



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Michelle Steel
Donald P. Wagner

Orange County Transportation Authority
Headquarters
550 South Main Street
Board Room – Conf. Room 07
Orange, California

Wednesday, January 22, 2020 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 Jones

1. Public Comments

Special Calendar

There are no Special Calendar matters.



Consent Calendar (Items 2 through 7)

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 January 8, 2020.

3. Fiscal Year 2019-20 Internal Audit Plan, Second Quarter Update Janet Sutter

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan on August 12, 2019. This update is for the second quarter of the fiscal year.

Recommendation

Receive and file the second quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan as an information item.

4. Same-Day Taxi Service, Internal Audit Report No. 20-503 Serena Ng/Janet Sutter

Overview

The Internal Audit Department has completed an audit of same-day taxi service. Based on the audit, program and contract oversight controls and invoice review controls are adequate and functioning, and Yellow Cab of Greater Orange County complies with contract terms. One recommendation was made to improve procurement of this service in the future.

Recommendation

Direct staff to implement the recommendation provided in Same-Day Taxi Service, Internal Audit Report No. 20-503.



5. Second Quarter Fiscal Year 2019-20 Procurement Status Report
Virginia Abadessa/Andrew Oftelie

Overview

The second quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from October 1 through December 31, 2019, that was approved by the Board of Directors during this period. The second quarter procurement status report also projects future procurement activity for the third quarter as identified in the fiscal year 2019-20 budget.

Recommendation

Receive and file as an information item.

6. Orange County Transportation Authority Investment and Debt Programs Report - December 2019
Robert Davis/Andrew Oftelie

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending December 31, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.



7. 91 Express Lanes Property Insurance Renewal
Al Gorski/Maggie McJilton

Overview

The Orange County Transportation Authority currently has a primary property and flood insurance policy for the 91 Express Lanes with Zurich American Insurance Company, and seven earthquake insurance policies with Empire Indemnity Insurance Company, General Security Indemnity Company of Arizona, Hudson Specialty Insurance Company, Everest Indemnity Insurance Company, QBE Specialty Insurance Company, Endurance American Insurance Company, and Princeton Excess and Surplus Lines Insurance Company which will expire on March 1, 2020.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A44160, in the amount of \$500,000, to Marsh USA, Inc., to purchase the 91 Express Lanes' property, flood, and earthquake insurance on behalf of the Orange County Transportation Authority, for the policy period of March 1, 2020 to March 1, 2021.

Regular Calendar

8. Fiscal Year 2018-19 Annual Financial and Agreed-Upon Procedures Reports
Janet Sutter

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements. Crowe, LLP, an independent accounting firm, has completed its annual audits of the Orange County Transportation Authority and related entities for the fiscal year 2018-19. Additionally, reports have been issued on the results of agreed-upon procedures applied to determine compliance with certain state, federal, and local requirements. All reports are included herewith.

Recommendation

Receive and file the fiscal year 2018-19 annual financial statement audits and agreed-upon procedures reports as information items.



Discussion Items

9. Chief Executive Officer's Report

10. Committee Members' Reports

11. Closed Session

There are no Closed Session items scheduled.

12. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, February 12, 2020**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.



Committee Members Present

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Gene Hernandez
Steve Jones
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

Committee Members Absent

Andrew Do
Donald P. Wagner

Call to Order

The January 8, 2020, regular meeting of the Finance and Administration Committee (Committee) was called to order by Committee Chairman Hennessey at 10:31 a.m.

Pledge of Allegiance

Director Steel led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 10)

2. Approval of Minutes - November 13, 2019

A motion was made by Committee Vice Chairman R. Murphy, seconded by Committee Chairman Hennessey, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of November 13, 2019.

3. Approval of Minutes - October 23, 2019

A motion was made by Committee Vice Chairman R. Murphy, seconded by Committee Chairman Hennessey, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of October 23, 2019.



4. Corporate Credit Cards, Internal Audit Report No. 20-504

A motion was made by Committee Vice Chairman R. Murphy, seconded by Committee Chairman Hennessey, and declared passed by those present, to direct staff to implement one recommendation provided in Corporate Credit Cards, Internal Audit Report No. 20-504.

5. Bus Marketing, Internal Audit Report No. 19-512

Committee Vice Chairman R. Murphy pulled this item and requested staff provide a brief overview of the audit.

Janet Sutter, Executive Director of Internal Audit, provided an overview of the results of the audit on bus marketing. The focus was primarily on compliance with the Orange County Transportation Authority (OCTA) procurement policy, invoice review procedures, and procedures for developing marketing plans.

Ms. Sutter stated this audit was on the fiscal year 2018-19 audit plan. As a result of the risk assessment meeting between Ms. Sutter and Lance Larson, Executive Director of External Affairs, Mr. Larson suggested that Internal Audit review bus marketing.

Committee Vice Chairman R. Murphy expressed his concern on the audit comments and referenced Attachment A of the Staff Report, Pages 3 and 4.

Committee Chairman Hennessey inquired on what the remedy is for controls.

Ms. Sutter responded that controls improved during the audit, and a project controls staff member was hired to enhance the review of invoices. Ms. Sutter also stated, management would provide training to project managers, to understand all the rules, policies, and procedures governing procurement and invoice oversight.

Committee Chairman Hennessey inquired if any disciplinary actions were needed.

Darrell E. Johnson, Chief Executive Officer (CEO), responded the management response is correct, and project level management should provide training and expectations versus discipline. Mr. Johnson stated he would discuss this audit with Human Resources about potential disciplinary action.



5. (Continued)

Committee Chairman Hennessey inquired on the total amount of the contracts.

Ms. Sutter responded she would need to review the contracts and would provide the information to Committee Chairman Hennessey.

Committee Vice Chairman R. Murphy made a recommendation to revise Attachment A of the Staff Report, Page 3, Recommendation No. 1, of the Internal Audit Report to state "OCTA revised practices to ensure that contracts for similar services are combined." He also recommended that staff review which firms were involved and consolidate the current contracts to ensure no additional issues occur.

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Hernandez, and declared passed by those present, to direct staff to implement three recommendations provided in Bus Marketing, Internal Audit Report No. 19-512.

6. 91 Express Lanes Master Custodial Account and Revenue Allocation, Internal Audit Report No. 19-514

A motion was made by Committee Vice Chairman R. Murphy, seconded by Committee Chairman Hennessey, and declared passed by those present, to receive and file 91 Express Lanes Master Custodial Account and Revenue Allocation, Internal Audit Report No. 19-514, as an information item.

7. Award of Sole Source Agreement for the Purchase and Maintenance of a Xerox Nuvera 144 EA Production Press

Committee Chairman Hennessey pulled this item to inquire why staff is requesting a sole source agreement with Xerox for the digital press.

Sean Murdock, Director of Finance and Administration, responded that staff is requesting a sole source agreement due to the set up in the print shop. He stated that it would be more productive to manage the workflow by keeping the same system.

A motion was made by Committee Chairman 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. C-9-1771 between the Orange County Transportation Authority and Xerox Corporation, in the amount of \$175,340, for the purchase of a Xerox Nuvera 144 EA Production Press, training, and maintenance.



8. Agreement for the Purchase of Modular Systems and Ancillary Furniture

A motion was made by Committee Vice Chairman R. Murphy, seconded by Committee Chairman Hennessey, and declared passed by those present, to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C-9-1652 between the Orange County Transportation Authority and Western Office, in the amount of \$990,000, to provide services for the purchase of modular systems and ancillary furniture for a two-year term.

9. Orange County Transportation Authority Investment and Debt Programs Report - November 2019

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

10. Orange County Transportation Authority Investment and Debt Programs Report - October 2019

This item was pulled by Committee Chairman Hennessey to inquire about the Local Agency Investment Fund (LAIF) balance and requested staff provide a brief overview on the Negative Credit Watch, Attachment A, Page I-II, of the Staff Report.

Sean Murdock, Director of Finance and Administration, responded that the LAIF balance is a scale issue. He also provided a brief overview of the Negative Credit Watch, which shows securities that could potentially be downgraded or upgraded in ratings.

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

Regular Calendar

11. Fiscal Year 2019-20 First Quarter Budget Status Report

Andrew Oftelie, Chief Financial Officer, provided an overview of the new dashboard report in Attachment A of the Staff Report.

Mr. Oftelie referenced Page 3, Sales Tax Receipts section of the Staff Report, which shows revenues were lower than what was budgeted. He stated that staff is working with MuniServices, LLC, OCTA's sales tax consultant, to determine if the sales tax receipts actuals compared to the budget are an underrun or a timing issue from California Department of Tax and Fee Administration (CDTFA).



11. (Continued)

Committee Chairman Hennessey inquired on when staff would receive the final information from the CDTFA. Mr. Oftelie responded the CDTFA is slow at processing the sales tax receipts and is running six to nine months behind.

Victor Velasquez, Department Manager of Financial Planning & Analysis, who provided an overview of the new dashboard report as follows:

- Total Authority;
- Staffing;
- Sales Tax Receipts, and
- Major Operating Programs.

A lengthy discussion ensued regarding the toll lanes capital revenue, services and supplies expense variance, impact on cash flow, and underruns in the Metrolink operating subsidy, and contributions to local agencies based on lower than anticipated project payment requests.

Mr. Johnson, CEO, requested the Committee approve this format going forward. The Committee approved the new reporting format.

Following the discussion, no action was taken on this receive and file information item.

Discussion Items

12. Chief Executive Officer's Report

Mr. Johnson, CEO, reported on the following:

Happy New Year:

- Everyone was wished a happy new year.
- OCTA has a lot to look forward to in 2020, and excited to work with the Committee Members as OCTA advances projects, programs, and services.

New Year's Eve Free Service:

- For the 18th year in a row, OCTA continued the tradition of offering free bus rides on New Year's Eve.
- OCTA recorded more than 7,700 free rides this year, which is up nearly 24 percent compared to last year and a great way to end the year.



12. (Continued)

Hydrogen Event:

- On Friday, January 31st at 10:30 a.m., OCTA will host an event at the Santa Ana Base to celebrate the zero-emission bus fleet and the completion of OCTA's hydrogen fueling station.
- The station would fuel the ten hydrogen fuel cell buses that OCTA has recently added.
- These are battery-electric, zero-emission buses, and the event will commemorate OCTA's continuing efforts to expand an environmentally sustainable transportation system.

13. Committee Members' Reports

There were no Committee Members' reports.

14. Closed Session

There were no Closed Session items scheduled.

15. Adjournment

The meeting adjourned at 11:00 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, January 22, 2020**, 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

Michael Hennessey
Committee Chairman



January 22, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2019-20 Internal Audit Plan, Second Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan on August 12, 2019. This update is for the second quarter of the fiscal year.

Recommendation

Receive and file the second quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan as an information item.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, pre-award price reviews, and Buy America reviews. In addition, audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Department Fiscal Year (FY) 2019-20 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the second quarter of the FY, Internal Audit completed an audit of compliance with regulations, policies, and procedures governing compensation, mileage reimbursement, and training for members of the Board of Directors. Based on the audit, controls to ensure compliance with regulations, policies, and procedures were adequate; however, one recommendation was offered to enhance written policies and procedures. Management agreed and indicated that policies would be amended accordingly.

Also, during the quarter, the semi-annual audit of investments for the period January 1 through June 30, 2019, was issued. The audit concluded that OCTA complied with its investment policies; however, an error was identified in the Second Quarter 2019 Investment and Debt Report and the investment compliance schedule did not reflect all investments and bond indenture requirements. Internal Audit recommended review procedures be enhanced, policies be revisited, and the investment compliance schedule be updated to include evaluation of all investments and requirements. Management agreed and indicated that revisions were underway.

An audit of oversight controls and contract compliance related to the Orange Transportation Center Parking Structure Project found that procurements were handled in accordance with policies and procedures, status monitoring and reporting controls were operating, and consultants provided services in accordance with their contracts. Three recommendations were made to improve contract language in a few areas, to ensure consultants utilize adequate labor timekeeping systems, and to develop and implement procedures to ensure compliance with requirements for federally-funded assets. Management agreed and indicated that the recommendations would be implemented.

An audit of corporate credit cards reported that controls to ensure transactions are valid, authorized, and in compliance with policies and procedures, were generally adequate; however, one recommendation was made to clarify requirements for obtaining and documenting approvals. Management agreed to update procedures to provide clarification.

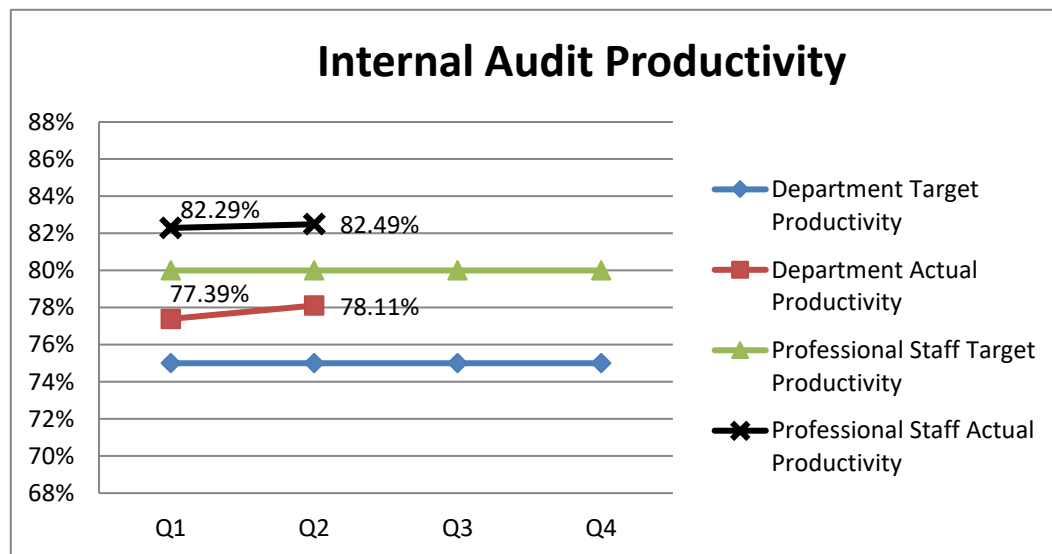
A bus marketing audit concluded that procurement and invoice review procedures should be improved, and documentation of marketing programs should be enhanced. Three recommendations were offered, and management responded that additional controls have been implemented and training will be provided to ensure compliance.

Finally, an audit of the 91 Express Lanes Master Custodial Account activities and revenue allocation was completed and found that revenues were allocated in accordance with the cooperative agreement between OCTA and the Riverside County Transportation Commission. The audit also found controls over wire transfers from the 91 Express Lanes Master Custodial Account were adequate and effective.

Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the Executive Director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for internal audit professional staff, not including the Executive Director, is 80 percent.

For the second quarter ended December 31, 2019, Internal Audit achieved productivity of 77 percent, and the professional staff achieved productivity of 82 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management Department (CAMP), and consistent with OCTA procurement

policy, Internal Audit applies agreed-upon procedures to single bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also applies agreed-upon procedures to prices proposed by architectural and engineering firms, and sole source contractors, to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. During the second quarter, Internal Audit issued results of six price reviews.

Fraud Hotline

Internal Audit is responsible for administering the OCTA Fraud Hotline. The fraud hotline system allows reporters to file complaints anonymously through the internet or by calling a toll-free phone number. Complaints may also be received in person, by phone, or by mail directly to Internal Audit. To ensure proper recordkeeping, all complaints are recorded in the Ethicspoint system, regardless of how the complaint is received.

During the quarter ended December 31, 2019, Internal Audit received seven reports through OCTA's Fraud Hotline, www.ethicspoint.com. Based on the nature of the complaints, six were referred to management, legal counsel, or an appropriate outside agency for disposition. One report did not provide sufficient information for follow-up. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended December 31, 2019, Internal Audit provided initial contact within two business days.

Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan as Attachment B. Internal Audit includes the findings and recommendations generated internally, as well as those provided by regulatory auditors and OCTA's independent financial statement auditors.

During the quarter ended December 31, 2019, Internal Audit completed follow-up reviews of ten outstanding audit recommendations and closed all of them (Attachment C). Follow-up of another three recommendations is in process at quarter end. A total of ten recommendations were added as a result of audits issued during the second quarter.

Summary

Internal Audit will continue to implement the Plan, report on performance metrics, follow-up on outstanding audit recommendations, and report progress on a quarterly basis.

