revenue is expended.

State Transit Assistance Fund (STAF) – This fund is used to account for revenues received and expenditures made for OCTD transit operations and fare assistance for seniors and disabled persons. Funding is provided by sales taxes on gasoline and use taxes on diesel fuel. Expenditure of these funds is governed by the provisions of the TDA.

Capital Projects Funds

General Capital Projects Fund – This fund, formerly known as the Transit Development Reserve, is used to account for transportation capital projects.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018

(amounts expressed in thousands)	Special Revenue					Capital Projects	
	OCUTT	**SAFE**	**SAAV**	**STAF**	**Total**	**General**	**Total Nonmajor Governmental Funds**
Assets							
Cash and investments	$ 9,170	$ 2,675	$ 31	$ 38	$ 11,914	$ 2,247	$ 14,161
Receivables:							
Interest	65	28	-	9	102	24	126
Capital grants	-	-	-	-	-	3,250	3,250
Other	-	35	-	-	35	-	35
Due from other funds	51	-	-	-	51	355	406
Due from other governments	-	505	-	10,445	10,950	-	10,950
Condemnation deposits	-	-	-	-	-	3,398	3,398
Note receivable	2,817	-	-	-	2,817	-	2,817
Advances to other funds	1,964	-	-	-	1,964	-	1,964
Other assets	-	-	-	-	-	8,746	8,746
Total Assets	**$ 14,067**	**$ 3,243**	**$ 31**	**$ 10,492**	**$ 27,833**	**$ 18,020**	**$ 45,853**
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 3	$ 489	$ -	$ -	$ 492	$ 4,860	$ 5,352
Due to other funds	-	-	-	8,569	8,569	-	8,569
Due to other governments	-	88	-	-	88	567	655
Unearned revenue - other	-	-	-	-	-	5,550	5,550
Total Liabilities	**3**	**577**	**-**	**8,569**	**9,149**	**10,977**	**20,126**
Deferred Inflows of Resources							
Unavailable revenue - interest on advances	818	-	-	-	818	-	818
Unavailable revenue - reimbursements from grants	-	-	-	-	-	1,816	1,816
Unavailable revenue - reimbursements from others and other misc revenue	-	30	-	-	30	-	30
Total Deferred Inflows of Resources	**818**	**30**	**-**	**-**	**848**	**1,816**	**2,664**
Fund Balances							
Nonspendable:							
Condemnation deposits	-	-	-	-	-	3,398	3,398
Note receivable	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	8,746	8,746
Restricted for:							
Transportation programs	13,246	-	-	1,923	15,169	-	15,169
Motorist services	-	2,636	31	-	2,667	-	2,667
Unassigned	-	-	-	-	-	(6,917)	(6,917)
Total Fund Balances	**13,246**	**2,636**	**31**	**1,923**	**17,836**	**5,227**	**23,063**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 14,067**	**$ 3,243**	**$ 31**	**$ 10,492**	**$ 27,833**	**$ 18,020**	**$ 45,853**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Special Revenue					Capital Projects	
	OCUTT	**SAFE**	**SAAV**	**STAF**	**Total**	**General**	**Total Nonmajor Governmental Funds**
Revenues							
Sales taxes	$ -	$ -	$ -	$ 27,140	$ 27,140	$ -	$ 27,140
Transportation improvement fee	-	-	-	5,673	5,673	-	5,673
Vehicle registration fees	-	2,941	-	-	2,941	-	2,941
Fines	-	-	-	-	-	-	-
Contributions from other agencies	-	2,550	-	-	2,550	-	2,550
OCTAP revenue	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Interest and investment income	114	7	-	25	146	(13)	133
Capital assistance grants	-	-	-	-	-	7,115	7,115
Miscellaneous	-	2	-	-	2	-	2
Total revenues	**114**	**5,500**	**-**	**32,838**	**38,452**	**7,102**	**45,554**
Expenditures							
Current:							
General government:							
Supplies and services	15	6,479	-	1	6,495	1,114	7,609
Transportation:							
Contributions to other local agencies	-	-	-	-	-	398	398
Capital outlay	-	-	-	-	-	9,161	9,161
Total expenditures	**15**	**6,479**	**-**	**1**	**6,495**	**10,673**	**17,168**
Excess (deficiency) of revenues over (under) expenditures	**99**	**(979)**	**-**	**32,837**	**31,957**	**(3,571)**	**28,386**
Other financing sources (uses)							
Transfers in	-	-	-	-	-	3,519	3,519
Transfers out	-	-	-	(30,937)	(30,937)	-	(30,937)
Total other financing sources (uses)	**-**	**-**	**-**	**(30,937)**	**(30,937)**	**3,519**	**(27,418)**
Net change in fund balances	**99**	**(979)**	**-**	**1,900**	**1,020**	**(52)**	**968**
Fund balances - beginning	13,147	3,615	31	23	16,816	5,279	22,095
Fund balances - ending	**$ 13,246**	**$ 2,636**	**$ 31**	**$ 1,923**	**$ 17,836**	**$ 5,227**	**$ 23,063**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Commuter and Urban Rail Endowment Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines	$ -	$ -	$ 6	$ 6
Contributions from other agencies	-	-	1,808	1,808
Interest and investment income	-	-	2	2
Capital assistance grants	-	-	137	137
Miscellaneous	-	-	775	775
Total revenues	**-**	**-**	**2,728**	**2,728**
Expenditures				
Current:				
General government:				
Supplies and services	703	703	340	363
Transportation:				
Contributions to other local agencies	-	-	46	(46)
Capital outlay	1,616	1,616	856	760
Total expenditures	**2,319**	**2,319**	**1,242**	**1,077**
Excess (deficiency) of revenues over (under) expenditures	**(2,319)**	**(2,319)**	**1,486**	**3,805**
Other financing sources (uses)				
Transfers out	-	-	(30)	(30)
Proceeds from sale of capital assets	-	-	3,500	3,500
Total other financing sources	**-**	**-**	**3,470**	**3,470**
Net change in fund balance	**$ (2,319)**	**$ (2,319)**	**$ 4,956**	**$ 7,275**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ 4,956
Less: Estimated revenues for encumbrances outstanding at June 30	232
Add: Current year encumbrances outstanding at June 30	770
Net change in fund balance (GAAP basis), reported with General fund	$ 5,494

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest and investment income	$ 6,656	$ 6,656	$ 6,609	$ (47)
Total revenues	**6,656**	**6,656**	**6,609**	**(47)**
Expenditures				
Debt service:				
Principal payments on long-term debt	7,775	7,775	7,775	-
Interest on long-term debt	21,019	21,019	21,019	-
Total expenditures	**28,794**	**28,794**	**28,794**	**-**
Deficiency of revenues under expenditures	**(22,138)**	**(22,138)**	**(22,185)**	**(47)**
Other financing sources (uses)				
Transfers in	22,138	22,138	31,659	9,521
Transfers out	(6,656)	(6,656)	-	6,656
Total other financing sources	**15,482**	**15,482**	**31,659**	**16,177**
Net change in fund balance	**$ (6,656)**	**$ (6,656)**	**$ 9,474**	**$ 16,130**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest and investment income	$ 159	$ 159	$ 114	$ (45)
Total revenues	**159**	**159**	**114**	**(45)**
Expenditures				
Current:				
General government:				
Supplies and services	11	11	15	(4)
Total expenditures	**11**	**11**	**15**	**(4)**
Excess of revenues over expenditures	**148**	**148**	**99**	**(49)**
Net change in fund balance	**$ 148**	**$ 148**	**$ 99**	**$ (49)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Vehicle registration fees	$ 3,000	$ 3,000	$ 2,941	$ (59)
Contributions from other agencies	2,615	2,615	2,550	(65)
Interest and investment income	24	24	7	(17)
Miscellaneous	6	6	2	(4)
Total revenues	**5,645**	**5,645**	**5,500**	**(145)**
Expenditures				
Current:				
General government:				
Supplies and services	7,761	7,761	6,636	1,125
Capital outlay	200	200	-	200
Total expenditures	**7,961**	**7,961**	**6,636**	**1,325**
Deficiency of revenues under expenditures	**(2,316)**	**(2,316)**	**(1,136)**	**1,180**
Other financing sources				
Transfers in	1,198	1,198	-	(1,198)
Total other financing sources	**1,198**	**1,198**	**-**	**(1,198)**
Net change in fund balance	**$ (1,118)**	**$ (1,118)**	**$ (1,136)**	**$ (18)**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (1,136)
Add: Current year encumbrances outstanding at June 30	157
Net change in fund balance (GAAP basis)	$ (979)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 28,877	$ 28,877	$ 27,140	$ (1,737)
Transportation improvement fee	-	-	5,673	5,673
Interest and investment income	4	4	25	21
Total revenues	**28,881**	**28,881**	**32,838**	**3,957**
Expenditures				
Current:				
General government:				
Supplies and services	-	-	1	(1)
Total expenditures	**-**	**-**	**1**	**(1)**
Excess of revenues over expenditures	**28,881**	**28,881**	**32,837**	**3,956**
Other financing uses				
Transfers out	(28,881)	(28,881)	(30,937)	(2,056)
Total other financing uses	**(28,881)**	**(28,881)**	**(30,937)**	**(2,056)**
Net change in fund balance	**$ -**	**$ -**	**$ 1,900**	**$ 1,900**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
General Capital Projects Fund (Budgetary Basis)
For the Year Ended June 30, 2018

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Contributions from other agencies	$ 1,832	$ 1,832	$ 1,069	$ (763)
Interest	-	-	(13)	(13)
Capital assistance grants	194,084	194,084	7,730	(186,354)
Total revenues	**195,916**	**195,916**	**8,786**	**(187,130)**
Expenditures				
Current:				
General government:				
Supplies and services	$ 18,612	$ 18,612	$ 2,198	$ 16,414
Transportation:				
Contributions to other local agencies	1,513	1,513	398	1,115
Capital outlay	227,811	226,522	9,775	216,747
Total expenditures	**247,936**	**246,647**	**12,371**	**234,276**
Excess of revenues over expenditures	**(52,020)**	**(50,731)**	**(3,585)**	**47,146**
Other financing sources				
Transfers in	45,827	45,827	3,519	(42,308)
Total other financing sources	**45,827**	**45,827**	**3,519**	**(42,308)**
Net change in fund balance	**$ (6,193)**	**$ (4,904)**	**$ (66)**	**$ 4,838**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (66)
Less: Estimated revenues for encumbrances outstanding at June 30	1,684
Add: Current year encumbrances outstanding at June 30	1,698
Net change in fund balance (GAAP basis)	$ (52)

INTERNAL SERVICE FUNDS

General liability - This fund is used to account for OCTA's risk management activities related to public liability, property damage and automobile liability.