Attachments

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2019-20 Internal Audit Plan, Second Quarter Update
- B. Outstanding Audit Recommendations, Second Quarter, Fiscal Year 2019-20
- C. Audit Recommendations Closed During Second Quarter, Fiscal Year 2019-20

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan
Second Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Mandatory External Independent Audits							
Annual Financial Audits and Agreed-Upon Procedures Reviews	FY20-001 through FY20-004	Coordinate and report on annual financial and agreed-upon procedures reviews for fiscal year 2019-20.	Financial	450	319	131	In Process
Federal Triennial Review	FY20-006	Coordinate and report on results of the required Federal Transit Administration's Triennial Review.	Compliance	80	14	66	Issued 10-31-19
External Regulatory Audits	FY20-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	4	56	
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY20-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	200	56	144	
Quality Assurance and Self-Assessment	FY20-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Government Auditing Standards.	Quality Assurance	160	56	104	
Fraud Hotline Activities	FY20-102	Administrative duties related to maintenance of the fraud hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240	33	208	7 Reports Received
Automated Workpaper Solution	FY20-103	System updates/training related to automated workpaper solution.	Workpaper System	40	10	30	
Internal Audits							
Clerk of the Board							
Board Compensation and Ethics Compliance	FY19-513	Review procedures and record-keeping processes evidencing compliance with Assembly Bill 1234.	Compliance	180	202	(22)	Complete 10-31-19
Express Lanes Program							
Master Custodial Agreement	FY19-514	Review and test activities related to the Master Custodial Agreement between the Orange County Transportation Authority (OCTA), Riverside County Transportation Commission, and the Bank of the West for tracking and deposit of revenues and transponder deposits.	Compliance	300	308	(8)	Complete 12-10-19
Human Resources and Organizational Development							
Medical Exams	FY20-5XX	Assess and test controls to ensure compliance with Federal Motor Carrier Safety Administration regulations, policy and procedurs related to employee medical safety certifications.	Compliance	180	92	88	In Process
Department of Motor Vehicles (DMV) Pull Notice Program	FY20-5XX	Assess and test operation of the DMV Pull Notice Program.	Compliance	240		240	

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan
Second Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Capital Programs							
Interstate 5 (I-5) Project: State Route (SR) 55 to SR-57	FY20-5XX	Review the I-5 Project: SR-55 to SR-57, including project administration, oversight controls, and contract compliance.	Internal Control/ Compliance	300		300	
Orange Transportation Center Parking Structure Project	FY19-508	Review of the Orange Transportation Center Parking Structure Project, including project administration, oversight controls, and contract compliance.	Internal Control	220	184	37	Complete 10-31-19
Planning							
Comprehensive Transportation Funding Programs (CTFP): Oversight and Reporting	FY20-5XX	Review and assessment of OCTA's monitoring and reporting controls related to CTFP projects.	Internal Control	240		240	
Operations							
Coach Operator Scheduling	FY19-505	Review the coach operator scheduling process, including the use of the HASTUS application.	Operational	80	88	(8)	Complete 8-26-19
Same Day Taxi Service	FY20-503	Assess adequacy of oversight controls and contract compliance with key provisions of the agreement with Yellow Cab of Orange County for the provision of Same Day Taxi Service.	Internal Control/ Compliance	300	274	27	In Process
Revenue Vehicle Maintenance	FY20-506	Evaluate the adequacy of controls in place to ensure compliance with revenue vehicle maintenance standards and test for compliance with maintenance policy and procedures.	Operational	300	57	243	In Process
Finance and Accounting							
Treasury	FY20-502	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	177	23	Complete 11-4-19
Grant Closeouts	FY19-510	As-needed, required financial and compliance audits of grants at closeout to ensure propriety of expenditures.	Compliance	40	22	18	Complete 7-31-19
Renewable Natural Gas Credits	FY19-511	Review and test compliance with the agreement with Element Markets for renewable gas credits.	Compliance	60	23	37	Complete 7-16-19
Corporate Credit Cards	FY20-5XX	Evaluate the adequacy of controls over corporate credit cards and test for compliance with policy and procedures.	Operational	240	222	18	Complete 12-23-19
Interagency Revenue Agreements	FY20-5XX	Review and test activities related to the interagency fare revenue agreements between OCTA and Southern California Regional Rail Authority and the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency.	Operational	240	160	80	In Process
Banking Services - Bank of the West	FY20-5XX	Assess and test controls to ensure compliance with the agreement between OCTA and Bank of the West for banking services.	Operational/ Compliance	240	22	218	
Information Systems							
Patch Management	FY20-501	Assess the adequacy of the patch management program.	Operational	120	77	43	In Process

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan
Second Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Contract Administration and Materials Management (Camm)							
Price Reviews	PR20-5XX	As requested by the Contracts Administration and Materials Management (Camm) Department, apply agreed-upon procedures to Sole Source, Single Bid, and Architectural and Engineering firm proposals.	Price Review	800	327	473	6 Reports Issued
Buy America	FY20-5XX	As requested by Camm, apply agreed-upon procedures to determine compliance with Buy America requirements.	Buy America	200		200	
External Affairs							
Bus Marketing	FY19-512	Review the bus marketing program; assess and test oversight controls and contract compliance over contracts for bus marketing.	Operational/ Compliance	160	453	(293)	Complete 12-5-19
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY20-800	Time allowed for unplanned audits and/or to address requests from the Board and management.	Varies	240	35	205	
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY20-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	7	53	
Metrolink Audit Activities	FY20-602	Obtain and review audit results of Metrolink activities.	Non-Audit Service	40		40	
Capital Asset Inventory Observation	FY20-603	At the request of the Finance and Administration Division, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80		80	
Bus Base Inspections	FY20-604	At the request of the Operations Division, participation on annual base inspection teams.	Non-Audit Service	40	20	20	Complete
Follow-up Reviews							
Follow-up Reviews and Reporting	FY20-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-up	320	149	171	
Total Audit Project Planned Hours (A)				6,650	3,390	3,261	

Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2019-20 Internal Audit Plan
Second Quarter Update

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	58	122	
Executive Steering and Agenda Setting Meetings				180	60	121	
Internal Audit Staff Meetings				150	86	64	
Other Administration				1,500	747	754	
			Total Hours (B)	8,660	4,340	4,321	
			Department Target Efficiency (A/B)	75%	78%		
			Target Efficiency - Professional Staff	80%	82%		

**Outstanding Audit Recommendations
Second Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
6/17/19	19-506	Human Resources and Organizational Development (HROD)	Construction Safety Program	The Internal Audit Department (Internal Audit) recommends that management further develop policies, procedures, and guidelines to provide a comprehensive, risk-based framework for monitoring contractor compliance with construction safety regulations.	Dec-19	Management concurs with the recommendation and will further evaluate the safety specifications levels and make appropriate revisions to streamline the requirements of submittal deliverables for lower risk contracts. Management will also implement procedures to ensure safety-related training for project managers and safety reporting by applicable contractors.	In Process
6/17/19	19-506	HROD	Construction Safety Program	Internal Audit recommends that management develop procedures for documenting and tracking safety activities. Documented activities, and follow-up of safety issues observed, should be retained and used to complete monthly activity reports.	Dec-19	Management concurs with the recommendation and will develop a tracking tool to document applicable construction safety activities and observations.	In Process
3/12/19	N/A	Planning Division (Planning) and Finance and Administration (F&A)	Measure M (M2) City Audits: Local Fair Share and Senior Mobility Program	M2 Local Programs staff should review observations with legal counsel and develop recommendations for the Board of Directors' (Board) consideration. In addition, Planning and F&A staff should monitor implementation of corrective action by cities.	Sep-19	Staff will review observations and make recommendations for Board action, as appropriate. Staff will also follow-up with cities to provide information on requirements and obtain revised Expenditure Reports, as applicable.	In Process - Update Jan 2020 - Staff has followed up with cities; all cities with findings attended a M2 Finance Directors workshop where all findings were reviewed. Several cities with findings will be re-audited in the coming months with results presented to the Board. The cities of Santa Ana and Stanton have been found ineligible pending the outcome of fiscal year 2018-19 agreed-upon procedures.
10/31/2019	19-513	Clerk of the Board and HROD	Board Member Compensation, Mileage Reimbursements, and Training	Internal Audit recommends management update policies and procedures to address all applicable payments and payees, to require training of all compensated persons representing the Orange County Transportation Authority (OCTA) on boards and/or committees, and to ensure proper communication of policies to Board members, and former Board members representing OCTA, on a periodic basis.	Apr-20	The policy will be revised and provided to all Board members and former Board members by December 2019, upon update, and annually thereafter. Revisions to the language in the Personnel and Salary Resolution will be made and presented for Board approval with the fiscal year 2020-21 budget.	

**Outstanding Audit Recommendations
Second Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
10/31/19	19-508	Capital Programs and F&A	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	Internal Audit recommends that independent cost estimates (ICE's) be prepared prior to receipt of price and cost information from contractors. Internal Audit also recommends that project management instruct Construction Management consultants (CM's) to retain documentation evidencing scrutiny of force account costs, including credits. For future contracts, Internal Audit recommends contract language outlining labor costs paid on force account be clarified and enforced, with consideration for treatment of payroll insurance and taxes.	Apr-20	<p>Management agrees that an ICE should be prepared to support proposed contract change orders. The detailed ICE will then be used by the CM and the project manager (PM) to reconcile and determine the adequacy of any costs provided by the contractor. The CM will be required to document justification or source for individual line items in the ICE. CM's will also be reminded to assure that appropriate documentation is retained to support force account costs paid to, or credits taken from, the contractor.</p> <p>The Contracts Administration and Materials Management Department (CAMP) will work with legal counsel on language on how to treat payroll insurance and taxes for force account labor and to provide clarity to the contract provisions.</p>	
10/31/19	19-508	Capital Programs and F&A	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	<p>Internal Audit recommends that prime and sub-consultants be required to have an adequate labor timekeeping system.</p> <p>Management should remind consultants of the need to request amendments to add staff, labor rates, and other direct costs in a timely fashion.</p>	Apr-20	<p>Capital Programs will work with CAMP to include language in the Personnel Qualifications and Responsibilities section of future Request for Proposals to require both prime contractors and sub-consultants to have an adequate labor timekeeping system.</p> <p>During project kick-off meetings after contract execution and in on-going meetings with the PM's, CAMP staff will emphasize the need for timely submission of requests for amendments.</p>	
10/31/19	19-508	External Affairs	Oversight Controls and Contract Compliance related to the Orange Transportation Center Parking Structure Project	Internal Audit recommends management develop and implement written procedures to outline roles and responsibilities of staff tasked with implementing operations and maintenance agreements, and performing ongoing oversight of agencies taking possession of assets built with federal funds.	Apr-20	Management agrees with the recommendation and is coordinating across all divisions within the agency to develop procedures that ensure adequate monitoring and oversight of federal facilities that are owned and maintained by an OCTA subrecipient.	
11/4/2019	20-502	F&A	Investments: Compliance, Controls, and Reporting January 1, 2019 through June 30, 2019	Internal Audit recommends the Treasury Department implement and document a more robust secondary review to ensure the accuracy of investment information presented to the Board.	May-20	Management has already implemented the use of a more robust review process by utilizing a checklist that validates each data input and is signed by the reviewing manager to ensure the integrity of the data for the Monthly and Quarterly Investment and Debt Reports.	

**Outstanding Audit Recommendations
Second Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
11/4/2019	20-502	F&A	Investments: Compliance, Controls, and Reporting January 1, 2019 through June 30, 2019	Internal Audit recommends that management revise the policy compliance schedule to evaluate all applicable investments in accordance with the policy. Also, if management intends to exempt debt reserve funds from diversification and maturity limits, the policy should be updated accordingly. Finally, the schedule should include information on indenture requirements and determination of compliance.	May-20	Management has already made a change to include cash equivalents in the compliance schedule. Management also agrees that additional clarification is required to expressly exempt debt service reserve funds from the policy and will make this change during the next update cycle. Finally, management will include information detailing indenture requirements and compliance going forward.	
12/5/2019	19-512	External Affairs	Bus Marketing	Management should revise practices to ensure that contracts for similar services are combined and contract terms are set for longer periods when recurring services are sought. Management should train staff and perform monitoring, to ensure procurements are not being designed to fall under approval thresholds.	Jun-20	Management concurs and has begun to implement practices to have longer terms and consolidate future contracts for similar services to support Bus Marketing needs. External consulting expertise will be procured to provide project management training. Management has also implemented a requisition process with added controls that will ensure procurements are not being designed to fall under approval thresholds.	
12/5/2019	19-512	External Affairs	Bus Marketing	Management should undergo training to reiterate the responsibilities of those charged with reviewing and approving invoices. Invoice Review Checklists should be blank and completed as invoices are reviewed.	Jun-20	Management has implemented a program controls function for all marketing and customer engagement contracts. This new function will ensure thorough and accurate reviews, approvals, and payments of contract invoices. Additionally, training will be provided.	
12/5/2019	19-512	External Affairs	Bus Marketing	Internal Audit recommends written procedures be reviewed with project managers and management require documented compliance with requirements. Documentation should include the source and support of stated evaluation criteria and related results.	Jun-20	Management will evaluate and update the current processes and procedures manual to reflect current needs and work environment to include the source and support of stated evaluation criteria and related results. It is expected that the new processes, procedures, and training will be completed by the end of December 2020.	

**Outstanding Audit Recommendations
Second Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
12/20/2019	20-504	F&A	Corporate Credit Cards	Management should update policies to provide additional guidance for obtaining and documenting approvals.	Jun-20	Management will clarify procedures for the approval of business meals and purchase of complete tables. The procedures will also outline the acceptable forms of written authorization, such as interoffice memo, email, etc. Management anticipates implementing the changes in early January 2020.	

**Audit Recommendations Closed During
Second Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Management Response
10/10/18	18-514	Operations Division (Operations) and Finance and Administration (F&A)	ACCESS Service	The Internal Audit Department (Internal Audit) recommends that management enhance procedures for monitoring of ACCESS fare revenue. Procedures should include monitoring of coupons collected by both MV Transportation, Inc. (MV) and Yellow Cab, reconciliation of MV's daily coupon count sheets to the farebox reconciliation document, and investigation of variances exceeding a stated threshold.	Management agrees to enhance procedures for monitoring of ACCESS fare revenue and coupons collected by both MV and Yellow Cab. In addition, management will continue to reconcile count sheets to the farebox reconciliation report and will establish a threshold for researching variances. Update December 2019: Management has implemented a procedure whereby variances greater than one percent are deducted from MV invoices. In addition, management has implemented a procedure for monitoring coupons collected by Yellow Cab.
4/5/19	19-504	F&A	Mobile Ticketing Operations	Controls should be implemented to ensure timely removal of system access upon employee termination.	Management agrees to develop and implement policies and procedures to ensure timely removal of system access upon employee termination or reassignment. Update October 2019: Management has updated policies to include periodic review of system access.
4/5/19	19-504	F&A	Mobile Ticketing Operations	Written policies and procedures should be developed for mobile ticketing operations and activities.	Management agrees to develop policies and procedures to ensure proper identification and assignment of responsibilities, and continuity of operations in the absence of key staff. Update October 2019: Management has developed policies and procedures outlining the roles and responsibilities of staff related to Mobile Ticketing operations.
4/9/19	19-503	Human Resources and Organizational Development (HROD)	Recruitment and Employment	Internal Audit recommends management develop and implement detailed procedures that address all recruitment steps and reconsider whether to hire applicants with pending license suspensions or implement monitoring controls.	Management is in the process of revamping its procedures to address all recruitment steps, including procedures specific to coach operator and maintenance employee recruitments. Procedures will be developed to address the screening, hiring, and monitoring of applicants with pending license suspensions, pending criminal cases, and unfavorable or missing references, consistent with California law. Update November 2019: Management has updated procedures to address Coach Operator and Maintenance employee recruitments and monitoring of applicants with pending criminal charges and unfavorable or missing references. Per the new procedures, applicants with pending license suspensions may not proceed in the process until the license issue is resolved.
4/9/19	19-503	HROD	Recruitment and Employment	Internal Audit recommended management enhance procedures to ensure offers of relocation are properly approved and adequately documented. Management should also implement monitoring controls to enhance compliance with recruitment policies and procedures.	Management has provided the policy to staff and has developed template language to be included in applicant offer letters when relocation expenses are to be reimbursed. The offer letter requires the candidate's signature and agreement with the policy. Management will develop controls to ensure compliance with the policy. Update November 2019: Management has updated procedures and offer letter template language, as indicated, and has implemented a closeout review of the recruitment to ensure compliance with policies and procedures.

**Audit Recommendations Closed During
Second Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Management Response
4/9/19	19-503	HROD	Recruitment and Employment	Since service workers are required to operate buses, even on a limited basis, Internal Audit recommends that management reconsider the removal of the commercial driver license requirement. Alternatively, management should issue a formal directive to base management that service workers should never be asked or allowed to drive buses outside base property.	Management will update the policy to address licensing requirements by position. For positions that do not require a commercial license, the policy will state that the individuals should not operate buses outside of the base property. Update November 2019: The policy has been updated as indicated.
4/30/19	19-507	F&A	Investments: Compliance, Controls and Reporting July 1 - December 31, 2018	Internal Audit recommends that additional training be provided on the preparation of investment worksheets and reports. Also, Internal Audit recommends that Treasury use custodial statements as the basis for preparing the reports or, if Clearwater book values are used for reporting, that reconciliations be performed and documented.	In the future, if Clearwater book values are used for reporting, staff will reconcile any differences between the Clearwater values and the custodial bank statement values. In addition, staff has provided additional training and modified the review process to improve reporting. Update October 2019: Management now uses the custodial bank statement values for reporting, and has worked to improve the process for preparing reports.
4/30/19	19-507	F&A	Investments: Compliance, Controls and Reporting July 1 - December 31, 2018	Internal Audit recommends Treasury implement controls to monitor the ten percent threshold for asset-backed securities and ensure secondary review of daily holding reports is performed as required.	Management now uses a report that segregates mortgage and asset-backed securities so that the ten percent threshold can be monitored. In addition, a process has been put in place for secondary review of holding reports. Update October 2019: Management has implemented procedures for monitoring the ten percent threshold and performs secondary review.

**Audit Recommendations Closed During
Second Quarter, Fiscal Year 2019-20**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Management Response
4/1/19	N/A	Operations, Planning Division, and F&A	Fiscal Year (FY) 2016-18 Transportation Development Act (TDA) Performance Audit Orange County Transportation Authority (OCTA)	Kimley Horn provided seven recommendations for consideration. The recommendations focused primarily on continuing existing efforts to enhance reporting processes, increase ridership, maximize revenues, improve documentation of the farebox recovery ratio, and planning for impacts of longer bus lives and clean fleet requirements. Kimley Horn also offered recommendations to improve paratransit services by performing recurring route efficiency reviews and considering alternative contracting models for the service.	Management agrees with the recommendations included in the FY 2016-18 TDA Performance Audit of OCTA. Update November 2019: OCTA management provided Internal Audit with status updates for the seven recommendations included in the report. The updates outlined management's ongoing efforts and planned actions addressing the recommendations.
4/1/19	N/A	F&A	FY 2016-18 TDA Performance Audit Laguna Beach Municipal Transit Lines (LBMTL)	Direct staff to monitor implementation of recommendations included in the FY 2016-18 Triennial Performance Audit of LBMTL.	Update November 2019: The City of Laguna Beach provided OCTA staff with a formal status update on the recommendations included in the FY 2016-18 TDA Performance Audit of LBMTL. This formal update is provided on an annual basis as part of the City's annual TDA claim process.



January 22, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department

Subject: Same-Day Taxi Service, Internal Audit Report No. 20-503

Overview

The Internal Audit Department has completed an audit of same-day taxi service. Based on the audit, program and contract oversight controls and invoice review controls are adequate and functioning, and Yellow Cab of Greater Orange County complies with contract terms. One recommendation was made to improve procurement of this service in the future.

Recommendation

Direct staff to implement the recommendation provided in Same-Day Taxi Service, Internal Audit Report No. 20-503.

Background

Under the Same-Day Taxi Program, the Orange County Transportation Authority (OCTA) subsidizes up to five miles of a taxi trip for ACCESS eligible customers. The customer pays \$3.60 for up to five miles, plus any additional costs above the five-mile trip. Rides are scheduled the same day through calls or a mobile application. The hours of operation are 6am to 8pm, daily.

OCTA and Yellow Cab of Greater Orange County (Yellow Cab) entered into Agreement No. C-8-1440 to provide same-day taxi services. The contract term runs from September 1, 2018 through August 31, 2020, with a maximum obligation of \$5,032,613. Under the payment terms, OCTA pays a subsidy rate for each approved trip. The contract establishes five performance standards related to on-time performance, valid complaints, accident reporting, call center telephone hold time, and non-compliance with driver requirements.

Program management staff reviews driver credentials for all new drivers placed into service and performs monthly reviews of driver licenses and pull notices due to expire that month. Staff also performs quarterly reviews of drug and alcohol program monitoring, Telephone Device for the Deaf test calls, and vehicle maintenance records.

Discussion

It was determined during the procurement that only two taxicab providers had fleet sizes sufficient to meet the Scope of Work (Scope). One of the two providers inquired as to whether the Scope could be bifurcated geographically; however, no change was made. After receiving only one proposal, from Yellow Cab, staff inquired as to why the other provider had not proposed; the response confirmed that the scope of the commitment prevented the firm from competing. Additionally, Procurement Policies and Procedures (P&P) for evaluation committee composition, interview, and proposal evaluation were not employed, since only one proposal was received. Also, the staff recommendation for award was not placed on the regular calendar at the Board of Directors' committee meeting, as required. For future procurements, the Internal Audit Department (Internal Audit) recommended that management assess the likelihood of competition. Internal Audit also recommended that management ensure compliance with P&P or revise the P&P accordingly. Management agreed to comply with the recommendation and will conduct an industry workshop with potential vendors to assess the likelihood of competition in the future. Management will also revise the P&P to require that staff follow the competitive negotiated procurement procedures when single proposals are received.

Summary

Internal Audit made one recommendation to improve future procurements.

Attachment

A. Same-Day Taxi Service, Internal Audit Report No. 20-503

Prepared by:



Serena Ng
Senior Manager, Internal Audit
714-560-5938

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Same-Day Taxi Service

Internal Audit Report No. 20-503

January 8, 2020



Performed by: Serena Ng, CPA, Senior Manager
Janet Sutter, CIA, Executive Director

Serena K. Ng

Distributed to: Jennifer Bergener, Chief Operating Officer
Andrew Oftelie, Chief Financial Officer
Beth McCormick, Virginia Abadessa, Sean Murdock,
Johnny Dunning, Victor Velasquez, Pia Veasapen, Jack Garate,
Russell Henry, Kevin Quon

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020**

Table of Contents

Conclusion	1
Background	1
Objectives, Scope, and Methodology	3
Audit Comment, Recommendation, and Management Response.....	5
Procurement of Same-Day Taxi Service.....	5

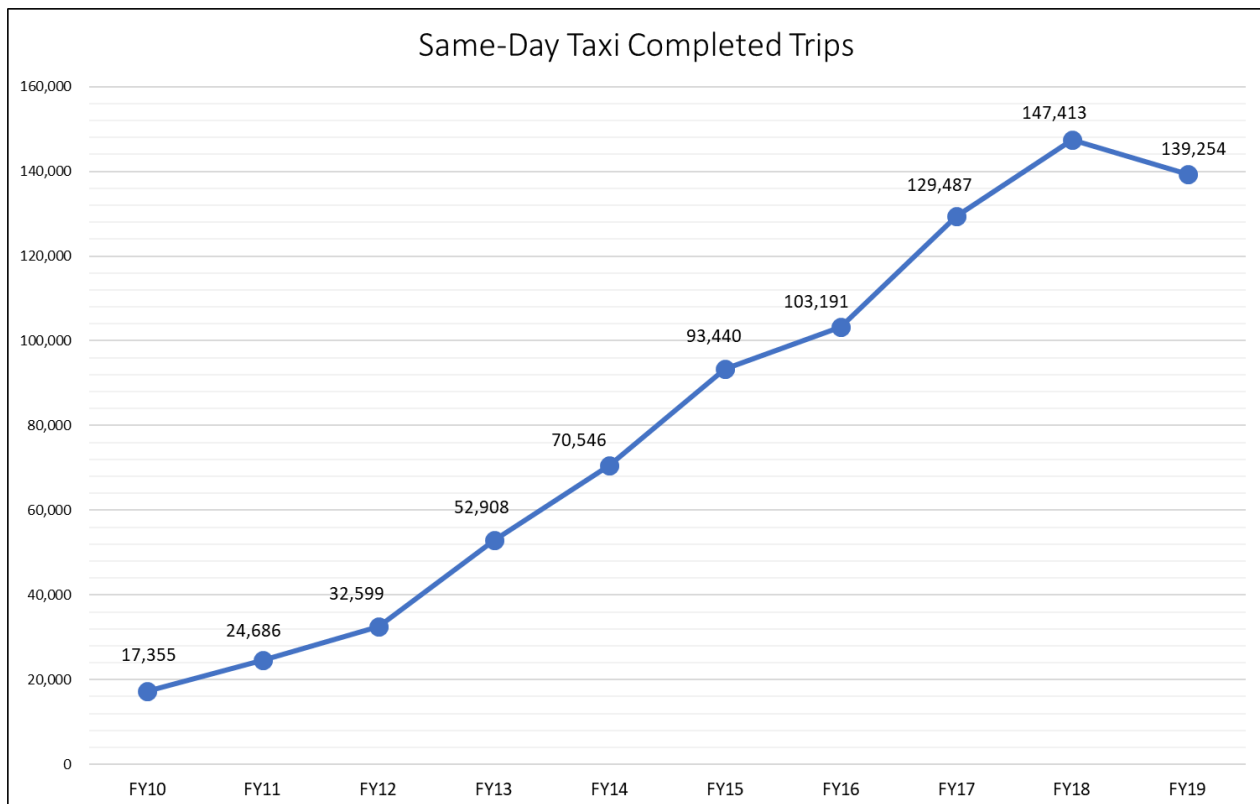
**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020**

Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of same-day taxi service. Based on the audit, program and contract oversight controls and invoice review controls are adequate and functioning, and Yellow Cab of Greater Orange County (Yellow Cab) complies with contract terms. One recommendation was made to improve procurement of this service in the future.

Background

On October 25, 2004, the OCTA Board of Directors (Board) approved a Paratransit Growth Management Plan that included initiation of a same-day taxi service for OC ACCESS¹ eligible customers. Under the Same-Day Taxi Program, OCTA subsidizes up to five miles of a taxi trip for ACCESS eligible customers. The customer pays \$3.60 for up to five miles, plus any additional costs above the five-mile trip. Rides are scheduled the same day through calls or a mobile application (app). The hours of operation and request are 6am to 8pm daily. Same-day taxi ridership has increased significantly over the years, as shown below:



¹ ACCESS is OCTA's curb-to-curb paratransit service for people unable to use regular bus service due to a disability.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020

OCTA and Yellow Cab entered into Agreement No. C-8-1440 to provide same-day taxi services, with Yellow Cab providing vehicles, drivers, maintenance, and associated services, and with Cabco Yellow, Inc., named as a subcontractor. The contract term runs from September 1, 2018 through August 31, 2020, with two, one-year option terms, and a maximum obligation of \$5,032,613. Under the payment terms, OCTA pays a subsidy rate for each approved trip. The contract establishes five performance standards related to on-time performance, valid complaints, accident reporting, call center telephone hold time, and non-compliance to driver requirements. Incentives and/or penalties are applied based on Yellow Cab's achievement of performance standards. The contract also includes requirements related to insurance coverage, driver background investigations, driver records, and vehicle preventive maintenance inspections.

Program management staff reviews driver credentials for all new drivers placed into service and performs monthly reviews of driver licenses and pull notices due to expire that month. Staff also performs quarterly reviews of drug and alcohol program monitoring, Telephone Device for the Deaf (TDD) test calls, and vehicle maintenance records. Reports of these reviews are copied to department management.

Financial Planning and Analysis (FP&A) staff prepares invoices using dashboard reports pulling in Trapeze system data, mobile app trip reports from Yellow Cab, and performance standard information provided by program management and Yellow Cab. Mobile app trips are booked using Yellow Cab's mobile app technology and do not run through Trapeze. After the invoice is fully developed, FP&A sends the invoice to Yellow Cab for concurrence, and Yellow Cab then sends a bill. FP&A assembles the whole invoice package and routes it for signature approval. Invoices are reviewed by management and approved in accordance with payment authorization levels, and the authorized invoices are sent to Accounts Payable for payment.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020

Objectives, Scope, and Methodology

The objectives were to evaluate contract compliance for the Yellow Cab contract and assess internal controls related to procurement, program and contract oversight, and invoicing.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.² The components and principles that were evaluated as part of this audit are:

- Control Environment
 - Management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Risk Assessment
 - OCTA specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
 - OCTA identifies and assesses changes that could significantly impact the system of internal control.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
 - OCTA deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Information and Communication
 - OCTA obtains or generates and uses relevant, quality information to support the functioning of internal control.

The methodology consisted of testing compliance with procurement policies and procedures, testing compliance with key contract terms and evidence of related monitoring controls, testing performance standards and the related incentives and penalties, assessing invoice review controls and testing invoices for compliance with policies and contract provisions, and reviewing same-day taxi customer surveys.

The scope is limited to same-day taxi service and the current contract with provider Yellow Cab. The scope excluded ACCESS service and the prior contract for the service. The scope included selected procurement policies, contract requirements for insurance

² See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020

coverage and driver background checks, the last same-day taxi customer survey and the upcoming survey, and all invoices and performance standards from contract inception through June 2019, including a test of five mobile app customers per month for ACCESS eligibility. The scope also included program management's periodic reviews of driver credentials, drug and alcohol program monitoring, vehicle maintenance records, and TDD calls, from contract inception through October 2019. The judgmental sample of driver background checks was selected to capture drivers permitted at different times based on permit numbers, and the judgmental sample of mobile app customers for ACCESS eligibility was selected to capture different customers. Since the samples are non-statistical, any conclusions are limited to the sample items tested.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Same-Day Taxi Service
January 8, 2020**

Audit Comment, Recommendation, and Management Response

Procurement of Same-Day Taxi Service

Procurement file information noted that, during the procurement, it was determined that only two taxicab providers in Orange County had fleet sizes sufficient to meet the Scope of Work (Scope). One of these two companies inquired as to whether the Scope could be bifurcated geographically. Staff's answer referred to standard Request for Proposal language that allows OCTA to award to one or more offerors; however, no change to the Scope was made. After receiving only one proposal, procurement staff inquired as to why the second company had not proposed. The company then confirmed that the scope of the commitment prevented them from competing.

Additionally, Procurement Policies and Procedures (P&P) for evaluation committee composition, interview, and proposal evaluation were not employed, since only one proposal was received. Also, the staff recommendation for award was not placed on the regular calendar at the Board committee meeting, as required by P&P.

Recommendation 1:

For future procurements, Internal Audit recommends that management assess the likelihood of competition based on the number of taxi providers with a sufficient, available fleet to meet the required service levels. In addition, Internal Audit recommends that management ensure compliance with P&P or revise the P&P accordingly.

Management Response (Contracts Administration and Materials Management Department):

Contracts Administration and Materials Management Department (CAMP) agrees to comply with the recommendation to assess the likelihood of competition based on the number of taxi providers with a sufficient, available fleet to meet the required service levels for future same-day taxi service procurements. To accomplish this, staff will conduct an industry workshop with potential vendors to assess the likelihood of competition recognizing that this industry is rapidly evolving.

The current practice when receiving a single proposal is for the contract administrator, the project manager, and a subject matter expert or a stakeholder to meet to evaluate the single proposal and may conduct an interview. This practice was followed in this instance. For future instances where only a single proposal is received, CAMP agrees to implement Internal Audit's recommendation to revise the P&P to require staff to follow the same procedures as a competitive negotiated procurement.



January 22, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Second Quarter Fiscal Year 2019-20 Procurement Status Report

Overview

The second quarter procurement status report summarizes the procurement activities for information purposes to the Orange County Transportation Authority Board of Directors. This report focuses on procurement activity from October 1 through December 31, 2019, that was approved by the Board of Directors during this period. The second quarter procurement status report also projects future procurement activity for the third quarter as identified in the fiscal year 2019-20 budget.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority Fiscal Year (FY) 2019-20 Budget, which identifies the goods and services that will be purchased during the FY. A quarterly procurement report has been prepared detailing the procurement activity for line items that were approved by the Board during the second quarter of FY 2019-20. The report also provides a “look-ahead” of upcoming procurement activity by Board committee. The quarterly procurement report identifies contractual activity, not dollars spent.

Discussion

During the second quarter of FY 2019-20, the Contracts Administration and Materials Management Department handled 432 different contractual documents. Of the total, 318 procurements, valued at \$94,918,793 were

completed; the remaining procurements will be executed during the third quarter of FY 2019-20.

In the second quarter, the Board acted on 31 procurements. The procurements were split between 10 new agreements valued at \$45,556,306, one amendment valued at \$1,500,000, nine construction change orders valued at \$6,479,760, three cooperative agreements valued at \$140,878,631, five amendments to cooperative agreements valued at \$3,625,500, and three purchase orders valued at \$8,106,220. Not all procurements are completed within the quarter in which they begin. Often, the procurements require cost and price reviews and negotiations which can lengthen the procurement process. Procurements not completed within the second quarter will be completed in the third quarter of FY 2019-20. Attachment A shows a list of Board-approved procurements during the second quarter.

Looking forward to the third quarter of FY 2019-20 (January through March 2020), the Board committees will be asked to take action on several items such as:

- Consultant selection for on-call traffic engineering and intelligent transportation systems services;
- Consultant selection for the Interstate 405 Improvement Project public outreach services;
- Consultant selection to prepare preliminary engineering and environmental services for the State Route 91 Improvement Project between La Palma and State Route 55; and
- Award an agreement for Vanpool Service Providers

The estimated value of these upcoming procurements is \$68,360,942. Attachments B through E identify procurement activity anticipated in the third quarter of FY 2019-20 by the committee that will review the items.

Summary

This report provides an update of the procurement activity for the second quarter of FY 2019-20, October through December 2019, as well as a look-ahead at anticipated procurement activity for the third quarter of FY 2019-20. Staff recommends that this report be received and filed as an information item.