Workers' compensation - This fund is used to account for OCTA's risk management activities related to workers' compensation.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Fund Net Position - Internal Service Funds
June 30, 2018

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	$ 15,240	$ 25,339	$ 40,579
Receivables:			
Interest	102	132	234
Other	108	190	298
Other assets	454	925	1,379
Total current assets	15,904	26,586	42,490
Total Assets	**15,904**	**26,586**	**42,490**
Liabilities			
Current liabilities:			
Accounts payable	155	457	612
Claims payable	814	2,560	3,374
Total current liabilities	969	3,017	3,986
Noncurrent liabilities:			
Claims payable	2,884	11,664	14,548
Total noncurrent liabilities	2,884	11,664	14,548
Total Liabilities	**3,853**	**14,681**	**18,534**
Net Position			
Unrestricted	12,051	11,905	23,956
Total Net Position	**$ 12,051**	**$ 11,905**	**$ 23,956**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2018

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	$ 4,076	$ 5,894	$ 9,970
Total operating revenues	**4,076**	**5,894**	**9,970**
Operating expenses:			
Administrative services	134	64	198
Other	229	176	405
Insurance claims and premiums	2,772	5,731	8,503
Professional services	957	439	1,396
Total operating expenses	**4,092**	**6,410**	**10,502**
Operating loss	**(16)**	**(516)**	**(532)**
Nonoperating revenues:			
Investment earnings	58	112	170
Other	1,064	478	1,542
Total nonoperating revenues	**1,122**	**590**	**1,712**
Change in net position	**1,106**	**74**	**1,180**
Total net position - beginning	10,945	11,831	22,776
Total net position - ending	**$ 12,051**	**$ 11,905**	**$ 23,956**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2018

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	$ 4,076	$ 5,836	$ 9,912
Payments to suppliers	(1,501)	(626)	(2,127)
Payments to claimants	(2,930)	(4,707)	(7,637)
Payments for interfund services used	(134)	(64)	(198)
Miscellaneous revenue received	1,064	478	1,542
Net cash provided by operating activities	**575**	**917**	**1,492**
Cash flows from investing activities:			
Investment earnings	43	76	119
Net cash provided by investing activities	**43**	**76**	**119**
Net increase in cash and cash equivalents	**618**	**993**	**1,611**
Cash and cash equivalents at beginning of year	14,622	24,346	38,968
Cash and cash equivalents at end of year	**$ 15,240**	**$ 25,339**	**$ 40,579**
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$ (16)	$ (516)	$ (532)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Insurance recoveries	1,064	478	1,542
Change in assets and liabilities:			
Other receivables	52	(32)	20
Other assets	(31)	(8)	(39)
Accounts payable	(513)	(11)	(524)
Claims payable	19	1,006	1,025
Total adjustments	591	1,433	2,024
Net cash provided by (used for) operating activities	**$ 575**	**$ 917**	**$ 1,492**
Noncash capital, financing and investing activities:			
Investment earnings - accrued interest	$ 10	$ 27	$ 37

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VANPOOL

This part of OCTA'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 OCTA's overall financial health.

Contents **Page**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 1
Net Position by Component, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

	As of June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	$ 175,769	$ 180,131	$ 193,968	$ 191,149	$ 159,539	$ 159,427	$ 177,195	$ 185,209	$ 202,587	$ 211,433
Restricted	328,463	303,605	199,540	251,820	314,832	352,878	421,285	545,220	621,580	565,653
Unrestricted	149,839	133,070	234,876	200,226	207,674	181,216	94,641	67,517	29,578	37,947
Total government activities net position	$ 654,071	$ 616,806	$ 628,384	$ 643,195	$ 682,045	$ 693,521	$ 693,121	$ 797,946	$ 853,745	$ 815,033
Business-type activities:										
Net investment in capital assets	$ 367,144	$ 331,460	$ 303,063	$ 278,292	$ 257,439	$ 265,584	$ 279,153	$ 300,737	$ 389,791	$ 339,677
Restricted	19,355	20,219	20,298	20,340	20,383	13,015	13,032	13,075	13,199	16,776
Unrestricted	190,736	170,902	162,903	246,797	317,002	376,340	275,052	305,689	323,682	439,737
Total business-type activities net position	$ 577,235	$ 522,581	$ 486,264	$ 545,429	$ 594,824	$ 654,939	$ 567,237	$ 619,501	$ 726,672	$ 796,190
Primary government:										
Net investment in capital assets	$ 542,913	$ 511,591	$ 497,031	$ 469,441	$ 416,978	$ 425,011	$ 456,348	$ 485,946	$ 592,378	$ 551,110
Restricted	347,818	323,824	219,838	272,160	335,215	365,893	434,317	558,295	634,779	582,429
Unrestricted	340,575	303,972	397,779	447,023	524,676	557,556	369,693	373,206	353,260	477,684
Total primary government net position	$ 1,231,306	$ 1,139,387	$ 1,114,648	$ 1,188,624	$ 1,276,869	$ 1,348,460	$ 1,260,358	$ 1,417,447	$ 1,580,417	$ 1,611,223

Source: Accounting and Financial Reporting Department

Note:

In fiscal year 2014-15, OCTA implemented GASB 68.

In fiscal year 2016-17, the increase in the business-type activities net position is mainly due to the major revenue vehicle purchase.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 2
Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

	For the Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	$ 106,676	$ 112,138	$ 104,305	$ 95,679	$ 96,925	$ 68,262	$ 74,852	$ 95,155	$ 94,929	$ 80,877
Measure M program	222,731	302,851	291,703	337,034	314,669	372,137	301,329	272,627	280,154	439,279
Motorist services	7,814	7,497	7,545	7,347	6,004	5,187	5,281	6,355	5,826	5,725
Commuter rail	27,009	29,395	14,393	26,806	34,586	23,556	29,347	34,004	39,736	414
Total governmental activities expenses	364,230	451,881	417,946	466,866	452,184	469,142	410,809	408,141	420,645	526,295
Business-type activities:										
Fixed route	224,538	210,526	200,999	201,629	207,363	212,170	201,630	208,851	204,969	208,167
Paratransit	37,980	42,999	46,151	51,225	53,803	51,735	51,392	63,071	64,594	67,883
Tollroad	38,224	33,713	31,371	23,231	20,573	22,996	22,980	25,120	38,455	25,672
Taxicab administration	299	344	393	490	456	506	584	567	524	385
Total business-type activities expenses	301,041	287,582	278,914	276,575	282,195	287,407	276,586	297,609	308,542	302,107
Total primary government expenses	$ 665,271	$ 739,463	$ 696,860	$ 743,441	$ 734,379	$ 756,549	$ 687,395	$ 705,750	$ 729,187	$ 828,402
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 133	$ 121	$ 140	$ 149	$ 137	$ 155	$ 181	$ 1,180	$ 730	$ 842
Other activities	967	1,008	1,093	1,297	1,136	1,350	1,644	1,087	1,104	1,544
Operating grants and contributions	36,092	68,015	115,154	172,733	159,069	146,863	122,282	125,220	92,486	98,233
Capital grants and contributions	30,747	8,279	1,204	4,335	10,923	2,222	586	3,897	17,602	7,679
Total governmental activities program revenues	67,939	77,423	117,591	178,514	171,265	150,590	124,693	131,384	111,922	108,298
Business-type activities:										
Charges for services:										
Fixed route	52,641	48,776	49,412	50,553	53,361	56,784	51,265	50,197	42,753	40,821
Tollroad	43,705	43,009	41,837	37,742	39,289	42,610	46,132	52,240	56,005	57,615
Other activities	6,870	7,133	7,206	7,154	7,893	8,579	8,695	8,650	8,656	8,280
Operating grants and contributions	80,242	88,597	72,441	90,099	83,305	63,099	67,356	65,226	74,966	74,236
Capital grants and contributions	56,588	1,841	8,648	10,023	8,821	23,717	14,139	35,848	89,740	17,849
Total business-type activities program revenues	240,046	189,356	179,544	195,571	192,669	194,789	187,587	212,161	272,120	198,801
Total primary government program revenues	$ 307,985	$ 266,779	$ 297,135	$ 374,085	$ 363,934	$ 345,379	$ 312,280	$ 343,545	$ 384,042	$ 307,099

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

In fiscal year 2008-09, the decrease in General Government Program Revenues is due to the allocation of indirect costs shown as a reduction of expenditures as opposed to charges for services.

In fiscal year 2009-10, Capital grants and contributions revenue decrease is primarily due to governmental activities grant reimbursements reclassified from capital to operating and business-type activities grants for CNG and LNG buses received in prior fiscal years.

In fiscal year 2013-14, the decrease in General government expenses is primarily due to the conclusion of the gasoline tax exchange in June 2013.

In fiscal year 2017-18, the increase in expense of Measure M program under the governmental activities results mainly from costs related to freeway projects including I-405 Improvement Project.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 2
Changes in Net Position, Last Ten Fiscal Years, *continued*

(accrual basis of accounting - thousands)

For the Year Ended June 30,

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Indirect expenses allocation:										
Governmental activities	$ (36,091)	$ (31,187)	$ (27,248)	$ (29,340)	$ (33,654)	$ (34,089)	$ (35,996)	$ (37,748)	$ (41,045)	$ (43,163)
Business-type activities	36,091	31,187	27,248	29,340	33,654	34,089	35,996	37,748	41,045	43,163
Net (expense) revenue										
Governmental activities	$ (260,200)	$ (343,271)	$ (273,107)	$ (259,012)	$ (247,265)	$ (284,463)	$ (250,120)	$ (239,009)	$ (267,678)	$ (374,834)
Business-type activities	(97,086)	(129,413)	(126,618)	(110,344)	(123,180)	(126,707)	(124,995)	(123,196)	(77,467)	(146,469)
Total primary government net expense	$ (357,286)	$ (472,684)	$ (399,725)	$ (369,356)	$ (370,445)	$ (411,170)	$ (375,115)	$ (362,205)	$ (345,145)	$ (521,303)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	$ 335,465	$ 326,005	$ 329,971	$ 409,556	$ 428,262	$ 451,153	$ 466,127	$ 476,368	$ 475,863	$ 515,475
Unrestricted investment earnings	31,501	17,325	14,487	15,192	11,295	13,776	13,301	19,447	9,807	12,609
Other miscellaneous revenue	412	328	229	355	125	288	168	918	99	133
Transfers	(76,493)	(75,038)	(66,230)	(151,280)	(155,999)	(169,278)	(169,199)	(152,899)	(162,292)	(191,734)
Total governmental activities	290,885	268,620	278,457	273,823	283,683	295,939	310,397	343,834	323,477	336,483
Business-type activities:										
Taxes:										
Property taxes	11,295	10,220	10,736	11,193	13,560	12,366	13,293	14,098	14,943	15,995
Unrestricted investment earnings	12,186	4,184	15,552	926	2,805	4,765	4,531	7,672	2,332	2,892
Other miscellaneous revenue	340	207	2,769	228	2,832	413	1,218	791	5,071	5,604
Transfers	76,493	75,038	66,230	151,280	155,999	169,278	169,199	152,899	162,292	191,734
Total business-type activities	100,314	89,649	95,287	163,627	175,196	186,822	188,241	175,460	184,638	216,225
Total primary government	$ 391,199	$ 358,269	$ 373,744	$ 437,450	$ 458,879	$ 482,761	$ 498,638	$ 519,294	$ 508,115	$ 552,708
Change in Net Position										
Governmental activities	$ 30,685	$ (74,651)	$ 5,350	$ 14,811	$ 36,418	$ 11,476	$ 60,277	$ 104,825	$ 55,799	$ (38,351)
Business-type activities	3,228	(39,764)	(31,331)	53,283	52,016	60,115	63,246	52,264	107,171	69,756
Total primary government	$ 33,913	$ (114,415)	$ (25,981)	$ 68,094	$ 88,434	$ 71,591	$ 123,523	$ 157,089	$ 162,970	$ 31,405

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2008-09, the indirect expense allocation is shown separately.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 3

Fund Balances, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting - thousands)

	As of June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	$ 12,895	$ 10,756	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	(8,260)	(8,378)	-	-	-	-	-	-	-	-
Nonspendable	-	-	4,711	5,459	5,637	7,473	11,038	11,862	20,672	11,699
Restricted	-	-	-	-	-	-	24,732	23,548	22,992	23,189
Assigned	-	-	-	-	-	-	25,173	14,453	-	2,413
Unassigned	-	-	(4,061)	(4,203)	(168)	(210)	22,115	-	(17,135)	-
Total general fund	$ 4,635	$ 2,378	$ 650	$ 1,256	$ 5,469	$ 7,263	$ 83,058	$ 49,863	$ 26,529	$ 37,301
All Other Governmental Funds										
Reserved	$ 537,118	$ 433,513	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	92,482	76,653	-	-	-	-	-	-	-	-
Capital projects funds	(2,082)	(3,851)	-	-	-	-	-	-	-	-
Nonspendable	-	-	10,513	18,826	77,547	56,991	20,575	12,519	7,177	12,144
Restricted	-	-	663,669	680,191	638,718	707,365	753,071	862,565	953,569	892,703
Committed	-	-	70,304	68,084	-	-	-	-	-	-
Assigned, reported in:										
Special revenue funds	-	-	-	-	69,531	41,273	-	-	-	-
Transportation capital projects	-	-	9,557	9,514	9,504	9,495	9,469	8,682	1,158	-
Unassigned	-	-	-	-	-	-	-	-	-	(6,917)
Total all other governmental funds	$ 627,518	$ 506,315	$ 754,043	$ 776,615	$ 795,300	$ 815,124	$ 783,115	$ 883,766	$ 961,904	$ 897,930

Source: Accounting and Financial Reporting Department

Notes:

GASB 54 was implemented during fiscal year 2010-11.

In fiscal year 2014-15, the increase in restricted fund balance of General Fund is due to trasnsfers from LTA as a result of finalizing Measure M1 projects. Additionally, the CURE Fund was consolidated with the General Fund as it no longer met the definition of a special revenue fund, which resulted in an increase of assigned and unassigned fund balance for the General Fund.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 4
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting - thousands)

For the Year Ended June 30,

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Sales taxes	$ 335,465	$ 326,005	$ 326,804	$ 412,722	$ 428,262	$ 451,153	$ 466,127	$ 465,830	$ 486,401	$ 507,584
Gasoline taxes	23,000	23,000	23,000	23,447	22,553	-	-	-	-	-
Transportation improvement fee	-	-	-	-	-	-	-	-	-	5,673
Vehicle registration fees	5,193	4,993	5,109	2,610	2,588	2,669	2,351	3,401	2,960	2,941
Fines	157	144	156	159	140	176	197	220	205	201
Contributions from other agencies	10,818	38,945	68,130	152,836	135,762	146,216	121,341	103,532	87,870	92,239
Interest and investment income	31,418	17,167	11,638	15,325	10,702	13,144	12,732	18,917	11,894	12,253
Capital assistance grants	26,998	7,655	1,877	695	1,118	11,075	768	3,220	14,552	7,541
Miscellaneous	3,386	3,949	1,354	1,642	1,351	3,899	4,221	5,090	8,060	6,361
Total revenues	436,435	421,858	438,068	609,436	602,476	628,332	607,737	600,210	611,942	634,793
Expenditures										
Current:										
General government	89,184	101,897	94,155	101,457	94,455	83,294	105,995	126,370	116,183	110,973
Transportation:										
Contributions to other local agencies	174,434	259,623	208,882	222,485	166,899	191,698	133,286	124,230	146,199	109,767
Capital outlay	72,666	56,462	86,106	88,529	135,968	135,747	129,312	103,441	106,921	250,292
Debt service:										
Principal payments on long-term debt	75,355	78,405	82,795	-	6,410	6,600	6,865	7,210	7,475	7,775
Interest	13,829	9,421	8,582	22,508	22,509	22,264	21,961	21,614	21,343	21,059
Bond issuance costs	-	-	2,181	-	-	-	-	-	-	-
Total expenditures	425,468	505,808	482,701	434,979	426,241	439,603	397,419	382,865	398,121	499,866
Excess of revenues over expenditures	10,967	(83,950)	(44,633)	174,457	176,235	188,729	210,318	217,345	213,821	134,927
Other financing sources (uses):										
Transfers in	113,508	128,366	289,776	29,295	37,909	48,196	65,411	56,722	74,074	46,148
Transfers out	(190,002)	(203,404)	(356,006)	(180,574)	(193,908)	(217,474)	(234,610)	(209,621)	(236,366)	(237,882)
Proceeds from sale of capital assets	2	5	4	-	2,662	2,167	2,667	3,010	3,275	3,605
Bond issuance	-	-	352,570	-	-	-	-	-	-	-
Bond premium	-	-	6,023	-	-	-	-	-	-	-
Total other financing sources (uses)	(76,492)	(75,033)	292,367	(151,279)	(153,337)	(167,111)	(166,532)	(149,889)	(159,017)	(188,129)
Net changes in fund balances	$ (65,525)	$ (158,983)	$ 247,734	$ 23,178	$ 22,898	$ 21,618	$ 43,786	$ 67,456	$ 54,804	$ (53,202)
Debt service as a percentage of noncapital expenditures	24.6%	18.2%	19.2%	5.4%	6.8%	6.6%	7.6%	7.7%	7.6%	5.9%

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2010-11, Measure M2 sales tax revenue bonds were issued and Measure M1 bonds were paid off.

In fiscal year 2011-12, the increase in contributions from other agencies is due to increased funding of Measure M MSEP and grade separation projects.

In fiscal year 2013-14, the increase in capital assistance grants is due to Prop 116 funds received for Metrolink Fiber Optic. Gasoline tax exchange was concluded during FY 13-14.

In fiscal year 2014-15, the decrease in both Contributions from and to other agencies is due to finalizing Measure M1 projects.

In fiscal year 2017-18, the transportation improvement fee under revenues was added as new revenue source under the Road Repair and Accountability Act of 2017.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 5
Program Revenues by Function/Program - Last Ten Fiscal Years
(accrual basis of accounting - thousands)

Program Revenues	For the Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
Governmental activities:										
General government	$ 38,715	$ 32,876	$ 30,225	$ 33,981	$ 32,585	$ 5,280	$ 4,101	$ 8,963	$ 22,323	$ 18,830
Measure M program	18,034	33,211	78,206	137,209	120,265	136,929	112,056	111,050	76,881	81,902
Motorist services	8,170	8,042	8,172	5,325	5,259	5,274	5,521	5,648	5,575	5,492
Commuter rail	3,020	3,294	988	1,999	13,156	3,107	3,015	5,723	7,143	2,074
Total governmental activities	67,939	77,423	117,591	178,514	171,265	150,590	124,693	131,384	111,922	108,298
Business-type activities:										
Fixed route	182,941	133,122	120,534	133,785	123,467	123,244	112,721	123,504	173,107	105,539
Paratransit	12,851	12,621	16,350	23,307	29,080	28,130	28,059	28,080	40,777	33,882
Tollroad	43,705	43,048	42,010	37,742	39,289	42,610	46,132	60,059	57,816	59,069
Taxicab administration	549	565	650	737	833	805	675	518	420	311
Total business-type activities	240,046	189,356	179,544	195,571	192,669	194,789	187,587	212,161	272,120	198,801
Total primary government	$ 307,985	$ 266,779	$ 297,135	$ 374,085	$ 363,934	$ 345,379	$ 312,280	$ 343,545	$ 384,042	$ 307,099

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2011-12, the increase in contributions from other agencies is due to increased funding of Measure M MSEP and grade separation projects.

In fiscal year 2013-14, the decrease in General government is primarily due to the conclusion of the gasoline tax exchange in June 2013.

In fiscal year 2014-15, the decrease in Measure M program is primarily due to finalizing Measure M1 projects.

In fiscal year 2016-17, the decrease in Measure M program is primarily due to decreased funding of RSTP and Proposition 1B as well as closing phase of the grade separation projects.

In fiscal year 2017-18, the decrease in Fixed route is primarily due to capital grants received in the prior year related to the CNG bus purchase program .