Attachments

- A. Board-Approved Contracts – Second Quarter FY 2019-2020
- B. Regional Planning and Highways Committee – Third Quarter Outlook
(January 1, 2020 – March 31, 2020)
- C. Transit Committee – Third Quarter Outlook
(January 1, 2020 – March 31, 2020)
- D. Finance and Administration Committee – Third Quarter Outlook
(January 1, 2020 – March 31, 2020)
- E. Legislative and Communications Committee – Third Quarter Outlook
(January 1, 2020 – March 31, 2020)

Prepared by:



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

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649

Board-Approved Contracts - Second Quarter FY 2019-2020

AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Cardinal Infrastructure, LLC	9-1360	Strategic Consultation on Federal Transportation Program Development, Regulatory and Funding Processes	11/6/2019	11/30/2021	\$318,000
Moore and Associates	9-1505	Transportation Needs Assessment	11/12/2019	5/31/2021	\$426,557
Clarity Partners, LLC	9-1083	Budget and Forecasting Software	1/10/2020	2/28/2023	\$536,067
Gannett Fleming, Inc.	9-1143	Preliminary Engineering and Environmental Services for the Metrolink Orange County Maintenance Facility	2/1/2020	12/31/2022	\$3,034,310
Alta Planning + Design	9-1433	Safe Travels Education Program	1/1/2020	12/31/2021	\$500,000
Cofiroute USA, LLC	9-1177	Back-Office System and Customer Service Center Operations for the 91 Express Lanes	1/30/2020	1/31/2033	\$35,420,566
Thomas Gallaway Corporation dba Technologent	9-1543	Datrium Disaster Recovery Solution	12/3/2019	12/31/2024	\$985,638
Ninyo & Moore Geotechnical & Environmental Science Consultants	9-1356	On-Call Materials Testing and Inspection Services for Facilities Projects	12/1/2019	12/31/2022	\$461,465
Stantec, Inc.	9-0965	Plans, Specifications and Estimates for Transit Security and Operations Center	3/2/2020	12/30/2023	\$3,500,000
FFBH Motors, LLC dba Frontier Ford	9-1646	Nine Model Year 2020 Ford Explorer Hybrid Vehicles	11/25/2019	11/20/2020	\$373,703
TOTAL NUMBER OF CONTRACTS					10
TOTAL DOLLAR VALUE					\$45,556,306

AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
HNTB Corporation	5-3337	Amendment No. 8 Extend Agreement Term by 26 Months	11/21/2019	2/28/2022	\$1,500,000
TOTAL NUMBER OF AMENDMENTS					1
TOTAL DOLLAR VALUE					\$1,500,000

CONTRACT CHANGE ORDERS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
OC 405 Partners	5-3843	CCO No. 45 Extend the City of Fountain Valley Water Lines Adjacent to the Warner Avenue Overcrossing Bridge	10/17/2019	12/31/2025	\$256,244
OC 405 Partners	5-3843	CCO No. 8.2 Collect and Dispose of Unknown Hazardous Materials	12/5/2019	12/31/2025	\$400,000
Reyes Construction, Inc.	7-2018	CCO No. 2 Additional Railroad Flagging Allowance for the Laguna Niguel to San Juan Capistrano Passing Siding Project	11/13/2019	11/8/2021	\$2,300,000
OC 405 Partners	5-3843	CCO No. 13.1 Installation of a Permanent Traffic Signal at the Intersection of Warner Avenue and Greenleaf Street	1/15/2020	12/31/2025	\$460,327
OC 405 Partners	5-3843	CCO No. 27.1 Additional Utility Work to support Southern California Edison Relocations on Milton Avenue in the City of Westminster	1/15/2020	12/31/2025	\$353,106
OC 405 Partners	5-3843	CCO No. 46 Extend Water Lines Adjacent to the Talbert Avenue and Brookhurst Street Overcrossing Bridges in the City of Fountain Valley	1/15/2020	12/31/2025	\$389,978

Board-Approved Contracts - Second Quarter FY 2019-2020

OC 405 Partners	5-3843	CCO No. 47 Install Additional Water Valves at the Talbert Avenue, Warner Avenue and Brookhurst Street Overcrossing Bridges in the City of Fountain Valley	1/15/2020	12/31/2025	\$266,828
Walsh Construction Company II, LLC	7-1904	CCO No. 4.1 Address Utility Conflicts for the Construction of the OC Streetcar Project	1/15/2020	1/19/2022	\$833,300
WKE, Inc.	7-1719	Amendment No. 3 Additional Design Services for the SR 55 Improvement Project between I-405 and I-5	12/13/2019	12/31/2024	\$1,219,977
TOTAL NUMBER OF CONTRACTS					9
TOTAL DOLLAR VALUE					\$6,479,760

COOPERATIVE AGREEMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
California Department of Transportation	9-1600	Segment 3 of the I-5 Widening Project Between Alicia Parkway and El Toro Road	1/31/2020	12/31/2025	\$136,615,000
California Department of Transportation	9-1620	Freeway Service Patrol Program Fund Transfer	7/1/2019	6/30/2022	\$2,294,286
California Department of Transportation	9-1631	Freeway Service Patrol Program Fund Transfer	7/1/2019	6/30/2022	\$1,969,345
TOTAL NUMBER OF CONTRACTS					3
TOTAL DOLLAR VALUE					\$140,878,631

COOPERATIVE AMENDMENTS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
City of Anaheim	4-1714	Amendment No. 1 Anaheim Canyon Metrolink Rail Station Improvement Project	12/3/2020	12/31/2025	\$273,000
City of Costa Mesa	5-3612	Amendment No. 2 Additional City Services for the I-405 Improvement Project	1/15/2020	4/30/2023	\$249,500
Southern California Regional Rail Authority	9-1127	Amendment No. 1 Change from No Cost to \$703,000 as Directed by Caltrans	11/14/2019	12/31/2025	\$703,000
California Department of Transportation	7-1753	Amendment No. 2 Increase Design Funding for the SR 55 Improvement Project between I-405 and I-5	2/1/2020	8/30/2020	\$1,500,000
California Department of Transportation	3-1504	Amendment No. 4 Increase Construction Capital Funding for Construction of the I-5 High-Occupancy Vehicle Improvement Project between Pacific Coast Highway and San Juan Creek Road	2/1/2020	12/31/2020	\$900,000
TOTAL NUMBER OF CONTRACTS					5
TOTAL DOLLAR VALUE					\$3,625,500

PURCHASE ORDERS

Prime Vendor	Contract #	Contract Description	Eff Date	Exp Date	Amount
Marsh Risk and Insurance Services, Inc.	A44072	Excess Liability Insurance	11/1/2019	11/1/2020	\$800,000
Gillig, LLC	9-1001	Purchase 12, 30-foot Heavy Duty Compressed Natural Gas (CNG) Powered Buses for iShuttle Service	10/30/2019	11/1/2022	\$6,756,220
Marsh Risk and Insurance Services, Inc.	A44100	Purchase Property Insurance	12/1/2019	12/20/2019	\$550,000
TOTAL NUMBER OF CONTRACTS					3
TOTAL DOLLAR VALUE					\$8,106,220

REGIONAL PLANNING and HIGHWAYS COMMITTEE - Third Quarter Outlook (January 1, 2020 - March 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
January 6, 2020	Consultant selection for on-call traffic engineering and intelligent transportation systems services	\$5,300,000	Capital Programs
February 3, 2020	Consultant selection for the preparation of plans, specifications and estimates for the State Route 91 Improvement Project between La Palma Avenue and State Route 55	\$14,000,000	Capital Programs
	Construction Change Orders with the OC405 Partners for the Interstate 405 Improvement Project	\$4,100,000	Capital Programs
	Cooperative Agreement with the California Department of Transportation, Union Pacific Railroad Company and the Orange County Transportation Authority for the construction and maintenance of the Bolsa Overhead structure as part of the Interstate 405 Improvement Project	\$781,700	Capital Programs
March 2, 2020	Construction Change Orders with the OC405 Partners for the Interstate 405 Improvement Project	\$4,500,000	Capital Programs

TRANSIT COMMITTEE - Third Quarter Outlook (January 1, 2020 - March 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
January 9, 2020	Contract award for the lease and service of bus tires at all operating bases	\$10, 245,764	Operations
	Construction Change Order with Walsh Construction Company, Inc. for the removal and disposal of contaminated materials on the Pacific Right-of-Way for the OC Streetcar Project	\$6,200,000	Capital Programs
February 13, 2020	Contract award for installation of monitoring wells at the Garden Grove base	\$172,000	Capital Programs
	Contract award for the replacement of heating, ventilation and air conditioning units at the Garden Grove base	\$254,250	Capital Programs
	Contract award for maintenance shop floor restoration at the Garden Grove base	\$325,000	Capital Programs
	Contract award for the purchase of non-revenue vehicles for transit police services	\$355,264	Operations
	Exercise the option term with HDR Engineering for project management services for the OC Streetcar Project	\$8,064,286	Capital Programs

TRANSIT COMMITTEE - Third Quarter Outlook (January 1, 2020 - March 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
March 12, 2020	Consultant selection for vanpool service providers	\$8,103,915	Operations
	Amendment to agreement with Corporate Image Maintenance for bus cleaning and pesticide services	\$359,058	Operations
	Sole source agreement with Trapeze for Drivermate software	\$104,365	Operations
	Contract award for asphalt pavement replacement at the Fullerton Park and Ride lot	\$470,000	Capital Programs

FINANCE AND ADMINISTRATION COMMITTEE -Third Quarter Outlook (January 1, 2020 - March 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
January 8, 2020	Sole source agreement with Xerox for purchase and maintenance of a high production digital press	\$175,340	Finance and Administration
	Contract award for purchase, installation and maintenance of modular systems and ancillary furniture	\$990,000	Finance and Administration
January 22, 2020	Renewal of property and flood insurance policy	\$500,000	Human Resources and Organizational Development
February 12, 2020	No procurement actions on this agenda		
February 26, 2020	No procurement actions on this agenda		
March 11, 2020	No procurement actions on this agenda		

LEGISLATIVE AND COMMUNICATIONS COMMITTEE - Third Quarter Outlook (January 1, 2020 - March 31, 2020)

<u>Committee Date</u>	<u>Item Description</u>	<u>Estimated Value</u>	<u>Division</u>
January 16, 2020	No procurement actions on this agenda		
February 20, 2020	Consultant selection to provide public outreach for the Interstate 405 Improvement Project from State Route 73 to Interstate 605	\$3,360,000	External Affairs
March 19, 2020	No procurement actions on this agenda		



January 22, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report - December 2019

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending December 31, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.

Discussion

As of December 31, 2019, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.1 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, the short-term portfolio for future budgeted expenditures, and the bond proceeds portfolio to meet Measure M2 transportation program needs. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program.

The weighted average book yield for the OCTA portfolio is 2.2 percent. The book yield measures the exact income, or interest, on a bond without regard to market price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

The OCTA's month-end balance in the Local Agency Investment Fund was \$10,743,844, with an average monthly effective yield of 2.0 percent. The OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$286,173. For the month of November, the monthly gross yield for the OCIP was 2.1 percent. Yields for the month of December will be received in January.

During the month of December, Moody's and S&P downgraded the senior unsecured debt rating of Boeing, to A3 from A2, and to A- from A, respectively. The downgrades resulted from the extension of the grounding of the 737 MAX into 2020 and the announced plans to shut down the program for some period of time. OCTA holds a medium-term note security position in Boeing for \$975,000. The maturity date of the security is August 1, 2021. OCTA's current investment policy requires the issuer of medium-term notes to have a minimum rating of "A" by one of the nationally recognized statistical rating organizations. As of December 31, 2019, the security still meets the minimum ratings requirement and continues to be held in OCTA's portfolio.

Subsequent to the end of this reporting period on January 13, 2019, Moody's announced the placement of Boeing's A3 senior unsecured rating on review for possible downgrade. This will be reported in the January 2019 Debt and Investment Report. Staff continues to monitor the credit quality of this security.

OCTA's debt portfolio had an outstanding principal balance of \$1.01 billion as of December 31, 2019. Approximately 63 percent of the outstanding balance is comprised of M2 debt, nine percent is associated with the 91 Express Lanes Program, and 28 percent is for the Transportation Infrastructure Finance and Innovation Act Loan.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending December 31, 2019.

Attachment

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending December 31, 2019.

Prepared by:



Robert Davis
Department Manager
Treasury/Public Finance
(714) 560-5675

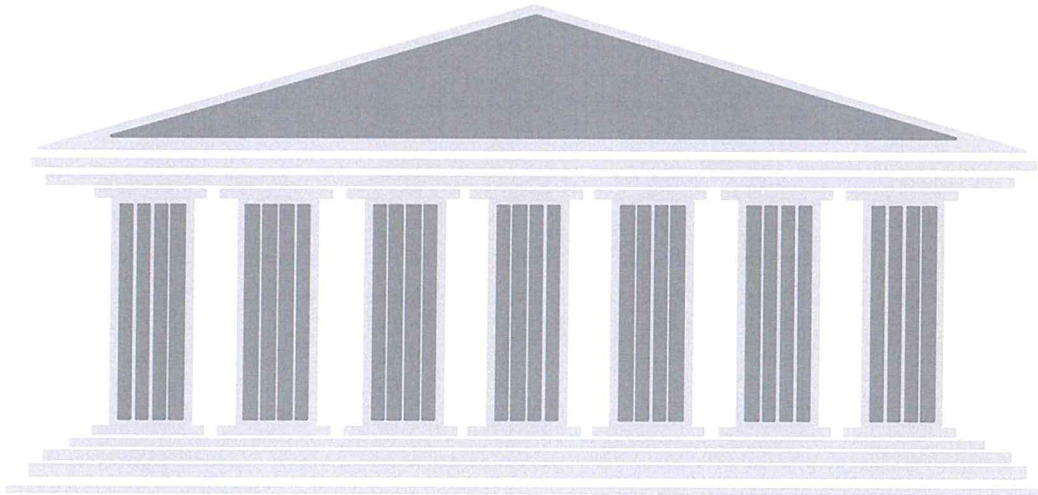
Approved by:



Andrew Oftelie
Chief Financial Officer
Finance and Administration
(714) 560-5649

**Treasury/Public Finance Department's
Report On**

**Orange County Transportation Authority
Investment and Debt Programs**



**Presented to the
Finance and Administration Committee**

**For The Period Ending
December 31, 2019**

INVESTMENT PROGRAM

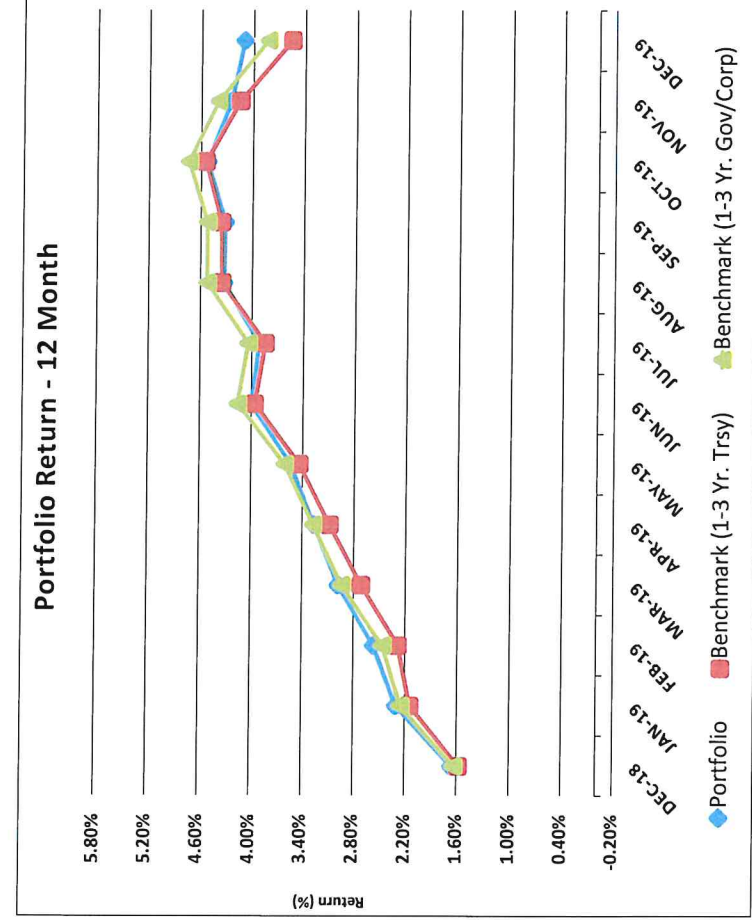
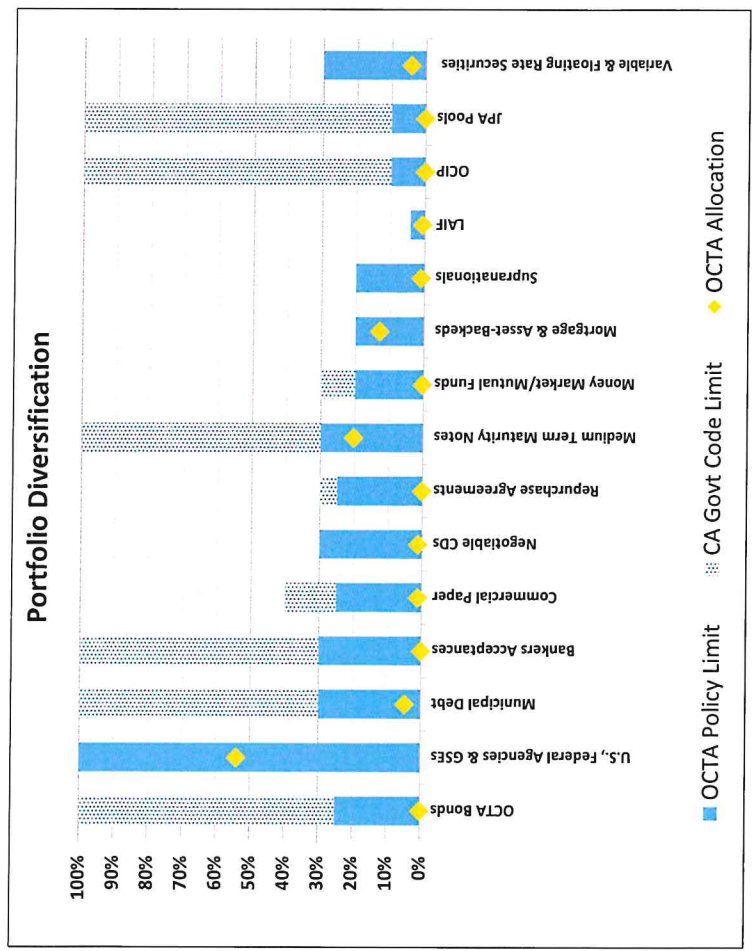
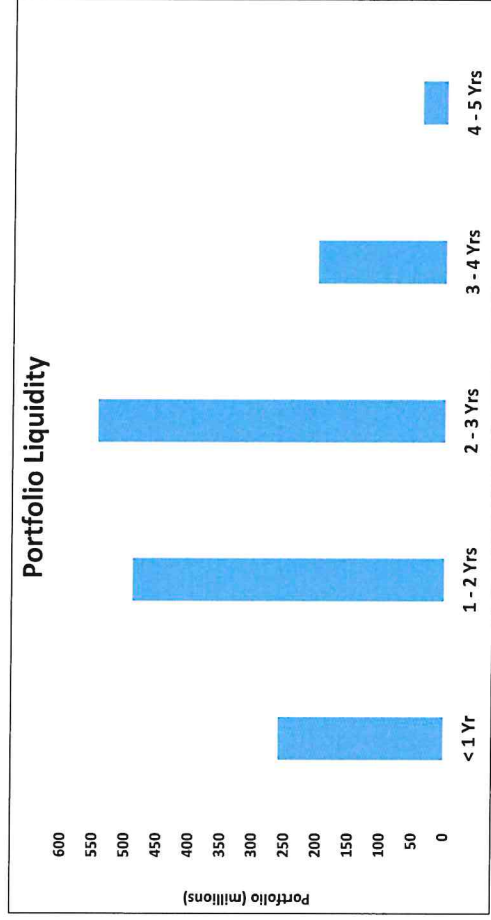
OCTA Investment Dashboard