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 6

Tax Revenues by Source, Governmental Activities, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

For the Year Ended June 30,	Sales & Use	Gasoline (a)	Total
2009	335,465	23,000	358,465
2010	326,005	23,000	349,005
2011	326,804	23,000	349,804
2012	412,722	23,447	436,169
2013	428,262	22,553	450,815
2014	451,153	-	451,153
2015	466,127	-	466,127
2016	476,368	-	476,368
2017	475,863	-	475,863
2018	515,475	-	515,475
Change 2009 - 2018	53.7%	-100.0%	43.8%

Source: Accounting and Financial Reporting Department

Note:

(a) In 1995, as a result of the Orange County 1994 bankruptcy, the California State Legislature diverted $38 million to the County from OCTA's TDA sales tax revenue.
In return, $23 million in annual County gasoline tax revenue was diverted to OCTA until 2013.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 7
Taxable Sales by Category, Last Ten Calendar Years

(amounts expressed in thousands)	Calendar Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1 Clothing and Clothing Accessories Stores	$ 2,217,996	$ 2,340,116	$ 2,742,626	$ 2,923,680	$ 3,164,857	$ 3,510,757	$ 3,764,088	$ 3,942,629	$ 4,062,185	$ 4,173,147
2 General Merchandise Stores	5,856,810	5,493,287	4,376,154	4,527,201	4,771,143	5,026,911	5,169,057	5,206,936	4,773,787	4,719,159
Specialty Stores	4,447,931	3,665,066	1,638,968	1,622,910	1,669,585	1,691,589	1,732,562	1,625,444	-	-
3 Food and Beverage Stores	1,815,201	1,745,903	1,894,642	1,911,192	1,990,893	2,056,803	2,111,209	2,177,054	2,461,305	2,315,300
4 Food Services and Drink Places	5,296,863	5,245,480	5,024,379	5,109,383	5,449,117	5,853,267	6,186,883	6,637,321	7,174,652	7,561,709
5 Home Furnishings and Appliance Stores	2,079,957	1,900,534	2,829,758	2,928,251	3,229,447	3,501,432	3,539,271	3,340,006	2,995,975	3,082,463
6 Building Material & Garden Equipment & Supplies Dealers	2,798,938	2,370,154	2,039,686	2,112,467	2,267,363	2,351,574	2,581,968	2,662,657	2,870,940	2,961,129
7 Motor Vehicle and Parts Dealers	11,469,589	10,431,086	8,286,158	9,045,917	10,603,810	11,615,228	11,854,186	12,440,522	8,352,815	8,648,763
8 Gasoline Stations	-	-	-	-	-	-	-	-	3,767,842	3,489,276
9 Other Retail Group	3,004,942	2,576,969	1,061,492	1,064,825	1,087,735	1,180,969	1,210,383	1,219,968	5,130,425	5,318,826
Business and Personal Services	2,968,831	2,828,005	1,268,759	1,306,282	1,353,844	1,583,927	1,876,321	2,035,999	-	-
10 All other outlets	15,336,413	15,010,229	14,550,164	15,115,073	16,143,344	16,858,156	17,565,288	18,808,591	19,768,161	20,241,650
Total	$ 57,293,471	$ 53,606,829	$ 45,712,786	$ 47,667,181	$ 51,731,138	$ 55,230,613	$ 57,591,216	$ 60,097,127	$ 61,358,087	$ 62,511,422
Measure M Ordinance direct sales tax rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Source: California State Board of Equalization
Note:
Starting 2015, the category was modified by BOE. Data for Gasoline Stations was reported within Automotive category in prior years.
Also, Specialty Stores and Business and Personal Services are recategorized in the Other Retail Group category.
The most current data available is for 2016.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 8
Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years

Calendar Year	Measure M Direct rate	County of Orange	
2009	0.50%	8.25%	(a)
2010	0.50%	8.25%	
2011	0.50%	8.25%	
2012	0.50%	7.25%	
2013	0.50%	7.50%	(b)
2014	0.50%	7.50%	
2015	0.50%	7.50%	
2016	0.50%	7.50%	
2017	0.50%	7.25%	(c)
2018	0.50%	7.25%	

Sources: County of Orange information provided by the California Department of Tax and Fee Administration
Notes:
Measure M information provided by the Measure M Ordinance

(a) Effective April 1, 2009 through June 30, 2011 the state sales and use tax rate increased by 1%.
(b) Effective April 1, 2013 the state sales and use tax rate increased by .25%.
(c) Effective January 1, 2017 the state sales and use tax rate decreased by .25%.

Schedule 9
Principal Taxable Sales Generation by City, Current Year and Nine Years Ago
(amounts expressed in thousands)

City		Calendar Year 2016 Taxable Sales	Rank	Percentage of Total		Calendar Year 2007 Taxable Sales	Rank	Percentage of Total
Aliso Viejo	$	499,358	26	0.92%	$	370,901	30	0.73%
Anaheim		6,752,148	1	12.38%		5,694,919	1	11.15%
Brea		1,781,439	11	3.27%		1,666,298	12	3.26%
Buena Park		1,830,004	9	3.36%		2,253,841	8	4.41%
Costa Mesa		4,847,991	3	8.89%		4,153,047	3	8.13%
Cypress		946,475	17	1.74%		1,189,026	16	2.33%
Dana Point		461,567	28	0.85%		443,870	26	0.87%
Fountain Valley		986,148	16	1.81%		1,027,573	17	2.01%
Fullerton		1,781,290	12	3.27%		1,666,413	11	3.26%
Garden Grove		1,817,968	10	3.33%		1,751,333	10	3.43%
Huntington Beach		3,204,679	6	5.88%		2,631,199	7	5.15%
Irvine		5,323,448	2	9.76%		4,860,237	2	9.51%
La Habra		841,726	19	1.54%		906,651	19	1.77%
La Palma		237,318	32	0.44%		397,673	28	0.78%
Laguna Beach		470,346	27	0.86%		407,896	27	0.80%
Laguna Hills		500,167	25	0.92%		605,039	22	1.18%
Laguna Niguel		945,524	18	1.73%		995,104	18	1.95%
Laguna Woods		78,486	33	0.14%		79,845	33	0.16%
Lake Forest		1,281,117	15	2.35%		1,341,506	15	2.63%
Los Alamitos		268,046	31	0.49%		268,549	32	0.53%
Mission Viejo		1,539,349	13	2.82%		1,549,469	13	3.03%
Newport Beach		3,053,220	7	5.60%		2,648,351	6	5.18%
Orange		3,601,966	5	6.61%		3,188,144	5	6.24%
Placentia		562,599	24	1.03%		483,054	25	0.95%
Rancho Santa Margarita		575,369	22	1.06%		575,673	23	1.13%
San Clemente		768,393	20	1.41%		632,285	21	1.24%
San Juan Capistrano		677,821	21	1.24%		712,987	20	1.40%
Santa Ana		4,134,902	4	7.58%		3,970,778	4	7.77%
Seal Beach		347,399	30	0.64%		394,490	29	0.77%
Stanton		348,879	29	0.64%		343,667	31	0.67%
Tustin		2,000,351	8	3.67%		1,825,309	9	3.57%
Villa Park		20,499	34	0.04%		15,827	34	0.03%
Westminster		1,462,671	14	2.68%		1,478,386	14	2.89%
Yorba Linda		571,983	23	1.05%		568,411	24	1.11%
Total		54,520,646		100%		51,097,751		100%
Unincorporated Cities		7,990,776				6,195,720		
Total Orange County	$	62,511,422			$	57,293,471		

Source: California Department of Tax and Fee Administration, www.cdtfa.ca.gov
Note:
The most current data available is for 2016.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 10

Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

(amounts expressed in thousands except per capita)

	Governmental Activities		Business-Type Activities				
For Year Ended June 30,	Sales Tax Revenue Bonds	Commercial Paper Notes	Toll Road Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2009	161,902	50,000	180,348	9,779	402,029	0.27%	134.06
2010	83,146	100,000	175,581	6,362	365,089	0.23%	121.10
2011	357,991	25,000	170,589	2,802	556,382	0.33%	182.49
2012	357,389	25,000	165,356	571	548,316	0.33%	177.80
2013	350,376	25,000	159,858	-	535,234	0.31%	172.06
2014	343,174	25,000	135,013	-	503,187	0.27%	160.35
2015	335,707	-	129,444	-	465,151	n/a	147.08
2016	327,894	-	123,725	-	451,619	n/a	142.06
2017	319,817	-	117,796	-	437,613	n/a	136.72
2018	311,440	-	111,627	-	423,067	n/a	131.34

Source: Accounting and Financial Reporting Department

Notes:

The fiscal years 2009-13 Sales Tax Revenue Bonds and Toll Road Revenue Bonds columns have been restated to include the unamortized premium amounts.

In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

See schedule 13 for personal income and population data.

n/a - data not available

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 11
Legal Debt Margin Information, Last Ten Fiscal Years

(amounts expressed in thousands)

Measure M Ordinance No. 2 (Measure M1)

Measure M1 bonds were paid off during fiscal year 2010-11.

Measure M Ordinance No. 3 (Measure M2)

Legal Debt Margin Calculation for Fiscal Year 2018

Debt service	$ 22,369
Debt coverage (130 % of debt service)	29,080
Sales tax revenue	316,093
Less: local fair share & other expense	(66,666)
Net sales tax revenues	249,427
Legal debt margin	$ 220,347

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2018

Debt service	$ 10,795
Debt coverage (130 % of debt service)	14,034
Toll revenues	58,613
Less: operating expenses	(16,403)
Net toll revenues	42,210
Legal debt margin	$ 28,177

For Year Ended June 30,	M1 Debt limit	M1 Total net debt applicable to limit	M1 Legal debt margin	M1 Total net debt applicable to limit as a percentage of debt limit	M2 Debt limit	M2 Total net debt applicable to limit	M2 Legal debt margin	M2 Total net debt applicable to limit as a percentage of debt limit	Toll Debt limit	Toll Total net debt applicable to limit	Toll Legal debt margin	Toll Total net debt applicable to limit as a percentage of debt limit
2009	173,541	87,422	86,119	50.4%	-	-	-	-	26,503	15,504 (a)	10,999	58.5%
2010	156,246	87,422	68,824	56.0%	-	-	-	-	26,523	16,038 (a)	10,485	60.5%
2011	156,850	87,422	69,428	55.7%	6,635	21,839	(15,204)	329.1%	24,071	14,503 (a)	9,568	60.3%
2012	-	-	-	-	193,361	15,425	177,936	8.0%	22,462	10,721	11,741	47.7%
2013	-	-	-	-	201,022	21,835	179,187	10.9%	23,204	10,226	12,978	44.1%
2014	-	-	-	-	212,707	22,386	190,321	10.5%	25,478	10,742	14,736	42.2%
2015	-	-	-	-	227,936	29,039	198,897	12.7%	30,825	14,035	16,790	45.5%
2016	-	-	-	-	237,151	29,021	208,130	12.2%	35,576	14,035	21,541	39.5%
2017	-	-	-	-	239,727	29,244	210,483	12.2%	25,002	14,039	10,963	56.2%
2018	-	-	-	-	249,427	29,080	220,347	11.7%	42,210	14,034	28,177	33.2%

Source: Treasury and Accounting and Financial Reporting Departments

Notes:

In fiscal years 2008-09, 2009-10, and 2010-11 additional interest costs were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.; $3,249, $3,780, and $2,246 respectively.

In fiscal year 2010-11, Measure M2 sales tax revenue bonds were issued and Measure M1 bonds were paid off.