12/31/2019

Safety of Principal

Securities that fall below OCTA's minimum credit quality requirements:

N/A



Investment Profile

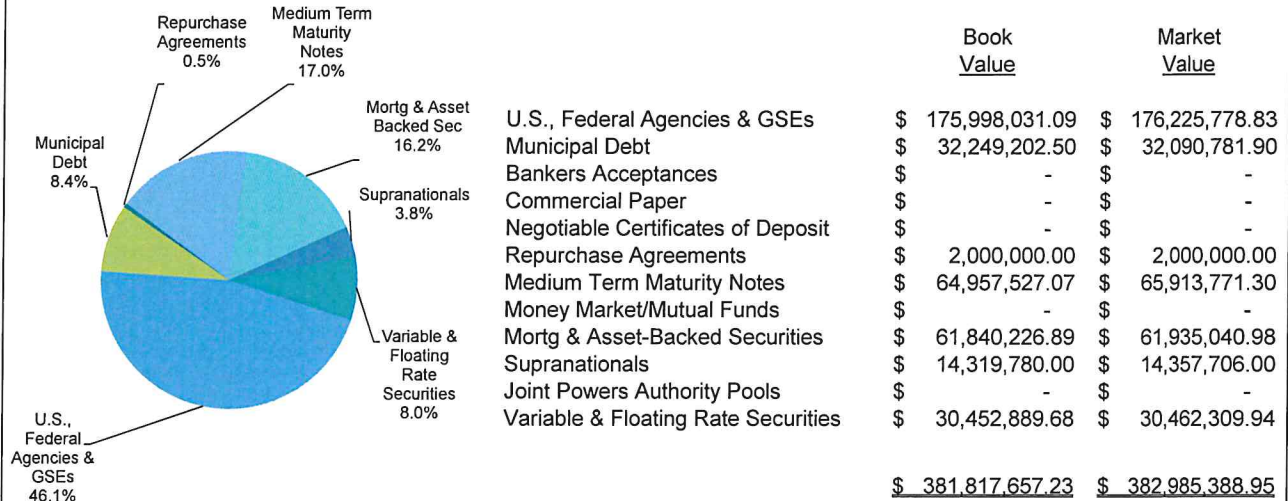
12/31/2019

Portfolio / Managers	Depository	Role	Type of Investment	Amount (\$ Millions)
<u>LIQUID PORTFOLIO:</u>				
OCTA	BNY Mellon	Trustee	Cash	\$ 95.8
OCTA	Bank of the West	Broker	Cash	96.0
OCTA	U.S Bank	Trustee	Cash	0.0
California State Treasurer	LAIF	Custodian	Per LAIF Investment Policy	10.7
Orange County Treasurer	OCIP	Custodian	Per OCIP Investment Policy	0.3
Subtotal OCTA Liquid Portfolio				\$ 202.9
<u>SHORT-TERM PORTFOLIO:</u>				
<u>Investment Managers</u>				
MetLife Investment Management	Union Bank	Custodian	Per OCTA Investment Policy	\$ 381.8
Chandler Asset Management	Union Bank	Custodian	Per OCTA Investment Policy	381.8
Payden & Rygel Investment Counsel	Union Bank	Custodian	Per OCTA Investment Policy	387.6
PFM Asset Management	Union Bank	Custodian	Per OCTA Investment Policy	383.6
Subtotal Short-Term Portfolio (Investment Managers)				\$ 1,534.8
<u>BOND PROCEED PORTFOLIO:</u>				
OCTA	Bank of Nova Scotia	Custodian	Per Measure M2 Bond Indenture	\$ 266.8
OCTA	BNY Mellon	Trustee	Per Measure M2 Bond Indenture	69.2
Subtotal OCTA Bond Proceeds Portfolio				\$ 336.0
<u>RESERVE FUNDS PORTFOLIO:</u>				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	\$ 11.4
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	10.4
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	3.1
Bank Deposits/Cash				0.2
Subtotal OCTA Reserve Funds Portfolio				\$ 25.1
TOTAL				\$ 2,098.8

Investment Manager Diversification and Maturity Schedules

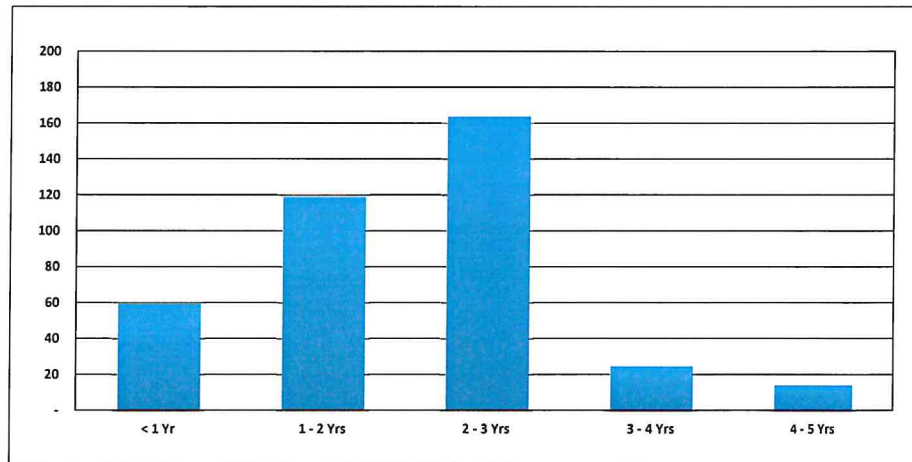
MetLife Investment Management
12/31/2019

SHORT-TERM PORTFOLIO (\$381.8 M)



Monthly Return 0.21%
 TSY Benchmark 0.21%
 Gov/Corp Benchmark 0.23%

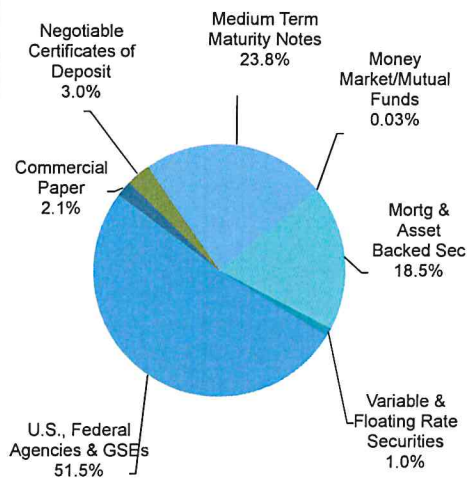
 12 Month Return 3.35%
 TSY Benchmark 3.55%
 Gov/Corp Benchmark 3.83%



Investment Manager Diversification and Maturity Schedules

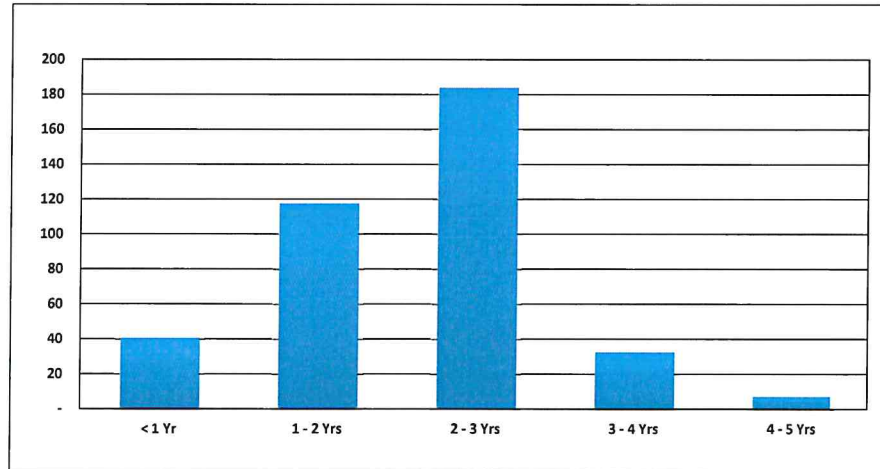
PFM
12/31/2019

SHORT-TERM PORTFOLIO (\$383.6 M)



	Book Value	Market Value
U.S., Federal Agencies & GSEs	\$ 197,612,398.74	\$ 200,320,363.82
Municipal Debt	\$ -	\$ -
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ 7,886,600.00	\$ 7,908,880.00
Negotiable Certificates of Deposit	\$ 11,625,000.00	\$ 11,634,493.75
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 91,412,186.95	\$ 92,582,923.20
Money Market/Mutual Funds	\$ 108,488.93	\$ 108,488.93
Mortg & Asset-Backed Securities	\$ 70,974,385.85	\$ 71,062,524.29
Supranationals	\$ -	\$ -
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 3,948,792.15	\$ 3,843,281.99
	<u>\$ 383,567,852.62</u>	<u>\$ 387,460,955.98</u>

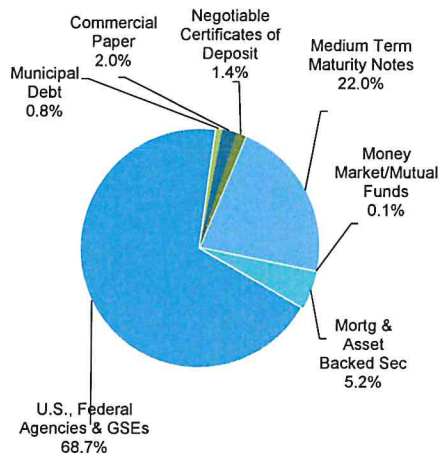
Monthly Return	0.19%
TSY Benchmark	0.21%
Gov/Corp Benchmark	0.23%
12 Month Return	4.00%
TSY Benchmark	3.55%
Gov/Corp Benchmark	3.83%



Investment Manager Diversification and Maturity Schedules

Chandler Asset Management 12/31/2019

SHORT-TERM PORTFOLIO (\$381.8 M)

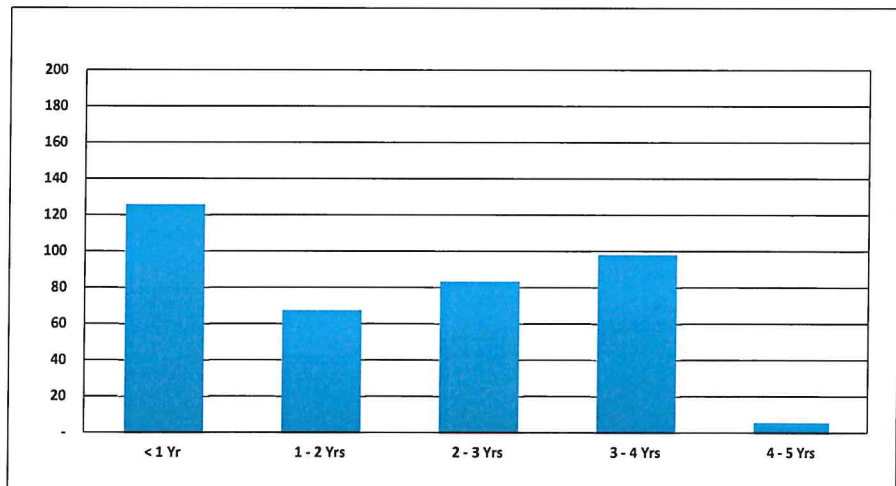


	Book Value	Market Value
U.S. Federal Agencies & GSEs	\$ 262,394,538.24	\$ 265,604,885.00
Municipal Debt	\$ 3,000,000.00	\$ 2,993,160.00
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ 7,431,083.33	\$ 7,456,500.00
Negotiable Certificates of Deposit	\$ 5,213,326.58	\$ 5,216,564.50
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 83,853,138.25	\$ 85,643,687.10
Money Market/Mutual Funds	\$ 193,761.75	\$ 193,761.75
Mortg & Asset-Backed Securities	\$ 19,751,939.18	\$ 19,808,000.88
Supranationals	\$ -	\$ -
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ -	\$ -

\$ 381,837,787.33 \$ 386,916,559.23

Monthly Return 0.19%
TSY Benchmark 0.21%
Gov/Corp Benchmark 0.23%

12 Month Return 3.89%
TSY Benchmark 3.55%
Gov/Corp Benchmark 3.83%

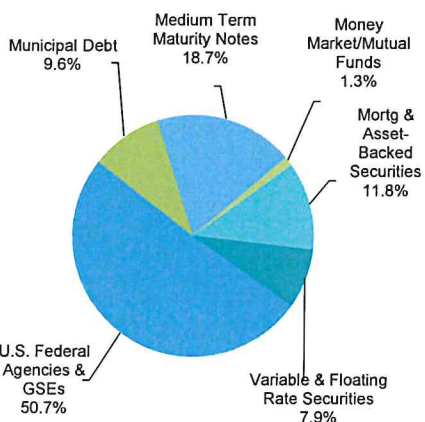


Investment Manager Diversification and Maturity Schedules

Payden & Rygel

12/31/2019

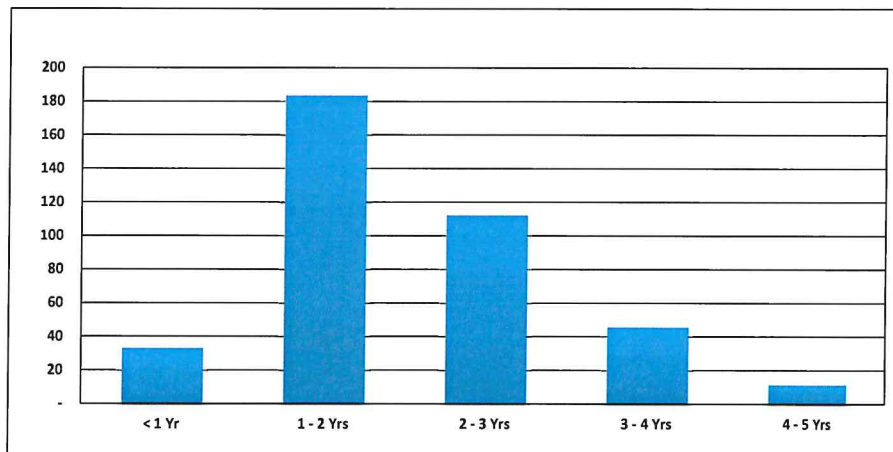
SHORT-TERM PORTFOLIO (\$387.6 M)



	Book Value	Market Value
U.S. Federal Agencies & GSEs	\$ 196,549,241.26	\$ 196,732,860.83
Municipal Debt	\$ 37,227,669.87	\$ 37,454,918.49
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 72,384,564.37	\$ 72,963,893.17
Money Market/Mutual Funds	\$ 4,891,961.08	\$ 4,891,961.08
Mortg & Asset-Backed Securities	\$ 45,772,033.50	\$ 46,080,794.69
Supranationals	\$ -	\$ -
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 30,753,975.77	\$ 30,230,219.83
	<u>\$ 387,579,445.85</u>	<u>\$ 388,354,648.09</u>