In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 12

Pledged-Revenue Coverage, Last Ten Fiscal Years

(amounts expressed in thousands)

For the Year Ended June 30,	Measure M1 Sales Tax Revenue Bonds: Sales Tax Revenue	Less: Turnback	Debt Service: Principal	Debt Service: Interest	Coverage	Measure M2 Sales Tax Revenue Bonds: Sales Tax Revenue	Less: Fair Share & Other Expenses	Debt Service: Principal	Debt Service: Interest	Coverage	Toll Road Revenue Bonds: Toll Road Revenue	Less: Operating Expenses	Debt Service: Principal	Debt Service: Interest	Coverage
2009	236,128	(36,361)	75,355	13,201	2.26	-	-	-	-	-	46,726	(15,572)	4,345	11,159	2.01
2010	214,162	(31,689)	78,405	9,000	2.09	-	-	-	-	-	44,665	(13,330)	4,515	11,523	1.95
2011	214,641	(31,564)	82,795	4,627	2.09	16,309	(3,286)	-	2,228	5.85	42,072	(13,650)	4,740	9,763	1.96
2012	-	-	-	-	-	249,263	(51,274)	-	15,425	12.84	38,370	(12,692)	4,980	5,741	2.40
2013	-	-	-	-	-	262,468	(54,895)	$ 6,410	15,425	9.51	39,526	(13,254)	5,245	4,981	2.57
2014	-	-	-	-	-	277,939	(58,516)	6,600	15,786	9.80	43,857	(15,156)	5,525	5,218	2.67
2015	-	-	-	-	-	289,359	(61,423)	6,865	15,473	10.20	47,351	(16,526)	4,925	5,871	2.86
2016	-	-	-	-	-	300,602	(63,451)	7,210	15,114	10.62	54,267	(18,691)	5,075	5,721	3.30
2017	-	-	-	-	-	305,057	(65,330)	7,475	15,020	10.66	56,835	(31,833)	5,285	5,514	2.32
2018	-	-	-	-	-	316,093	(66,666)	7,775	14,594	11.15	58,613	(16,403)	5,525	5,270	3.91

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2010-11, Measure M2 sales tax revenue bonds were issued and Measure M1 bonds were paid off.

Measure M sales tax revenue is shown on a cash basis, net of SBOE fees.

Toll Road Revenue includes interest earnings and Toll Road operating expenses exclude depreciation and amortization expenses.

In fiscal years 2008-09, 2009-10, and 2010-11, additional Toll Road Revenue Bonds interest costs of $3,249, $3,780, and $2,246 respectively were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.

In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 13
Demographic and Economic Statistics, Last Ten Calendar Years

Calendar Year	Population (a)	Personal Income *(millions)* (b)	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
2009	2,998,816	140,938	47,181	35.8	504,136	9.5%
2010	3,014,677	149,486	49,537	36.1	502,239	9.5%
2011	3,048,756	157,031	51,420	36.2	502,895	9.2%
2012	3,083,962	169,584	54,972	36.2	502,195	7.9%
2013	3,110,678	166,370	53,451	36.4	501,801	6.1%
2014	3,138,057	174,586	55,699	36.7	500,487	5.2%
2015	3,162,622	188,472	59,708	37.1	497,116	4.3%
2016	3,179,122	196,921	62,071	37.3	493,030	4.4%
2017	3,200,748	n/a	n/a	n/a	490,430	3.8%
2018	3,221,103	n/a	n/a	n/a	485,835	3.3%

Notes:
n/a - data not available
Estimates for population for 2010-2017 were revised; personal income and per capita personal income for 2010-2015 were revised for new estimates.

Sources:
(a) July 1 estimates for 2009-2017 and January 1 estimate for 2018 from California Department of Finance, http://www.dof.ca.gov/
(b) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov/
(c) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov/
(d) U.S. Census Bureau, http://factfinder2.census.gov/
(e) California Department of Education, http://www.dq.cde.ca.gov/
(f) CA Employment Development Department, http://www.labormarketinfo.edd.ca.gov/

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 14

Principal Employers, Current Year and Nine Years Ago

	Calendar Year 2018			Calendar Year 2009		
Employer	Employees (a)	Rank	Percentage of Total County Employment (b)	Employees (a)	Rank	Percentage of Total County Employment
Walt Disney Co.	30,000	1	1.93%	20,000	1	1.34%
University of California, Irvine	23,605	2	1.52%	17,500	3	1.17%
County of Orange	17,146	3	1.11%	18,668	2	1.25%
St. Joseph Health System	13,786	4	0.89%	10,656	4	0.72%
Kaiser Permanente	7,800	5	0.50%			
Boeing Co.	6,103	6	0.39%	8,100	5	0.54%
Albertsons Southern CA Division	6,057	7	0.39%			
Wal-Mart Stores Inc.	6,000	8	0.39%			
Hoag Memorial Hospital Presbyterian	5,680	9	0.37%			
Target Corp.	5,400	10		6,100	7	0.41%
Yum! Brands Inc.				7,000	6	0.47%
Supervalu Inc.				6,082	8	0.41%
California State University, Fullerton				5,768	9	0.39%
Bank of America Corp.				5,500	10	0.37%
Total County Employment	1,551,000			1,489,900		

Sources: (a) Orange County Business Journal Book of Lists - County of Orange
(b) Total County Employment information obtained from California Employment Development Department
http://www.labormarketinfo.edd.ca.gov

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 15

Full-Time Equivalent Government Employees by Function/Program for Ten Years

Full-Time Equivalent Employees as of June 30

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	220.0	219.0	215.0	225.0	224.0	226.0	224.0	238.0	239.0	240.5
Measure M program	43.0	45.0	45.0	40.0	40.0	40.0	40.0	39.5	39.0	39.0
Motorist services	1.0	2.0	2.0	3.0	3.0	3.0	3.0	4.0	4.0	5.0
Commuter rail	15.0	12.0	10.0	12.0	10.0	10.0	9.0	10.5	11.0	8.0
Fixed route	1,540.0	1,319.0	1,247.0	1,169.0	1,135.0	1,152.0	1,078.0	1,020.0	981.0	906.5
Paratransit	11.0	11.0	10.0	11.0	12.0	12.0	12.0	5.0	7.5	7.5
Tollroad	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5
Taxicab	3.0	3.0	4.0	3.0	4.0	4.0	4.0	4.0	3.0	2.0
LOSSAN	-	-	-	-	-	-	-	6.0	7.0	8.0
Total	1,836.0	1,614.0	1,536.0	1,466.0	1,431.0	1,450.0	1,373.0	1,330.0	1,294.5	1,220.0

Source: Financial Planning & Analysis Department

Note:

In fiscal year 2008-09, the Rail Division was created under Commuter Rail; the full-time equivalent positions were reduced from General Government and transferred to the Rail Division. In addition, from fiscal year 2008-09 through 2012-13 there were decreases in the full-time equivalent positions in Fixed Route due to service reductions.

In fiscal year 2013-14, the number of full-time equivalent positions for General government and Fixed route reported for fiscal year 2012-13 were restated.

In fiscal year 2015-16, the LOSSAN Division was created. The number of full-time equivalent positions for General government were increased due to new hires. There were decreases in the full-time equivalent positions in Fixed Route and Paratransit due to service reductions.

In fiscal year 2016-17, the decrease of full-time equivalent positions in Fixed Route is due to service reductions.

In fiscal year 2017-18, the decrease of full-time equivalent positions in Fixed Route is due to service reductions.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 16
Operating Indicators by Function/Program

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	For the Year Ended June 30,									
Measure M1 program (thousands)										
Freeways	$ 53,283	$ 55,060	$ 25,890	$ 12,742	$ 25,107	$ 11,318	$ 30,434	$ -	$ -	$ -
Regional streets and roads	24,169	42,591	6,946	11,468	15,017	17,697	25,371	-	-	-
Local streets and roads	53,534	61,863	62,348	5,273	8,142	14,614	14,796	-	-	-
Transit	63,822	83,677	204,916	101,628	13,256	14,392	128,110	-	-	-
Total program expenses	$ 194,808	$ 243,191	$ 300,100	$ 131,111	$ 61,522	$ 58,021	$ 198,711	$ -	$ -	$ -
Measure M2 program (thousands)										
Freeways	$ 16,490	$ 17,682	$ 43,210	$ 34,930	$ 31,986	$ 32,387	$ 58,775	$ 68,486	$ 100,729	$ 251,130
Streets and roads	3,279	15,226	32,453	109,863	168,895	199,311	161,622	163,699	138,273	106,691
Transit	11,570	22,073	41,617	42,576	38,884	82,721	47,876	22,464	16,516	20,419
Environmental cleanup	175	324	1,086	401	1,961	2,398	2,220	9,578	10,189	6,409
Total program expenses	$ 31,514	$ 55,305	$ 118,366	$ 187,770	$ 241,726	$ 316,817	$ 270,493	$ 264,227	$ 265,707	$ 384,649
Motorist services										
Calls made from call boxes	4,361	4,138	3,560	3,074	2,744	4,949	2,011	1,717	1,363	1,246
Vehicles removed	931	1,306	1,390	1,760	1,256	357	-	-	-	-
Vehicles assisted by FSP	43,520	60,865	67,267	65,949	64,851	59,014	69,045	68,678	62,527	54,136
511 Motorist Assistance Calls	-	-	-	-	-	-	2,886	4,023	4,120	3,888
Commuter rail										
Weekday trips	44	42	42	48	54	54	54	54	54	54
Annual boardings	4,189,455	3,941,628	3,871,939	4,146,016	4,443,362	4,437,991	4,579,000	4,198,189	4,477,735	5,069,929
Fixed route										
Annual boardings	64,353,673	53,376,023	51,305,266	52,631,935	51,418,393	48,963,660	47,021,445	43,202,265	39,903,682	39,272,747
Vehicle revenue hours	1,894,657	1,842,128	1,707,743	1,543,637	1,556,967	1,603,969	1,613,276	1,618,070	1,629,802	1,602,192
Miles of fixed route	2,126	2,039	2,038	2,039	2,048	2,045	2,047	2,045	1,820	1,801
Paratransit										
Annual boardings	1,464,730	1,482,950	1,554,773	1,570,341	1,631,527	1,654,081	1,714,550	1,779,530	1,864,312	1,647,378
Vehicle revenue hours	678,340	671,456	678,137	677,645	687,618	718,150	741,291	754,004	780,798	744,746
Eligible riders	26,834	27,104	28,447	29,856	30,992	31,576	31,602	32,173	32,871	32,735
Tollroad										
Annual drivers trips	12,036,831	12,659,051	11,998,541	11,944,555	12,085,552	12,326,874	13,106,882	13,772,971	14,384,133	16,719,371
Taxicab										
Permits Issued	2,364	2,481	2,648	2,773	3,090	3,066	2,513	1,855	1,521	1,214

Source: Various departments within OCTA

Notes:

In fiscal year 2009-10, the decrease in Fixed Route annual boardings is primarily due to the decrease in vehicle service hours.

In fiscal year 2013-14, the decrease in Motorist services vehicles removed is due to the expiration of the related program in April 2012.

In fiscal year 2014-15, the increase in Measure M1 Transit is due to finalizing Measure M1 projects. Additionally, Measure M1 and M2 information for the fiscal years 2012-13 and 2013-14 were revised.

In fiscal year 2017-18, methodology of data collection for annual boardings of commuter rail was changed in order to increase accuracy of ridership data.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 17

Capital Asset Statistics by Function/Program

	For the Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fixed route										
Bus bases	5	5	5	5	5	5	5	5	5	5
Large revenue vehicles	530	510	522	527	527	537	537	537	517	492
Small revenue vehicles	80	19	19	19	19	19	19	18	11	35
Paratransit										
Paratransit vehicles	263	252	248	248	248	248	248	248	248	248
Tollroad										
Transponders in use	171,485	170,458	168,915	167,329	168,507	171,304	176,790	182,522	196,997	213,993

Source: Various departments within the Orange County Transportation Authority

Note:

In fiscal year 2009-10, the decreases in Fixed route large and small vehicles, and in Paratransit vehicles are due to the retirement of vehicles after they had reached their useful lives.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

www.octa.net

ORANGE COUNTY TRANSPORTATION AUTHORITY
550 S. MAIN ST • P.O. BOX 14184 • ORANGE, CA 92863-1584

91 EXPRESS LANES FUND
(An Enterprise Fund of the Orange County Transportation Authority)

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Financial Statements

For the Year Ended June 30, 2018

Contents

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the 91 Express Lanes Fund, an enterprise fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2018, and the related notes to the 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 audit. We conducted our audit 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 the 91 Express Lanes Fund as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the 91 Express Lanes Enterprise Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of OCTA'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 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 OCTA's 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 OCTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 31, 2018

91 Express Lanes Fund
Management's Discussion and Analysis
(unaudited)
For the Year Ended June 30, 2018

As management of the 91 Express Lanes Fund (91 EL), an enterprise fund of the Orange County Transportation Authority, we offer readers of the 91 EL financial statements this narrative overview and analysis of the 91 EL's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- At the end of fiscal year 2017-18, the total net position of the 91 EL was $206,857 and consisted of net investment in capital assets of $34,867; restricted net position of $13,522; and unrestricted net position of $158,468. Net position increased $33,882 during fiscal year 2017-18, which represents an increase of 19.6% from the fiscal year 2016-17 ending net position. The increase is primarily due to operating revenues in excess of operating expenses offset by bond interest expense.

- In fiscal year 2017-18, total operating revenues increased by $1,613, which represents a 2.9% increase from the fiscal year 2016-17, primarily due to an increase in total trips. Total operating expenses decreased by $15,069, which represents a 43.4% decrease from fiscal year 2016-17, primarily due to a decrease in professional services related to the pavement rehabilitation project completed in the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 91 EL's financial statements. The financial statements are comprised of the fund financial statements and notes to the financial statements.

The statement of net position presents information on all of the 91 EL's assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 91 EL is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the 91 EL's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The 91 EL fund financial statements can be found on pages 9-12 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13-28 of this report.

91 Express Lanes Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the 91 EL's financial position. At June 30, 2018, the 91 EL's net position was $206,857, an increase of $33,882 or 19.6% from June 30, 2017. Our analysis below focuses on net position (Table 1) and changes in net position (Table 2) of the 91 EL's financial activities.

Table 1
91 Express Lanes Fund
Net Position

	2018	2017
Current and other assets	$ 174,492	$ 142,721
Restricted assets	24,321	23,998
Capital assets, net	4,486	4,506
Intangible asset – toll road franchise, net	122,868	125,454
Total assets	326,167	296,679
Total deferred outflows of resources	8,342	9,011
Current liabilities	21,835	20,444
Long-term liabilities	105,817	112,271
Total liabilities	127,652	132,715
Net position:		
Net investment in capital assets	34,867	31,974
Restricted	13,522	13,199
Unrestricted	158,468	127,802
Total net position	$ 206,857	$ 172,975

In fiscal year 2017-18, total assets increased by $29,488 which represents an increase of 9.9% from fiscal year 2016-17, due to an increase in cash, investments and receivables. Refer to notes 4 and 5 for changes in capital and intangible assets. Total liabilities decreased by $5,063 or 3.8% primarily due to principal payments during the fiscal year.

The 91 EL's net investment in capital assets was $34,867 compared to $31,974 in fiscal year 2016-17. The 91 EL's net position reflects its investment in capital assets (i.e., intangible assets; improvements; communications equipment; computer hardware and software; equipment, furniture and fixtures; and transponders), less any related outstanding debt used to acquire these assets. The 91 EL uses these capital assets to provide improved mobility for 91 EL customers and commuters along the State Route (SR) 91 corridor. The increase of $2,893 in net investment in capital assets was primarily due to a reduction in related outstanding debt used to acquire capital assets in addition to an increase in capital assets offset by depreciation and amortization of assets.

Restricted net position, representing resources subject to external restrictions on how they may be used, represented 6.5% of the total net position at June 30, 2018. The $323 increase in restricted net position is related to investment activity in bond reserve accounts.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position changed from $127,802 at June 30, 2017 to $158,468 at June 30, 2018. This increase of $30,666 was primarily due to operating revenues in excess of operating expenses.

The analysis in Table 2 focuses on the changes in net position.

Table 2
91 Express Lanes Fund
Changes in Net Position

	2018	2017
Revenues:		
Operating revenues:		
Tolls, fees, and fines	$ 57,615	$ 56,002
Total operating revenues	57,615	56,002
Operating expenses:		
Management and operational services	6,484	8,268
Administrative overhead	2,481	2,752
Other operating expenses	28	42
Insurance claims and premiums	332	324
Professional services	6,282	19,514
General and administrative	548	586
Depreciation and amortization	3,473	3,211
Total operating expenses	19,628	34,697
Operating income	37,987	21,305
Nonoperating revenues (expenses):		
Investment earnings	900	434
Interest expense	(5,192)	(5,460)
Other	1,321	1,046
Transfers to other OCTA funds	(1,134)	-
Total nonoperating expenses	(4,105)	(3,980)
Changes in net position	33,882	17,325
Total net position—beginning	172,975	155,650
Total net position—ending	$ 206,857	$ 172,975

The 91 EL's total operating revenues increased by 2.9%, while total operating expenses decreased by 43.4%. Total traffic volume on the 91 EL during fiscal year 2017-18 was 16,719,371 trips reflecting an increase of 16.2% in comparison to fiscal year 2016-17 and contributed to an increase in revenue from toll road fees. The decrease in operating expenses is mainly attributable to a decrease of $13,232 in professional services primarily related to the completion of the pavement rehabilitation project and a decrease of $1,784 in management and operational services due to the cost sharing agreement with Riverside County Transportation Commission (RCTC) for the joint operation of the 91 Express Lanes.

Capital Assets and Intangible Asset

Capital Assets

As of June 30, 2018, the 91 EL had $4,486 net of accumulated depreciation, invested in a broad range of capital assets including: construction in progress, improvements, computer hardware and software, transponders, and equipment, furniture and fixtures (Table 3). The total decrease in the 91 EL's capital assets for fiscal year 2017-18 was $20, which was primarily due to depreciation.

Table 3

91 Express Lanes Fund
Capital Assets, net of depreciation and amortization

	2018	2017
Construction in progress	$ -	$ 687
Improvements	1,398	1,532
Communication equipment	1,553	1,233
Computer hardware and software	107	144
Transponders	1,409	887
Equipment, furniture, and fixtures	19	23
Total capital assets, net	$ 4,486	$ 4,506

The 91 EL has outstanding capital expense commitments, the most significant of which is $7,548 for toll lanes system integrator services. More detailed information about the 91 EL's capital assets is presented in note 4 to the financial statements.

Intangible Asset

Intangible asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Toll facility franchise	$ 205,264	$ -	$ -	$ 205,264
Less accumulated amortization	(79,810)	(2,586)	-	(82,396)
Total toll facility franchise, net	$ 125,454	$ (2,586)	$ -	$ 122,868

More detailed information about the 91 EL's intangible asset is presented in note 5 to the financial statements.

Debt Administration

As of June 30, 2018, the 91 EL had $103,605 in tax-exempt bonds outstanding compared to $109,130 at June 30, 2017, as presented in Table 4. The reduction is due to principal payments in fiscal year 2017-18 in the amount of $5,525.

Table 4
91 Express Lanes Fund
Outstanding Debt

	2018	2017
Tax-exempt bonds	$ 103,605	$ 109,130

Additional information on long-term debt can be found in note 6 to the financial statements.

Economic and Other Factors

The 91 EL makes up $61,029 or 5.7% of OCTA's fiscal year 2018-19 revenue budget. In fiscal year 2018-19, toll revenue is forecasted to increase by 26.92% over the fiscal year 2017-18 budgeted value. This increase is due to a forecasted increase in trips due to the extension of the Express Lanes into Riverside County. The average long term rate of growth for toll road revenues beyond fiscal year 2017-18 is 3.40%.

The majority of expenses related to the 91 EL within the fiscal year 2018-19 budget are on-going general costs related to day to day operations of the toll facility. Since the 91 EL is a fully electronic toll facility, motorists pay tolls through the convenient use of windshield mounted FasTrak® transponders that automatically deduct toll charges from a prepaid account. At the end of fiscal year 2017-18, there were 140,694 active customer accounts, with 213,993 transponders assigned to those accounts, which represents an increase of 10,646 and 16,996 respectively from fiscal year 2016-17.

OCTA, in concert with Caltrans and RCTC, issued an annual SR-91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 EL toll revenue and other funds. The total cost for the first set of projects is approximately $1,650,000. One of these projects is the initial SR-91 corridor improvement project that widens the SR-91 by one general purpose lane in each direction east of Green River Road, adds collector-distributor roads and direct south connectors at Interstate-15 (I-15)/SR-91 and extends the 91 EL to the I-15. Construction began in fiscal year 2013-14 and was completed in fiscal year 2017-18. This project required close coordination with RCTC in order to minimize impacts to the 91 EL's operations. Included in the 2018 SR-91 Implementation Plan, the Orange County set of projects include two improvements at a total cost from approximately $327 to $427 million. The projects include the SR-91 widening improvements between SR-57 and SR-55 and a potential new interchange or overcrossing at Fairmont Boulevard.