Monthly Return 0.20%
 TSY Benchmark 0.21%
 Gov/Corp Benchmark 0.23%

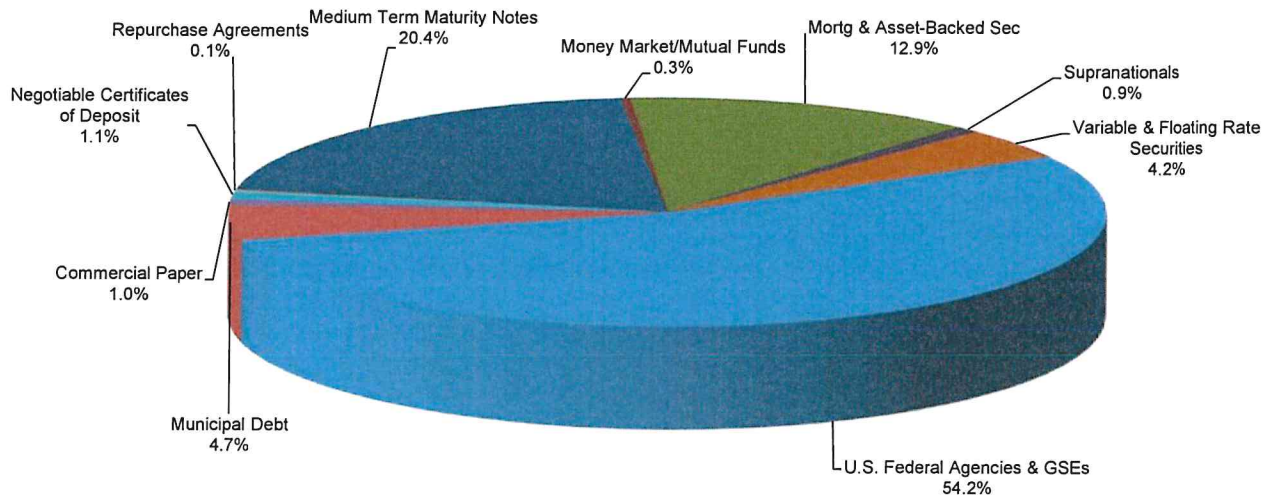
12 Month Return 3.85%
 TSY Benchmark 3.55%
 Gov/Corp Benchmark 3.83%



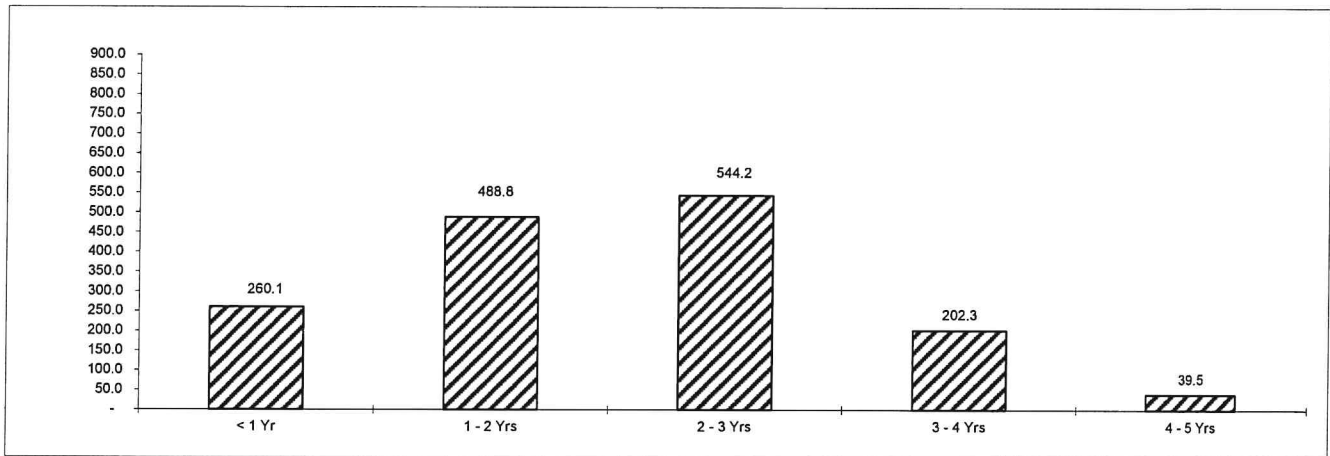
Short-Term Portfolio

12/31/2019

Portfolio Composition



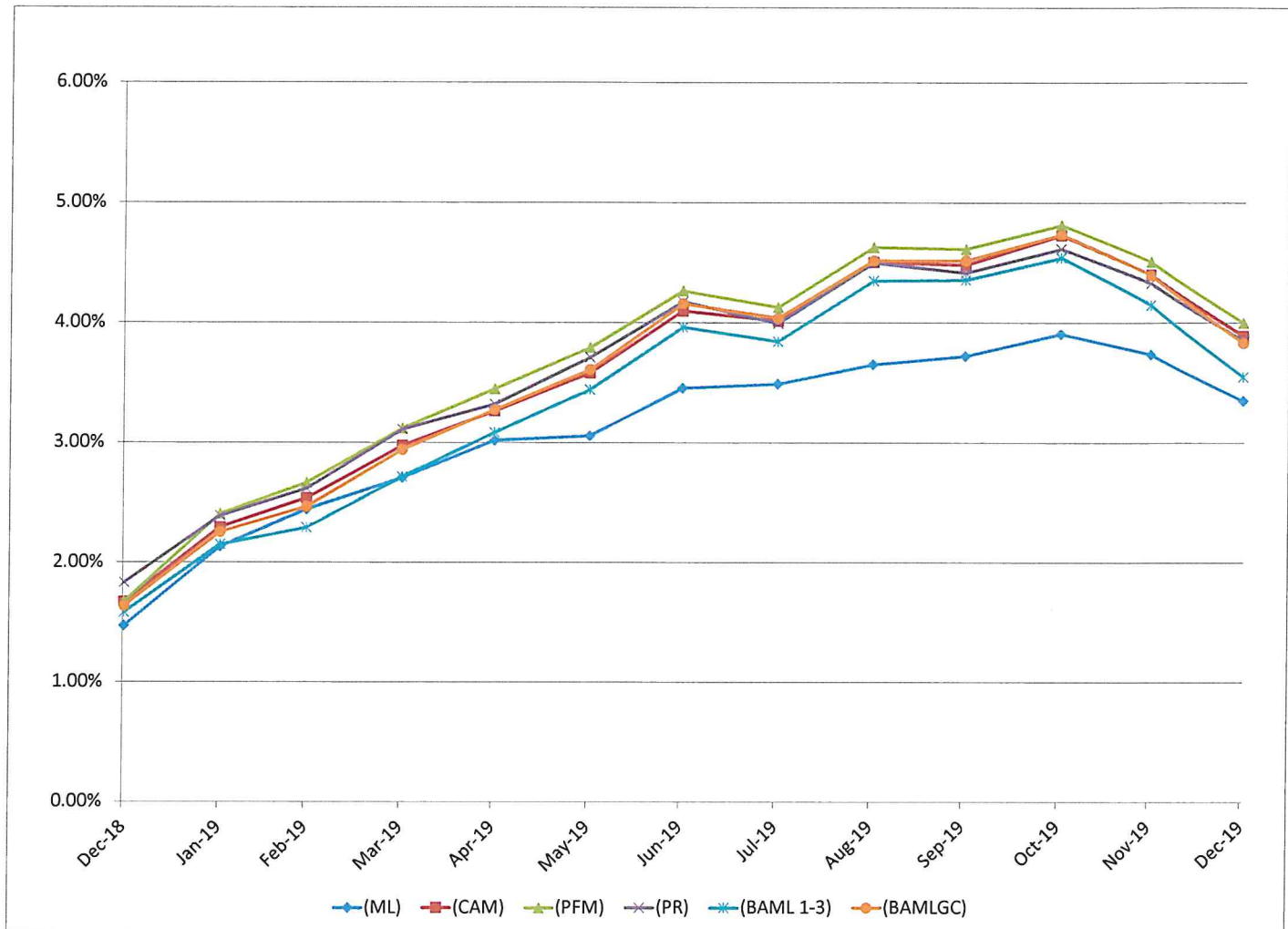
Maturity Schedule



Short-Term Portfolio Performance

12/31/2019

Trailing 1-Year Total Return
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks

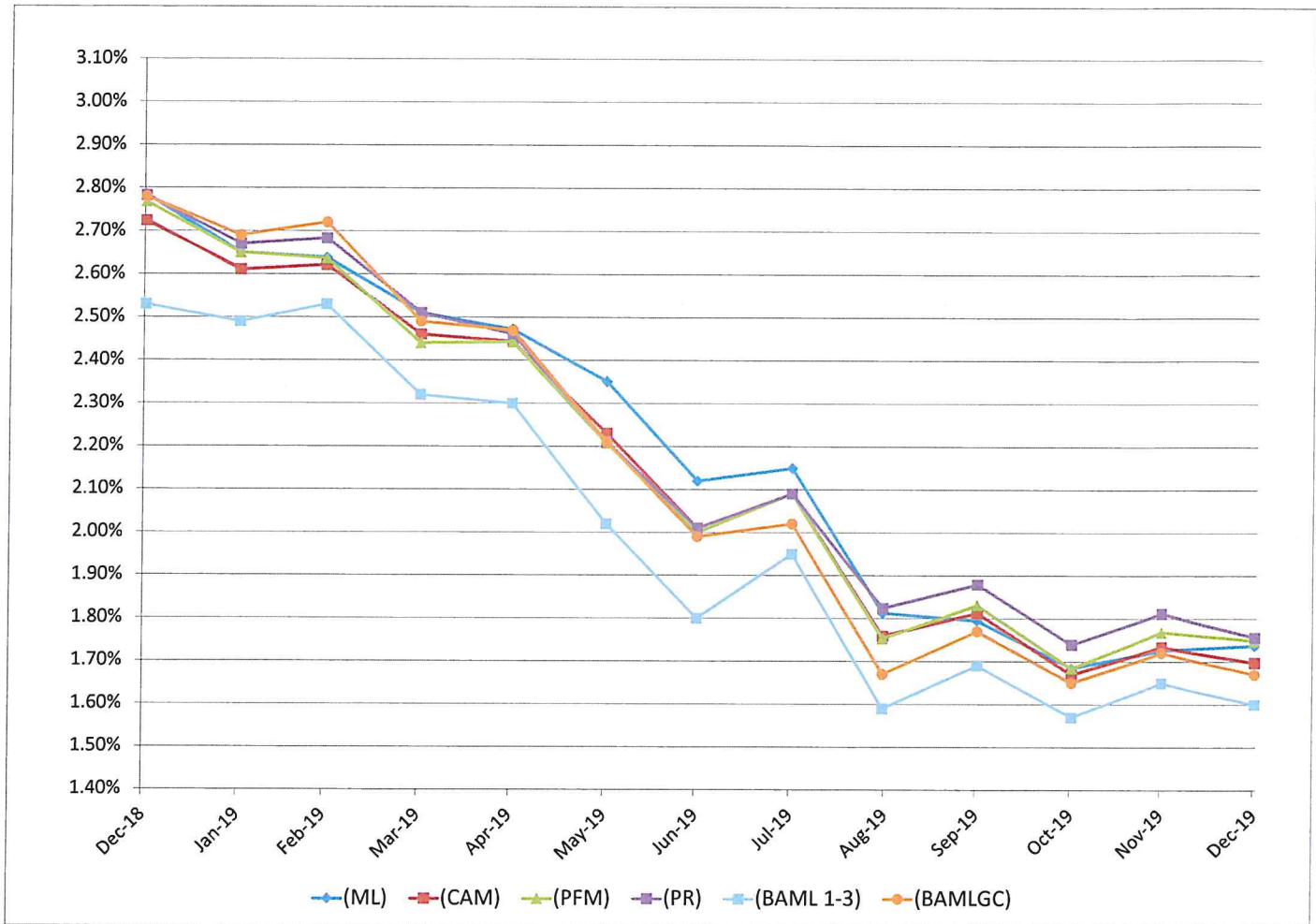


	MetLife Investment Mgmt (ML)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden & Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Dec-18	1.47%	1.67%	1.67%	1.83%	1.58%	1.64%
Jan-19	2.13%	2.29%	2.41%	2.39%	2.15%	2.25%
Feb-19	2.44%	2.54%	2.67%	2.62%	2.29%	2.46%
Mar-19	2.71%	2.97%	3.12%	3.11%	2.72%	2.94%
Apr-19	3.02%	3.26%	3.45%	3.32%	3.08%	3.27%
May-19	3.06%	3.58%	3.79%	3.71%	3.44%	3.61%
Jun-19	3.45%	4.10%	4.27%	4.17%	3.96%	4.16%
Jul-19	3.49%	4.01%	4.13%	3.99%	3.84%	4.04%
Aug-19	3.65%	4.50%	4.63%	4.50%	4.35%	4.52%
Sep-19	3.72%	4.48%	4.61%	4.41%	4.36%	4.52%
Oct-19	3.91%	4.73%	4.82%	4.62%	4.54%	4.74%
Nov-19	3.74%	4.40%	4.51%	4.33%	4.15%	4.40%
Dec-19	3.35%	3.89%	4.00%	3.85%	3.55%	3.83%

Short-Term Portfolio Performance

12/31/2019

Historical Yields
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



	MetLife Investment Mgmt (ML)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
Dec-18	2.78%	2.72%	2.77%	2.78%	2.53%	2.78%
Jan-19	2.65%	2.61%	2.65%	2.67%	2.49%	2.69%
Feb-19	2.64%	2.62%	2.64%	2.68%	2.53%	2.72%
Mar-19	2.51%	2.46%	2.44%	2.51%	2.32%	2.49%
Apr-19	2.47%	2.44%	2.44%	2.46%	2.30%	2.47%
May-19	2.35%	2.23%	2.21%	2.21%	2.02%	2.21%
Jun-19	2.12%	2.01%	2.00%	2.01%	1.80%	1.99%
Jul-19	2.15%	2.09%	2.09%	2.09%	1.95%	2.02%
Aug-19	1.81%	1.76%	1.75%	1.82%	1.59%	1.67%
Sep-19	1.80%	1.81%	1.83%	1.88%	1.69%	1.77%
Oct-19	1.69%	1.67%	1.68%	1.74%	1.57%	1.65%
Nov-19	1.73%	1.73%	1.77%	1.81%	1.65%	1.72%
Dec-19	1.74%	1.70%	1.75%	1.76%	1.60%	1.67%

Investment Compliance

12/31/2019

Portfolio Subject to Investment Policy			
Short-Term/Liquid Portfolio	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
U.S. Federal Agencies & GSEs	\$ 832,554,209	47.9%	100%
Municipal Debt	72,476,872	4.2%	30%
Bankers Acceptances	-	0.0%	30%
Commercial Paper	15,317,683	0.9%	25%
Negotiable Certificates of Deposit	16,838,327	1.0%	30%
Repurchase Agreements	97,737,522	5.6%	25%
Medium Term Maturity Notes	312,607,417	18.0%	30%
Money Market/Mutual Funds	101,046,061	5.8%	20%
Mortgage & Asset-Backed	198,338,585	11.4%	20%*
Supranationals	14,319,780	0.8%	20%
Local Agency Investment Fund	10,743,844	0.6%	\$ 65 Million
Orange County Investment Pool	286,173	0.0%	10%
Joint Powers Authority Pools	-	0.0%	10%
Bank Deposits	273,795	0.0%	5%
Variable & Floating Rate Securities	65,155,658	3.7%	30%
Total Short-Term/Liquid Portfolio	\$ 1,737,695,927	100.0%	

*Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

Portfolio Subject to Indenture					
Bond Proceeds Portfolio	Dollar Amount	OCTA		Indenture Requirements	
	Invested	Credit Quality	Term	Credit Quality	Term
Money Market Funds	\$ 69,242,845	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Guaranteed Investment Contract	266,800,000	Aa2/AA-/A+	N/A	Min. A3/A-	N/A
Total Bond Proceeds Portfolio	\$ 336,042,845				
Reserve Funds Portfolio					
Commercial Paper	\$ 24,865,982	P-1/F-1	45 days	Min. A-1/P-1	Max. 180 days
Bank Deposits	\$ 204,843				
Total Reserve Funds Portfolio	\$ 25,070,826				
Total Portfolio Subject to Indenture	\$ 361,113,671				
Portfolio Total	\$ 2,098,809,598				

Negative Credit Watch

12/31/2019

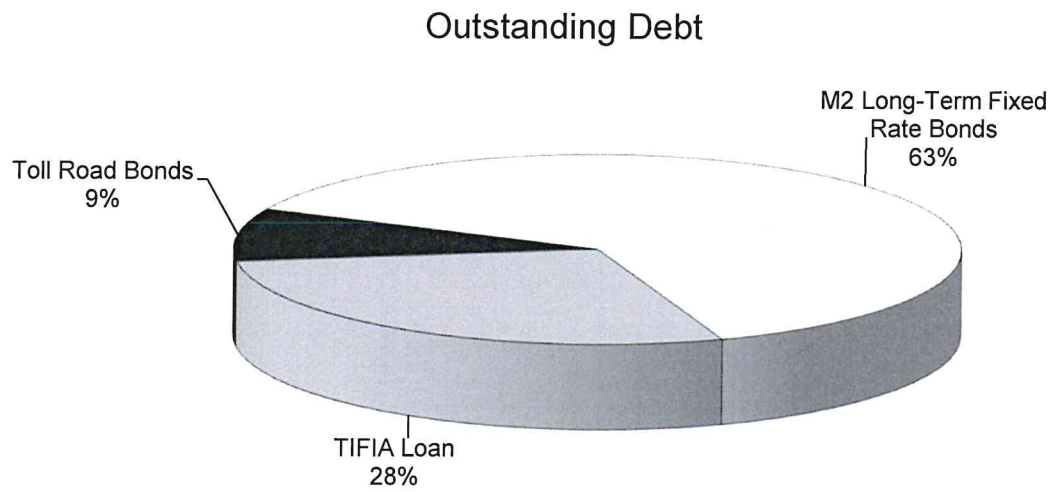
<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
PFM					
<i>Pfizer Inc.</i>	2,300,000	Various*	AA-	A1	A
On June 17, 2019, S&P, and Fitch placed the long-term ratings of Pfizer Inc. under review for possible downgrade.					

*9/15/21 & 3/11/22

DEBT PROGRAM

Total Outstanding Debt

As of 12/31/19



TOTAL OUTSTANDING DEBT: \$1,013,905,000

Outstanding Debt

As of 12/31/19

Orange County Local Transportation Authority (OCLTA-M2)

2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

Issued:	\$	293,540,000
Outstanding:		250,000,000
Debt Service FY 2020:		17,270,000
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ Moody's/ S&P):	AA+/Aa2/AA+	
Final Maturity:		2041

2010 Series B Tax-Exempt Sales Tax Revenue Bonds

Issued:	\$	59,030,000
Outstanding:		8,530,000
Debt Service FY 2020:		8,913,850
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ Moody's/ S&P):	AA+/Aa2/AA+	
Final Maturity:		2020

2019 M2 Sales Tax Bond

Issued:	\$	376,690,000
Outstanding:		376,690,000
Debt Service FY 2020:		17,939,230
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ S&P):	AA+/AA+	
Final Maturity:		2041

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		91,685,000
Debt Service FY 2020:		10,798,325
Pledged Revenue Source:	91 Toll Road Revenues	
Ratings (Fitch/ Moody's/ S&P):	A+/A1/AA-	
Final Maturity:		2030

405 Express Lanes

2017 TIFIA Loan

Outstanding:	\$	287,000,000
Accrued Debt Service FY 2020:	\$	11,894,964
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings (Moody's):	Baa2	
Final Maturity:		2057



January 22, 2020

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: 91 Express Lanes Property Insurance Renewal

Overview

The Orange County Transportation Authority currently has a primary property and flood insurance policy for the 91 Express Lanes with Zurich American Insurance Company, and seven earthquake insurance policies with Empire Indemnity Insurance Company, General Security Indemnity Company of Arizona, Hudson Specialty Insurance Company, Everest Indemnity Insurance Company, QBE Specialty Insurance Company, Endurance American Insurance Company, and Princeton Excess and Surplus Lines Insurance Company, which will expire on March 1, 2020.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A44160, in the amount of \$500,000, to Marsh USA, Inc., to purchase the 91 Express Lanes' property, flood, and earthquake insurance on behalf of the Orange County Transportation Authority, for the policy period of March 1, 2020 to March 1, 2021.

Discussion

Insurance companies determine property insurance quotes based upon current insurance market conditions and the total value of property to be insured. Currently, eight insurers provide primary property, flood, and earthquake coverage for the 91 Express Lanes for a premium of \$334,313, for a total policy coverage limit of \$140 million. These policies provide catastrophic protection for the roadway, structures, and business personal property, including business interruption coverage against losses caused by fire, flood, and earthquake. Other coverage includes losses due to civil authority, ingress/egress, debris removal, demolition and increased costs of construction, equipment breakdown, including electronic data processing equipment, valuable papers, earthquake sprinkler leakage, and boiler and machinery.

Policy deductibles for these eight policies vary by category of coverage. The current policies carry a \$50,000 deductible that applies to all perils except:

- \$10,000 deductible for surveillance equipment;
- \$100,000 deductible for flood;
- 12-hour deductible for business interruption; and
- \$1 million deductible for earthquake.

Flood protection is provided in the current policy with a \$50 million coverage limit and a \$100,000 deductible. As with many properties in Orange County, the 91 Express Lanes has structures and buildings that are in areas susceptible to flooding. Flood is defined in the policy to mean “a general and temporary condition of partial or complete inundation of normally dry land areas from (1) the rising or overflow of inland or tidal waters, (2) the unusual and rapid accumulation of run off of surface waters from any source, (3) mudslide (i.e., mud-flow), meaning a river or flow of liquid mud proximately caused by flooding as defined in (1) above or by the accumulation of water under the ground, or (4) water that backs up from a sewer or drain. Each loss by flood shall constitute a single claim hereunder; provided if more than one flood shall occur within any period of 72 hours during the term of the policy, such floods shall be deemed to be a single flood.”

Earthquake protection is provided in the current policy with a \$90 million limit and a \$1 million deductible. Earthquake means “any natural or man-made earth movement (except mudslide or mud-flow caused by accumulation of water on or under the ground) including, but not limited to, earthquake and resultant earthquake sprinkler leakage, volcanic action, landslide, subsidence or tsunami, regardless of any other cause or event contributing concurrently or in any other sequence of loss. Notwithstanding anything in the above to the contrary, to the extent mudslide or mud-flow caused by accumulation of water on or under the ground is caused by or results from a tsunami, it shall be considered to be an earthquake.”

The Orange County Transportation Authority (OCTA) Broker of Record, Marsh USA, Inc. (Marsh), will provide marketing and will purchase the 91 Express Lanes insurance coverage on behalf of OCTA for this renewal. Marsh is paid a flat fee of \$105,000 for marketing and placing all property and casualty insurance per Agreement No. C-7-1585, approved by the Board of Directors (Board) on May 22, 2017. This flat fee paid to Marsh is not part of the premium OCTA anticipates paying to the selected insurers for the renewal of this policy.

By agreement, Marsh does not earn any additional compensation or commission for its services. The contract further requires that any commissions offered by insurers will offset OCTA's premiums.

OCTA will pursue a renewal strategy that will include four possible goals for renewing this policy. The goals are:

1. Market to all viable insurers using a target price marketing approach to determine interest from potential insurers that have not previously provided premium quotes.
2. Attempt to achieve a premium price reduction for the all-risk property coverage.
3. Maintain the current earthquake coverage structure with a \$1 million earthquake deductible and explore opportunities to obtain a reduction or at least a flat premium price renewal.
4. Provide improved policy sub-limits for days, limits, and distance for the current ingress/egress and civil authority provisions of the coverage.

Staff is requesting Board approval to renew the current policy in an amount not to exceed the Board-approved budget of \$500,000, and to fund any enhancements or additional coverage negotiated to improve the insurance protection. Marsh is currently contacting the insurance market for competitive quotes for the renewal of OCTA's 91 Express Lanes' property insurance coverage. Marsh has been directed to seek quotes from property insurance carriers and additional markets and wholesale companies, if needed, to obtain a sufficient number of competitive quotes. Furthermore, Marsh has been instructed not to disclose broker compensation to prospective insurers to avoid having insurers net the broker's commission against the quoted premiums.

The carriers listed below will be approached for proposals and have transit insurance coverage experience and an A.M. Best financial rating of A-7 or better:

ACE American Insurance Company
Affiliated FM
Allianz Global Risks US Insurance Company
Lexington Insurance Company
Liberty Mutual Insurance Company
Lloyd's of London
Westport Insurance Corporation
XL Insurance Company
Zurich American Insurance Company

Since some of these carriers are unable to provide earthquake and flood coverage in a combined program, Marsh will approach the following markets and wholesalers:

Arrowhead General Insurance Agency, Inc.
Empire Indemnity Insurance Company
Endurance American Insurance Company
Everest Indemnity Insurance Company
General Security Indemnity Company of Arizona
Hudson Specialty Insurance Company
Princeton Excess and Surplus Lines Insurance Company
QBE Specialty Insurance Company

Fiscal Impact

The project was approved in OCTA's Fiscal Year 2019-20 Budget, Human Resources and Organizational Development Division, Risk Management Department, Account 0036-7563-A0017-GGN, and is funded through the 91 Express Lanes.

Summary

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A44160, in the amount of \$500,000, to Marsh to purchase the 91 Express Lanes' property, flood, and earthquake insurance on behalf of OCTA, for the period of March 1, 2020 to March 1, 2021.

Attachment

None.

Prepared by:



Al Gorski
Risk Manager,
Risk Management Department
714-560-5817

Approved by:



Maggie McJilton
Executive Director,
Human Resources & Organizational
Development Division
714-560-5824



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



January 22, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2018-19 Annual Financial and Agreed-Upon
Procedures Reports

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements. Crowe, LLP, an independent accounting firm, has completed its annual audits of the Orange County Transportation Authority and related entities for the fiscal year 2018-19. Additionally, reports have been issued on the results of agreed-upon procedures applied to determine compliance with certain state, federal, and local requirements. All reports are included herewith.

Recommendation

Receive and file the fiscal year 2018-19 annual financial statement audits and agreed-upon procedures reports as information items.

Background

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting its results of operations and financial position at fiscal year-end. The financial statements are included in OCTA's Comprehensive Annual Financial Report (CAFR), which was presented to the Board of Directors on November 25, 2019. In connection with the CAFR audit, Crowe, LLP (Crowe) provides opinions on other financial reports of OCTA and applies certain agreed-upon procedures to determine compliance with certain federal, state, and local requirements.

The audits were performed under current accounting and auditing standards, including generally accepted auditing standards, the standards set forth for financial audits in the Government Accountability Office's *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984 (as amended) and the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the following additional requirements, where applicable:

- *State of California Transportation Development Act*, including the requirements of the *Southern California Association of Governments' Transportation Development Act Conformance Auditing Guide*;
- *Renewed Measure M Transportation Investment Plan*;
- *Special District and Transit District Reporting Requirements*, as specified by the California State Controller; and
- *Section 1.5 of Article XIII B of the California Constitution*, with procedures specified by the League of California Cities in *Article XIII B Appropriations Limitation Uniform Guidelines*

Discussion

Crowe has completed its annual financial audits and has issued independent auditor opinions for the fiscal year ended June 30, 2019. Results of agreed-upon procedures reviews have also been issued. Reports are included as Attachments A through J.

There were no recommendations resulting from audits and agreed-upon procedures performed for the fiscal year ended June 30, 2019.

Summary

Crowe has completed its annual audits of OCTA and related entities for the fiscal year 2018-19. Additionally, reports have been issued on the results of agreed-upon procedures applied to determine compliance with certain state, federal, and local requirements.

Attachments

- A. Orange County Transportation Authority Single Audit Year Ended June 30, 2019
- B. Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) Annual Financial and Compliance Report Year Ended June 30, 2019
- C. Orange County Transportation Authority Local Transportation Fund Financial Statements Year Ended June 30, 2019
- D. Orange County Transportation Authority State Transit Assistance Fund Financial Statements Year Ended June 30, 2019
- E. Orange County Transportation Authority Independent Auditor's Report on Proposition 1B and the Transportation Development Act Year Ended June 30, 2019
- F. Orange County Local Transportation Authority Report on Agreed-Upon Procedures Applied to Measure M2 Status Report Year Ended June 30, 2019
- G. Orange County Transportation Authority Independent Accountant's Report on Applying Agreed-Upon Procedures with Respect to the Treasury Department Year Ended June 30, 2019
- H. Orange County Transportation Authority Independent Accountant's Report on Applying Agreed-Upon Procedures Related to Article XIII-B Appropriations Limit Calculation for the Fiscal Year Ended June 30, 2019
- I. Orange County Transportation Authority Agreed-Upon Procedures Performed with Respect to the National Transit Database Report June 30, 2019
- J. Orange County Local Transportation Authority Independent Accountant's Report on Applying Agreed-Upon Procedures Related to Article XIII-B Appropriations Limit Calculation for the Fiscal Year Ended June 30, 2019

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

SINGLE AUDIT

Year ended June 30, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
Orange, California

SINGLE AUDIT
Year ended June 30, 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	7

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

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2019, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, stylized font.

Crowe LLP

Costa Mesa, California
October 31, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Orange County Transportation Authority
Orange, California

Report on Compliance for Each Major Federal Program

We have audited Orange County Transportation Authority (OCTA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of OCTA's major federal programs for the year ended June 30, 2019. OCTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of OCTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OCTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of OCTA's compliance.

Opinion on Each Major Federal Program

In our opinion, OCTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

(Continued)

Report on Internal Control over Compliance

Management of OCTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OCTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements. We issued our report thereon dated October 31, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Costa Mesa, California
December 19, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Identification Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Transportation</u>				
Direct Assistance:				
Federal Transit Cluster:				
Federal Transit - Capital Improvement Grants	20.500	Multiple	\$ 15,231,020	\$ 394,349
Federal Transit - Formula Grants	20.507	Multiple	69,494,218	477,216
State of Good Repair Program	20.525	Multiple	7,487,234	-
Bus and Bus Facilities Formula Program	20.526	Multiple	3,179,312	-
Total Federal Transit Cluster			95,391,784	871,565
Transit Services Program Cluster:				
Passed through California Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	64AM16-00157	2,455,138	-
Direct Grants:				
Job Access and Reverse Commute Program	20.516	CA-37-X113	1,074,459	580,895
Total Transit Services Program Cluster			3,529,597	580,895
Highway Planning and Construction Cluster:				
Passed Through California Department of Transportation:				
Highway Planning and Construction	20.205	Multiple	40,768,490	-
Direct Grants:				
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	TIFIA-20171012A	122,000,000	-
Total U.S. Department of Transportation			261,689,871	1,452,460
<u>U.S. Department of Homeland Security</u>				
Direct Grants:				
Office of Security Operations:				
National Explosives Detection Canine Team Program	97.072	Multiple	93,262	-
Passed Through State of California				
Office of Emergency Services:				
Rail and Transit Security Grant Program (TSGP)	97.075	Multiple	19,924	-
Total U.S. Department of Homeland Security			113,186	-
Total Expenditures of Federal Awards			\$ 261,803,057	\$ 1,452,460

See accompanying notes to the schedule of expenditures of federal awards.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents only the expenditures incurred by OCTA that are reimbursable under federal programs of federal financial assistance for the year ended June 30, 2019. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by OCTA from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. OCTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 – TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) PROGRAM LOAN

In July 2017, OCTA executed a TIFIA loan agreement with the United States Department of Transportation in an amount not to exceed \$628,930,000 to finance a portion of OCTA's I-405 improvement project. Total TIFIA draws during the fiscal year ended June 30, 2019 totaled \$122,000,000. As of June 30, 2019, \$287,000,000 was drawn on the TIFIA Loan and the amount outstanding including interest was \$294,761,438.

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

CFDA Numbers

20.500 / 20.507 / 20.525 / 20.526

Federal Transit Cluster

Dollar threshold used to distinguish between
type A and type B programs:

 \$ 3,000,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Orange County Local Transportation Authority
(A Component Unit of the Orange
County Transportation Authority)

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

Year Ended June 30, 2019

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)

Audited Financial Statements

Year Ended June 30, 2019

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Governmental Funds Financial Statements:	
Balance Sheet.....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Financial Statements.....	16
Required Supplementary Information (Other than Management's Discussion and Analysis):	
Local Transportation Authority Special Revenue Fund	
Budgetary Comparison Schedule (Budgetary Basis).....	33
Notes to Required Supplementary Information	34
Other Supplementary Information:	
Local Transportation Authority Debt Service Fund	
Budgetary Comparison Schedule (Budgetary Basis).....	35
Other Reports:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Local Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of OCLTA as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the Local Transportation Authority Special Revenue Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCLTA's basic financial statements. The budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is 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 budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, on our consideration of OCLTA's internal control over financial reporting and our on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCLTA's internal control over financial reporting and compliance.


Crowe LLP

Costa Mesa, California
October 29, 2019

Orange County Local Transportation Authority
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2019

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year (FY) ended June 30, 2019. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net position of the OCLTA was \$625,919 as of June 30, 2019. The net position of the OCLTA is restricted for transportation projects, Environmental Mitigation Program and debt service.
- Net position increased by \$62,963 during FY 2018-19. This increase was primarily due to general and program revenues exceeding program expenses. In FY 2018-19, sales tax revenue increased by \$11,735 compared to FY 2017-18. In addition, operating grants and contributions increased by \$57,709, or 67.5 percent, compared to the prior FY.
- OCLTA's governmental funds reported combined ending fund balances of \$1,303,547 reflecting an increase of \$457,779 from the prior FY. The increase is primarily due to the issuance of sales tax revenue bonds. For more information related to this bond issuance, refer to note 7.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the OCLTA's basic financial statements, which are comprised of three components including government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements. Because the OCLTA is a governmental activity of the Orange County Transportation Authority (OCTA), governmental funds are used to account for its Measure M program activities. The basic financial statements include only the activities of the OCLTA.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the OCLTA's finances using the accrual basis of accounting, in a manner similar to a private-sector business.

The statement of net position presents information on all of the OCLTA's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in

Orange County Local Transportation Authority Management's Discussion and Analysis

net position may serve as a useful indicator of whether the financial position of the OCLTA is improving or deteriorating.

The statement of activities presents information showing how the OCLTA's net position changed during the FY. 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 can be found on pages 10-11 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 Measure M finance-related legal requirements. The OCLTA uses governmental funds.

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

The OCLTA maintains two individual governmental funds which are considered to be major 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 the OCLTA's major governmental funds.

The governmental funds financial statements and related reconciliations to governmental activities can be found on pages 12-15 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 16-32 of this report.

Orange County Local Transportation Authority Management's Discussion and Analysis

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 33 and the LTA debt service fund as other supplementary information on page 35 to demonstrate compliance with the annual appropriated budget.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2019, the OCLTA's assets and deferred outflows of resources exceeded liabilities by \$625,919, a \$62,963 increase from June 30, 2018. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the OCLTA's governmental activities.

Table 1
Orange County Local Transportation Authority
Net Position

	Governmental Activities	
	2019	2018
Current and other assets	\$1,428,831	\$ 964,182
Assets held for resale	371	1,095
Total assets	1,429,202	965,277
Deferred outflows of resources		
Deferred charge on refunding	1,499	-
Current liabilities	100,688	90,881
Long-term liabilities	704,094	311,440
Total liabilities	804,782	402,321
Total net position	\$ 625,919	\$ 562,956

Total assets increased by \$463,925, or 48.1 percent, from June 30, 2018. This increase is primarily due to an increase in cash and investments, which resulted primarily from the issuance of sales tax revenue bonds.