Contacting 91 EL's Management

This financial report is designed to provide a general overview of the 91 EL's finances for all those with an interest in the government's finances and to demonstrate the 91 EL's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Net Position
For the Year Ended June 30, 2018

Assets		
Current Assets:		
Cash and investments	$	155,650,314
Receivables:		
Interest		555,544
Violations, net		16,177,485
Other, net		1,432,176
Due from other governments		363,614
Other assets		313,388
Total current assets		174,492,521
Noncurrent Assets:		
Restricted cash and investments:		
Cash equivalents		24,320,582
Capital assets, net:		
Depreciable		4,486,186
Intangible asset - toll road franchise, net		122,867,903
Total noncurrent assets		151,674,671
Total Assets		326,167,192
Deferred Outflows of Resources		
Deferred charge on refunding		8,341,623
Total Deferred Outflows of Resources		8,341,623
Liabilities		
Current Liabilities:		
Accounts payable		7,737,687
Accrued interest payable		1,924,341
Due to other funds		208,595
Due to other governments		301
Unearned revenue		5,852,885
Other liabilities		300,324
Bonds payable - due within one year		5,810,000
Total current liabilities		21,834,133
Noncurrent Liabilities:		
Bonds payable - due in more than one year		105,817,383
Total noncurrent liabilities		105,817,383
Total Liabilities		127,651,516
Net Position		
Net investment in capital assets		34,866,854
Restricted for:		
Debt service		234,723
Capital		10,221,026
Operating reserves		3,066,308
Unrestricted		158,468,388
Total Net Position	$	206,857,299

See accompanying notes to financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2018

Operating revenues:	
Tolls, fees, and fines	$ 57,614,831
Operating expenses:	
Management and operational services	6,484,482
Administrative overhead	2,481,050
Other operating expenses	27,615
Insurance claims and premiums	331,567
Professional services	6,281,463
General and administrative	548,149
Depreciation and amortization	3,472,629
Total operating expenses	19,626,955
Operating income	37,987,876
Nonoperating revenues (expenses):	
Investment earnings	899,802
Interest expense	(5,191,731)
Other	1,320,932
Transfers to other OCTA funds	(1,134,205)
Total nonoperating revenues (expenses)	(4,105,202)
Change in net position	33,882,674
Total net position - beginning	172,974,625
Total net position - ending	$ 206,857,299

See accompanying notes to financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:		
Receipts from customers and users	$	54,337,747
Payments to suppliers		(13,292,538)
Payments for OCTA interfund services used		(2,481,050)
Miscellaneous revenue received		1,107,502
Net cash provided by operating activities		39,671,661
Cash flows from noncapital financing activities:		
Reimbursement from other governments		119,216
Transfers to OCTA funds		(925,610)
Net cash used for noncapital financing activities		(806,394)
Cash flows from capital and related financing activities:		
Principal payment on long-term debt		(5,525,000)
Interest paid on long-term debt		(5,269,699)
Acquisition and construction of capital assets		(653,455)
Net cash used for capital and related financing activities		(11,448,154)
Cash flows from investing activities:		
Interest Received		610,962
Net cash provided by investing activities		610,962
Net increase in cash and cash equivalents		28,028,075
Cash and cash equivalents at beginning of year		151,942,821
Cash and cash equivalents at end of year	$	179,970,896
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and investments	$	155,650,314
Restricted cash and investments		24,320,582
Total cash and cash equivalents	$	179,970,896

See accompanying notes to financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	$	37,987,876
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense		885,936
Amortization of Franchise Agreement		2,586,693
Amortization of prepaid expense		34,683
Amortization of prepaid insurance		331,567
Miscellaneous		1,107,502
Change in assets and liabilities:		
Violations receivables, net		(3,868,794)
Other receivables, net		18,481
Other assets		(412,434)
Accounts payable		1,992,789
Due to other governments		(1,565,867)
Unearned revenue		543,505
Other liabilities		29,724
Total adjustments		1,683,785
Net cash provided by operating activities	$	39,671,661

Noncash capital, financing and investing activities:		
Amortization of bond premium	$	(643,937)
Amortization of bond deferred charges	$	669,562
Investment Earnings	$	236,168

See accompanying notes to financial statements.

1. Reporting Entity

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for the 91 Express Lanes. See note 5 for further discussion of the service concession arrangement.

These financial statements include only the activities of the 91 Express Lanes Fund, an enterprise fund of OCTA. These financial statements are not intended to present the activities of OCTA.

2. Summary of Significant Accounting Policies

The accounting policies of the 91 Express Lanes Fund are in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The financial statements of the 91 Express Lanes Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll amounts are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenue is recognized when the customers utilize the toll road facility.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility. Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the 91 Express Lanes Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

Cash and Investments

The 91 Express Lanes Fund participates in OCTA's Commingled Investment Pool. OCTA maintains cash and investments in accordance with an Investment Policy (Policy) adopted initially by OCTA's Board of Directors (Board) on May 8, 1995, and most recently amended on June 11, 2018. The Policy complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2018, the investment portfolios were maintained at MUFG Union Bank, N.A. as custodial bank. OCTA's Commingled Investment Pool is managed by four private sector investment managers. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes in the OCTA Commingled Investment Pool, with investment earnings allocated to the different accounts based on average daily account balances.

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs-other than quoted prices included in Level 1-that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs. Refer to the OCTA Comprehensive Annual Financial Report (CAFR) for details on valuation techniques and fair value hierarchy.

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted market prices, except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value. The Orange County Treasury Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP. The state managed Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal instrumentality securities, federal agencies, State of California and local agency obligations, banker's acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other mutual funds, mortgage or asset-backed securities, LAIF, OCIP, variable and floating rate securities and bank deposits. Investment agreements are also allowed for bond issues.

All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board and as permitted by the Code. OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of the Policy.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, commercial paper, money market funds, certificates of deposit, and the 91 Express Lanes Fund's share of the OCTA Commingled Investment Pool represent cash and cash equivalents for cash flow purposes.

Restricted Cash and Investments

Investments set aside in the Senior Lien Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund are pursuant to the terms of the 2013 Indenture for the $124,415,000 Toll Road Revenue Refunding Bonds and their use is limited by applicable debt covenants.

Permitted investments per the debt covenants include: government obligations, State of California and local agency obligations, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, money market funds, other mutual funds, investment agreements, OCIP, and variable and floating rate securities.

Receivables

Violations receivables include an estimate for outstanding unpaid violations that the 91 Express Lanes Fund anticipates to collect. For violations less than or equal to 90 days old, the receivable is based on a 12-month average of violations collected, and is recorded net of an allowance for uncollectible accounts of $1,118,676 at June 30, 2018. For unpaid violations in excess of 90 days, the receivable is estimated using a three-year average of violations collected and is recorded net of uncollectible accounts as the majority is not considered probable of collection.

Other receivables include amounts due from other California toll road agencies related to their customers' use of the 91 Express Lanes, as well as amounts owed from customers, net of an allowance for uncollectible accounts of $393,999 at June 30, 2018.

An estimated $13.2 million of violation and customer receivables are not expected to be collected within one year. The 91 Express Lanes utilizes an outside collection agency to assist in the recovery of unpaid customer balances and violations exceeding 90 days.

Due from other Governments

Due from other governments include receivables due from other government agencies.

Other Assets

Other assets include prepaid expenses and refundable deposits.

Capital Assets

Capital assets include construction in progress, improvements, equipment, computer hardware, software, furniture and fixtures, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. It is also the 91 Express Lanes Fund's policy to capitalize transponder purchases, as they are considered a significant class of assets even though individually under $5,000. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Type	Useful Life
Improvements	10-30 years
Equipment, furniture and fixtures	3-10 years
Computer hardware and software	3-5 years
Transponders	5-7 years

Intangible Asset – Toll Facility Franchise

OCTA purchased the interest in the Franchise Agreement for the toll facility from CPTC on January 3, 2003. The toll facility franchise is amortized over the remaining life of the Franchise Agreement through December 2065.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. As of June 30, 2018, the 91 Express Lanes Fund only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Due to other Governments

Due to other governments include payables due to other government agencies.

Risk Management

The 91 Express Lanes Fund purchases commercial property insurance including business interruption, earthquake and flood coverage related to the toll facility. Additionally, the 91 Express Lanes Fund participates in OCTA's self-insurance general liability program. Liability claims are resolved by OCTA and are an expense of the 91 Express Lanes Fund.

Net Position

Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and is classified into three categories:

- *Net investment in capital assets* - Reflects net position of the 91 Express Lanes Fund invested in capital assets and the intangible asset net of related debt. This net position is not accessible for other purposes.

- *Restricted net position* - Represents net position not accessible for general use, with the use subject to restrictions enforceable by third parties. The statement of net position includes restricted net position for the portion of debt attributable to unspent proceeds, restricted by the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust for debt service, capital, and operating expenses.

- *Unrestricted net position* - Represents net position available for general use.

Use of Estimates

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

New Effective Accounting Pronouncements

In fiscal year 2017-18, OCTA implemented the following GASB Statements:

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for OCTA's fiscal year ending June 30, 2018. There was no current effect on the financial statements of the 91 Express Lanes Fund as a result of the implementation of this Statement.

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement is effective for OCTA's fiscal year ending June 30, 2018. There was no current effect on the financial statements of the 91 Express Lanes Fund as a result of the implementation of this Statement.

GASB Statement No. 86

In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for OCTA's fiscal year ending June 30, 2018. There was no current effect on the financial statements of the 91 Express Lanes Fund as a result of the implementation of this Statement.

3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2018:

Deposits:	
Petty cash	$ 550
Deposits	5,091,797
Total deposits	5,092,347
Investments:	
With OCTA Commingled Investment Pool	150,873,035
With trustee	24,005,514
Total investments	174,878,549
Total cash and investments	$ 179,970,896

Total deposits and investments are reported in the financial statements as:

Unrestricted cash and investments	$ 155,650,314
Restricted cash and investments:	
Cash equivalents	24,320,582
Total cash and investments	$ 179,970,896

As of June 30, 2018, the 91 Express Lanes Fund had the following investments:

Investment	Principal	Fair Value	Yield	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	$ 151,921,421	$ 150,873,035	Refer to the OCTA CAFR for information related to the OCTA Commingled Investment Pool.			
Held by trustee:						
*Money Market Funds	397	397	1.48%	NA	7/1/18	1 Day
*Commercial Paper	24,005,117	24,005,117	1.770% - 1.911%	1.770%	8/2/18-8/8/18	.05
Total investments	$ 175,926,935	$ 174,878,549				

Portfolio Weighted Average 1.94

*Money market funds and commercial paper are measured at amortized cost which approximates fair value.

As of June 30, 2018, the 91 Express Lanes Fund had $150,873,035 invested in the OCTA's Commingled Investment Pool (CIP). OCTA's CIP investments are carried at fair value except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date carried at amortized cost which approximates fair value.

Deposits and withdrawals in the OCTA's CIP are made on the basis of $1.00 (cost basis) and not fair value. Accordingly, the 91 Express Lanes Fund's investment in the OCTA's CIP at June 30, 2018 is uncategorized, not defined as a Level 1, Level 2, or Level 3 input.

Refer to the OCTA CAFR for fiscal year 2017-18 for details on valuation techniques, fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk related to the OCTA's CIP underlying investments.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services: Standard & Poor's Corporation (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt must be rated no less than an "A" by two of the three rating services. OCTA's CIP is not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of fair value of the 91 Express Lanes Fund's portfolio at June 30, 2018. (NR means Not Rated):

Investments	S&P	Moody's	Fitch	% of 91 Express Lanes Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	86.27%
Held by trustee:				
Money Market Funds	AAAm	Aaa	AAA	0.00%
Commercial Paper				
PEPSICO	A-1	P-1	NR	7.42%
US Bank	A-1	P-1	F1	6.31%
Total				100.00%

Concentration of Credit Risk

At June 30, 2018, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements and OCTA Debt

- 5% for any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities.

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Federal Instrumentalities and Repurchase Agreements

- 35% for any one Federal Agency or Federal Instrumentalities.

- 50% for any one repurchase agreement counter-party name if the maturity/term is less than or equal to 7 days.

- 35% for any one repurchase agreement counter-party name if the maturity/term is greater than 7 days.

Issuer/Counter-Party Diversification Guidelines for OCTA's Debt

OCTA can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

The following is a summary of the concentration of credit risk by issuer as a percentage of the fair value of the 91 Express Lanes Fund's portfolio at June 30, 2018:

Issuer	Amount	% of 91 Express Lanes Portfolio
US Bank (Commercial Paper)	$ 11,033,248	6.31%
PEPSICO (Commercial Paper)	$ 12,971,869	7.42%

4. Capital Assets

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 687,000	$ -	$ (687,000)	$ -
Total capital assets, not being depreciated	687,000	-	(687,000)	-
Capital assets, being depreciated:				
Improvements	3,450,464	-	(5,701)	3,444,763
Communications equipment	4,377,654	697,301	-	5,074,955
Computer hardware and software	2,880,261	7,032	(153,604)	2,733,689
Transponders	4,280,519	855,253	(262,452)	4,873,320
Equipment, furniture and fixtures	161,925	-	-	161,925
Total capital assets, being depreciated	15,150,823	1,559,586	(421,757)	16,288,652
Less accumulated depreciation for:				
Improvements	(1,918,941)	(127,808)	-	(2,046,749)
Communications equipment	(3,144,380)	(377,263)	-	(3,521,643)
Computer hardware and software	(2,736,873)	(43,308)	153,604	(2,626,577)
Transponders	(3,393,542)	(333,141)	262,452	(3,464,231)
Equipment, furniture and fixtures	(138,850)	(4,416)	-	(143,266)
Total accumulated depreciation	(11,332,586)	(885,936)	416,056	(11,802,466)
Total capital assets, being depreciated, net	3,818,237	673,650	(5,701)	4,486,186
Total capital assets, net	$ 4,505,237	$ 673,650	$ (692,701)	$ 4,486,186

5. Service Concession Arrangements – Toll Facility Franchise

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR-55. The purchase was enabled by State Assembly Bill (AB) 1010 (Correa), passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs until 2030, and eliminated non-compete provisions in the Franchise Agreement for needed improvements on the SR-91. The Franchise Agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

In September 2008, the Governor of California approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorized OCTA to assign its franchise rights, interests and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange County line to Interstate 15. In addition, the bill authorized the terms of the franchise to expire no later than December 31, 2065. SB 1316 also required OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

In December 2011, the Board approved the assignment of OCTA's franchise rights, interests and obligations in the Riverside County portion of the SR-91 franchise to RCTC. The Board also approved the extension of the expiration date to 2065 and a cooperative agreement between OCTA and RCTC that details the joint operation for the 91 Express Lanes extension.

Intangible asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Toll facility franchise	$ 205,263,668	$ -	$ -	$ 205,263,668
Less accumulated amortization	(79,809,072)	(2,586,693)	-	(82,395,765)
Total toll facility franchise, net	$ 125,454,596	$ (2,586,693)	$ -	$ 122,867,903

6. Bonds Payable

Taxable Senior Secured Bonds

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed $135,000,000 of taxable 7.63% Senior Secured Bonds. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the tax-exempt bond indenture, OCTA paid a $26,428,197 Yield Maintenance Premium in connection with the defeasance of the Senior Secured Bonds, which is deferred and amortized over the life of the Series 2003 tax-exempt bonds on the straight line basis.

Toll Road Revenue Refunding Bonds

On November 12, 2003, OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refund the $135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The $95,265,000 Series 2003-A Bonds were issued as fixed rate bonds. The $75,000,000 Series 2003-B-1 Bonds and the $25,000,000 Series 2003-B-2 Bonds (collectively the "Series 2003-B Bonds") were issued as adjustable rate bonds.

On November 24, 2008, OCTA remarketed the $100,000,000 Series 2003-B Bonds, which were purchased by the Orange County Investment Pool (OCIP). In connection with the mandatory tender of the Series 2003-B Bonds required by the Indenture, the interest rate was converted to a Long Term Interest Rate equal to the OCIP Rate. On December 20, 2010, OCTA entered into a new transaction with OCIP for the Series 2003-B Bonds at a 1.55% rate. The Series 2003-B Bonds had a mandatory tender date of August 15, 2013.

On July 30, 2013, OCTA issued $124,415,000 in Senior Lien Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2. OCTA refunded the outstanding Series 2003-A Bonds to reduce its total debt service payments over the life of the bonds and refunded the Series 2003-B-1 and Series 2003-B-2 Bonds to address the mandatory tender date of August 15, 2013 for the existing private placement with the OCIP. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,366,861. The transaction resulted in a reduction of debt service payments of $26,916,929 over 18 fiscal years and an economic gain (difference between the present values of the debt service payments of the original 2003 and 2013 debt) of $19,271,945. The Series 2013 Bonds were issued as fixed rate bonds. The transaction closed on August 8, 2013.

A summary of the terms of the Toll Road Revenue Refunding Bonds is as follows:

Issuance date	07/30/2013
Closing date	08/08/2013
Original issue amount	$124,415,000
Cash reserve requirements	$23,360,500 *
Cash reserve balance	$24,320,582
Interest rate	2%-5%
Maturity	December 2030
Principal payment date	August 15
Balance as of 06/30/18	$103,605,000
Unamortized premium	$8,022,383
Deferred amount on refunding	$(8,341,623)

The Toll Road Revenue Refunding Bonds have ratings of "A1" by Moody's, "A" from Fitch, and "AA-" by Standard & Poor's.

*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, three reserve funds are maintained with required balances as follows: Senior Lien Reserve Fund $10,360,500; Major Maintenance Reserve Fund $10,000,000; and Operating Reserve Fund $3,000,000. At June 30, 2018, all reserve requirements have been satisfied.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2018, are as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 5,810,000	$ 4,986,325	$ 10,796,325
2020	6,110,000	4,688,325	10,798,325
2021	6,420,000	4,375,075	10,795,075
2022	6,750,000	4,045,825	10,795,825
2023	7,095,000	3,699,700	10,794,700
2024-2028	41,335,000	12,651,500	53,986,500
2029-2031	30,085,000	2,303,213	32,388,213
Total	$ 103,605,000	$ 36,749,963	$ 140,354,963

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Tax-exempt bonds	$109,130,000	$ -	$(5,525,000)	$103,605,000	$5,810,000
Unamortized premium	8,666,320	-	(643,937)	8,022,383	-
Total long-term liabilities	$117,796,320	$ -	$(6,168,937)	$111,627,383	$5,810,000

Pledged Revenue

The 91 Express Lanes debt issuance outstanding is repaid and secured by the pledging of certain revenues, as defined in the debt agreement. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table. The purpose for which the proceeds of the debt issuance were utilized is disclosed in the debt description. Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the 91 Express Lanes Fund will covenant to fix and prescribe toll rates for each type of vehicle and each time of day sufficient to produce adjusted net toll revenues for each fiscal year at least equal to 1.3 times annual debt service on Senior Lien Bonds and Parity Obligations and at least equal to 1.0 times annual debt service on all bonds. Adjusted net toll revenues includes tolls and investment earnings on specified reserve accounts minus operating expenses, excluding depreciation and interest expense.

Pledged revenue for the year ended June 30, 2018, was as follows:

Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage	Required Debt Coverage
91 Express Lanes Net Toll Road Revenue	$ 42,210,490	$10,794,700	3.91	1.30

7. Commitments and Contingencies

Operator Agreement

In connection with the purchase of the toll facility interest, OCTA entered into an operating agreement with Cofiroute Global Mobility, subsequently Cofiroute USA, LLC (Cofiroute), to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. The agreement was in effect from January 3, 2003 through January 2, 2006. On January 6, 2006, OCTA entered into a second operating agreement with Cofiroute, effective January 3, 2006 through January 2, 2011. The annual amount of the base contract is $5,448,768 plus inflation adjustments after the first year. The agreement carried two two-year extension options through January 2, 2015. On June 27, 2011, the OCTA Board of Directors approved a subsequent amendment to the operating agreement with Cofiroute, which authorized the addition of two five-year extension options beginning July 1, 2011 through June 30, 2016 for the first extension term and beginning July 1, 2016 through June 30, 2021 as the second extension term. The second extension term was approved on May 9, 2016. Cofiroute is responsible for the day-to-day operations of the toll facility.

On May 24, 2013 OCTA completed a three-party agreement expiring on June 30, 2021, with Riverside County Transportation Commission (RCTC) and Cofiroute for operations of the 91 Express Lanes. This will help ensure streamlined consistent inter-county travel for motorists on the original 10-mile span of the 91 Express Lanes and the new eight miles extension into Riverside County.

Purchase Commitments

The 91 Express Lanes has various outstanding contracts. Total purchase commitments at June 30, 2018 were $63,371,885, the most significant are with Cofiroute and RCTC for the operations of the 91 Express Lanes, with Kapsch TrafficCom for toll lanes integrator services, and with Caltrans for pavement rehabilitation.

Lease Commitments

The 91 Express Lanes Fund is committed under two non-cancelable leases for office space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2018 were $534,271.

Future minimum payments for these leases approximate the following:

For the year ending June 30,		
2019	$	347,433
2020		336,496
2021		346,596
2022		356,998
2023		367,710
2024-2031		2,977,860
Total	$	4,733,093

On April 13, 2015 the OCTA Board of Directors approved a 15-year lease extension for the 91 Express Lanes Anaheim office. A portion of the lease will be funded by RCTC per agreement between OCTA and RCTC entered into in December 2011. The lease extension was executed on July 22, 2015.

8. Effect of New Pronouncements:

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement is effective for OCTA's fiscal year ending June 30, 2019. OCTA has not determined the effect of this Statement.

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement is effective for OCTA's fiscal year ending June 30, 2020. OCTA has not determined the effect of this Statement.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for OCTA's fiscal year ending June 30, 2021. OCTA has not determined the effect of this Statement.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for OCTA's fiscal year ending June 30, 2019. OCTA has not determined the effect of this Statement.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for OCTA's fiscal year ending June 30, 2021. OCTA has not determined the effect of this Statement.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for OCTA's fiscal year ending June 30, 2020. OCTA has not determined the effect of this Statement.