Total liabilities increased by \$402,461, or 100 percent, from June 30, 2018. This increase is primarily due to the issuance of sales tax revenue bonds.

Total net position from governmental activities changed from \$562,956 at June 30, 2018 to \$625,919 at June 30, 2019. This increase was primarily due to increased operating grants and contributions, sales tax revenues and investment earnings, offset by lower program expenses such as infrastructure.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Table 2
Orange County Local Transportation Authority
Changes in Net Position

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 454	\$ 733
Operating grants and contributions	143,173	85,464
General revenues:		
Sales taxes	333,187	321,452
Unrestricted investment earnings	46,824	11,592
Other miscellaneous revenue	110	-
Total revenues	523,748	419,241
Measure M program expenses	460,785	474,219
Change in net position	62,963	(54,978)
Net position - beginning	562,956	617,934
Net position - end of year	\$ 625,919	\$ 562,956

OCLTA expenses shown on the statement of activities consist of:

	Governmental Activities	
	2019	2018
Supplies and services	\$ 92,893	\$ 93,194
Contributions to other local agencies	109,443	106,863
Bond issuance	826	-
Infrastructure	184,048	239,570
Interest expense	24,253	20,312
Contributions to other OCTA funds	49,322	14,280
Total expenses	\$ 460,785	\$ 474,219

Governmental activities increased the OCLTA's net position by \$62,963.

Total revenues increased by \$104,507, or 24.9 percent, from FY 2017-18 primarily due to an increase in operating grants and contributions for freeway projects including the I-405 Improvement Project. Also, investment earnings increased by \$35,232 due to market performance. Sales taxes, which ultimately financed a significant portion of the OCLTA's net costs, increased by \$11,735 from the prior year as a result of continued improvement in the economy.

Program expenses decreased by \$13,434 primarily due to a decrease in expenses related to the I-405 Improvement Project.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Financial Analysis of the OCLTA's Funds

As of June 30, 2019, the OCLTA's governmental funds reported combined ending fund balances of \$1,303,547, an increase of \$457,779 compared to FY 2017-18. The majority of fund balances, 96.5 percent, are restricted for transportation projects funded by the Measure M Program. The remaining fund balances are restricted for the Environmental Mitigation Program and for debt service on M2 sales tax revenue bonds issued to accelerate funding for transportation projects.

OCLTA's major governmental funds include the following significant changes:

The LTA fund balance increased by \$444,900 primarily due to the issuance of sales tax revenue bonds.

The LTA Debt Service fund balance increased by \$12,879, due to interest earned and transfers received from the LTA fund in excess of debt service payments.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the OCLTA had \$0 net of accumulated depreciation invested in capital assets including improvements and machinery.

A summary of the OCLTA's capital assets, net of depreciation, follows:

	Governmental Activities	
	2019	2018
Machinery	\$ 21	\$ 32
Total capital assets	21	32
Less accumulated depreciation	(21)	(32)
Total capital assets, net	\$ -	\$ -

More detailed information about the OCLTA's capital assets is presented in note 6 to the financial statements.

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$750,499 for the I-405 Improvement Project, \$47,739 for the I-5 Improvement Project, and \$16,952 for the Laguna San Juan Project.

Debt Administration

As of June 30, 2019, the OCLTA had \$635,220 in sales tax revenue bonds compared to \$310,235 as of the prior FY.

Orange County Local Transportation Authority Management's Discussion and Analysis

The OCLTA maintains an "AA+" rating from Standard & Poor's Corporation (S&P), an "AA+" rating from Fitch Ratings (Fitch) and an "Aa2" rating from Moody's Investors Services (Moody's) for its 2010 M2 Sales Tax Revenue Bonds. The 2019 M2 Sales Tax Revenue Bonds have an "AA+" rating from S&P and an "AA+" from Fitch.

Additional information on the OCLTA's long-term debt can be found in note 7 to the financial statements.

Economic and Other Factors

The OCLTA is responsible for administering Measure M, the half-cent transportation sales tax, which originally passed in 1990 and was delivered as promised to the residents of Orange County, with over \$4 billion invested in improvements to freeways, streets and roads and transit services. Measure M1 (M1) ended in March 2011, and collection of sales tax under Measure M2 (M2) began in April 2011. M2 was overwhelmingly approved by the voters of Orange County in 2006 because of the tangible results that were realized through M1. The passage of M2 has allowed for the continuation of transportation improvements through March 31, 2041. Allocation of M2 funds remains the same as the original M1 with 43 percent slated for freeway improvements, 32 percent for streets and roads, and 25 percent for transit projects and programs.

Although revenue collection for M2 projects did not begin until April 2011, OCTA began delivering projects early based on the five-year M2 Early Action Plan (EAP) adopted in 2007 and subsequent M2020 Plan adopted in 2012. Both delivery plans were developed to accelerate M2 freeway, streets and roads, transit, and environmental projects. In response to lower actual sales tax revenue, a new forecasting methodology was adopted in March 2016. This prompted the need to revisit the assumptions built into the M2020 plan. A new program/project delivery framework for the next ten years, called the Next 10 Plan, was adopted by the Board of Directors on November 14, 2016 and was updated and re-adopted by the Board of Directors on September 10, 2018.

Based on the forecast provided by MuniServices, LLC, the estimated sales tax growth rate for FY 2019-20 is 4.3 percent for M2. Sales tax for the M2 Program is estimated to be \$13.4 billion over the life of the measure.

The OCLTA adopted its FY 2019-20 annual budget on June 10, 2019. Approximately \$664 million in M2 funds are budgeted to improve transportation within Orange County. These funds will provide improvements to freeways and streets and roads throughout Orange County, as well as fund rail and bus transit programs. These funds include \$366 million to make improvements along Interstate 405, Interstate 5, State Route 55, State Route 57, and State Route 91. Approximately \$159 million is budgeted to improve streets and roads, including \$58 million to fund the Local Fair Share Program, \$57 million for the Regional Capacity Program, and \$34 million for Regional Traffic Signal Synchronization. In addition, the M2 transit budget consists of \$110 million in bus and rail projects, including \$49 million to continue the OC Streetcar project.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Contacting the OCLTA's Management

This financial report is designed to provide a general overview of the OCLTA's finances for all those with an interest in the OCLTA's finances and to demonstrate OCLTA 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 of the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2019

<i>(amounts expressed in thousands)</i>	Governmental Activities
Assets	
Cash and investments	\$ 1,288,440
Receivables:	
Interest	4,847
Operating grants	9,876
Other	1,290
Due from other OCTA funds	1,787
Due from other governments	95,603
Condemnation deposits	9,284
Note receivable	3,862
Restricted investments	9,534
Other assets	4,308
Assets held for resale	371
Total Assets	1,429,202
Deferred Outflows of Resources	
Deferred charge on refunding	1,499
Total Deferred Outflows of Resources	1,499
Liabilities	
Accounts payable	54,906
Accrued interest payable	12,920
Due to other OCTA funds	13,151
Due to other governments	11,746
Unearned revenue	6,839
Other liabilities	17
Advance from other OCTA funds	1,109
Noncurrent liabilities:	
Due within one year	8,530
Due in more than one year	695,564
Total Liabilities	804,782
Net Position	
Restricted for:	
Transportation projects	580,367
Debt service	36,018
Environmental Mitigation Program	9,534
Total Net Position	\$ 625,919

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Activities
Year Ended June 30, 2019

	Program Revenues			Net (Expense)
				Revenue and
		Charges for	Operating	Changes in Net
	Expenses	Services	Grants and	Position
			Contributions	Governmental
				Activities
<i>(amounts expressed in thousands)</i>				
Program governmental activities:				
Measure M program	\$ 460,785	\$ 454	\$ 143,173	\$ (317,158)
General revenues:				
Sales taxes				333,187
Unrestricted investment earnings				46,824
Other miscellaneous revenue				110
Total general revenues				380,121
Change in net position				62,963
Net position - beginning				562,956
Net position - ending				\$ 625,919

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Balance Sheet - Governmental Funds
June 30, 2019

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	\$ 1,254,613	\$ 33,827	\$ 1,288,440
Receivables:			
Interest	4,790	57	4,847
Operating grants	9,876	-	9,876
Other	1,290	-	1,290
Due from other OCTA funds	1,787	-	1,787
Due from other governments	93,469	2,134	95,603
Condemnation deposits	9,284	-	9,284
Note receivable	3,862	-	3,862
Restricted investments	9,534	-	9,534
Other assets	4,308	-	4,308
Total Assets	\$ 1,392,813	\$ 36,018	\$ 1,428,831
Liabilities			
Accounts payable	\$ 54,906	\$ -	\$ 54,906
Due to other OCTA funds	13,151	-	13,151
Due to other governments	11,746	-	11,746
Unearned revenue	6,839	-	6,839
Other liabilities	17	-	17
Advance from other OCTA funds	1,109	-	1,109
Total Liabilities	87,768	-	87,768
Deferred Inflows of Resources			
Unavailable revenue - grant reimbursements	22,460	-	22,460
Unavailable revenue - reimbursements from others	15,056	-	15,056
Total Deferred Inflows of Resources	37,516	-	37,516
Fund Balances			
Nonspendable:			
Condemnation deposits	9,284	-	9,284
Other assets - prepaids	4,308	-	4,308
Restricted for:			
Debt service	-	36,018	36,018
Environmental Mitigation Program	9,534	-	9,534
Transportation projects	1,244,403	-	1,244,403
Total Fund Balances	1,267,529	36,018	1,303,547
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,392,813	\$ 36,018	\$ 1,428,831

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Net Position (page 10) are different because:

Total fund balances (page 12)	\$ 1,303,547
Assets held for resale are not financial resources and, therefore, are not reported in the funds.	371
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.	37,516
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.	(12,920)
Deferred outflows of resources related to deferred charge on refunding are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	1,499
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(704,094)</u>
Net position of governmental activities (page 10)	<u><u>\$ 625,919</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Revenues			
Sales taxes	\$ 338,666	\$ -	\$ 338,666
Contributions from other agencies	59,492	-	59,492
Contributions from other OCTA funds	75,649	-	75,649
Interest	40,024	6,800	46,824
Miscellaneous	456	-	456
Total Revenues	514,287	6,800	521,087
Expenditures			
Current:			
General government:			
Supplies and services	92,893	-	92,893
Transportation:			
Contributions to other local agencies	109,443	-	109,443
Contributions to other OCTA funds	49,322	-	49,322
Capital outlay	182,952	-	182,952
Debt service:			
Principal payments on long-term debt	-	8,165	8,165
Interest	47	20,630	20,677
Bond issuance costs	826	-	826
Total Expenditures	435,483	28,795	464,278
Excess (deficiency) of revenues over (under) expenditures	78,804	(21,995)	56,809
Other financing sources (uses)			
Transfers in	-	34,874	34,874
Transfers out	(34,874)	-	(34,874)
Bond issuance	376,690	-	376,690
Bond premium	69,342	-	69,342
Payment to refunded bond escrow agent	(45,062)	-	(45,062)
Total other financing sources (uses)	366,096	34,874	400,970
Net change in fund balances	444,900	12,879	457,779
Fund balances - beginning	822,629	23,139	845,768
Fund balances - ending	\$ 1,267,529	\$ 36,018	\$ 1,303,547

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ 457,779
The transfer of land to private party is a decrease to net position.	(1,095)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	2,660
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes 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 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.	(396,381)
Change in net position of governmental activities (page 11)	\$ 62,963

See accompanying notes to the financial statements.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)

Notes to The Financial Statements

Year Ended June 30, 2019

(in thousands)

1. Summary of Significant Accounting Policies

Reporting Entity

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program. The original Measure M Program (M1) commenced on April 1, 1991 for a period of 20 years.

On November 7, 2006, Orange County voters approved the renewal of Measure M for a period of 30 more years from April 1, 2011 to March 31, 2041. Renewed Measure M (M2) allocates funds to freeway, street and road, transit, and environmental improvements.

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 several agencies and funds, including the OCLTA, a component unit of the OCTA. Accordingly, the OCLTA's financial activities are included with the financial activities of the OCTA for financial reporting purposes.

The OCTA governing board (Board) consists of 17 voting members and one non-voting member and also serves as the OCLTA governing board. Measure M requires that an 11-member Taxpayer's Oversight Committee (TOC) monitor the use of Measure M funds and ensure that all revenues collected from Measure M are spent on voter-approved transportation projects.

These financial statements include only the activities of the OCLTA, a component unit of the OCTA. These financial statements are not intended to present the activities of the OCTA.

Basis of Presentation

The OCLTA'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 on all of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales taxes.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct and indirect expenses, which are identifiable with Measure M. Interest expense related to the sales tax revenue bonds is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the fiscal year ended June 30, 2019, interest expense of \$24,253 was included in Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes, investment earnings and other items are not reported as program revenues and instead are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the OCLTA's governmental funds. The OCLTA considers all of its Measure M funds as major governmental funds. They are comprised of the following:

- *Local Transportation Authority (LTA) Fund* - This special revenue fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. Financing is provided by a one-half percent sales and use tax assessed for 20 years pursuant to Measure M, which became effective April 1, 1991, and was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance requires that sales tax revenues only be expended on projects included in the ordinance. A decision to use the revenues for any other purpose must be put to the voters in another election.
- *LTA Debt Service Fund* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the OCLTA.

Measurement Focus and Basis of Accounting

The government-wide 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, the OCLTA considers revenues to be available if they are collected within 90 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt of governmental funds are recorded only when payment is due.

Year Ended June 30, 2019
(in thousands)

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

Cash and Investments

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended June 10, 2019. The Policy complies with, or is more restrictive than, the California Government Code (Code). Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar 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.

OCLTA participates in the OCTA comingled investment pool which invests 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 which are carried at fair value based on quoted prices of similar assets. In addition, OCLTA invests in money market and mutual funds 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 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.

Year Ended June 30, 2019
(in thousands)

Investment of debt proceeds held by trustees are governed by provisions of the indentures for each obligation, rather than the general provisions of the California Government Code or OCTA's investment policy. The investment of these debt proceeds is in accordance with the Permitted Investments section and applicable account restrictions outlined in the indenture of each debt obligation. Under certain indentures, guaranteed investment contracts are allowed. OCTA's investment in a guaranteed investment contract is carried at fair value.

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. The 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 percent equities, 14 percent alternative investments, 14 percent real assets and 22 percent 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, 2029.

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 the CCF for the entire CCF portfolio (in relation to the amortized cost of that portfolio).

Due To/From Other OCTA Funds

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

Year Ended June 30, 2019
(in thousands)

Contributions To/From Other OCTA Funds

Transfers between OCLTA and other OCTA funds are reported as program expenses and revenues in the statement of activities and as revenues and expenditures in the statement of revenues, expenditures and changes in fund balances.

Administrative Services Costs

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2018-19, \$21,209 of administrative services were charged to the OCLTA and are reported as general government expenditures in the statement of revenues, expenditures and changes in fund balances and as program expenses in the statement of activities.

Assets Held for Resale

OCLTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCLTA. 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 OCLTA 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 including land, right-of-way improvements, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than \$5 and a useful life exceeding one year. 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. 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.

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (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 the OCLTA does not intend to maintain or operate the property when complete.

Right-of-way improvements and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Useful Life</u>
Right-of-way improvements	10-30 years
Machinery and equipment	3-10 years

Year Ended June 30, 2019
(in thousands)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements 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/expenditure) until then.

OCLTA has one item reported as deferred outflow of resources. This item is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This item is reported in the government-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report 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. OCLTA has one type of deferred inflow, unavailable revenue which occurs only under a modified accrual basis of accounting. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for grant reimbursements and reimbursements from others. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts 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.

Contributions to Other Agencies

Contributions to other agencies primarily represent sales tax revenues received by the OCLTA and disbursed to cities for competitive projects, the local fair share program, and the senior mobility program, and to other agencies for projects which are in accordance with the Measure M ordinance.

Year Ended June 30, 2019
(in thousands)

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 the OCLTA 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 use is subject to restrictions enforceable by third parties. The OCLTA government-wide statement of net position reports net position restricted for debt service, Environmental Mitigation Program and transportation projects funded by the Measure M Program.
- *Unrestricted net position* - This balance represents the net position that is available for general use.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the OCLTA 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. As of June 30, 2019, OCLTA reported nonspendable balance for condemnation deposits and other assets - prepaids.
- *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. As of June 30, 2019, OCLTA reported restricted fund balance for debt service, Environmental Mitigation Program and transportation projects.
- *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.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This classification also includes residual amounts assigned for specific projects. 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.

When both restricted and unrestricted resources are available for use, it is the OCLTA's policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, the OCLTA applies the default established by GASB 54, whereby the committed amounts would be reduced first followed by the assigned amounts.

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.

Reclassifications

Prior year amounts were reclassified to conform to current year presentation. Fund balance did not change due to these reclassifications.

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 balances - 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 "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 \$(704,094) difference are as follows:

Bonds payable	\$ (635,220)
Plus unamortized bond issuance premium (to be amortized to interest expense)	<u>(68,874)</u>
Net adjustment to decrease fund balances - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (704,094)</u></u>

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

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 change in net position - governmental activities as reported in the government-wide statement of activities.

One 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 amortized in the statement of activities.”

The details of this \$(396,381) difference are as follows:

Bond issuance	\$ (376,690)
Bond premium	(69,342)
Payment to refunded bond escrow agent	45,062
Principal repayments	8,165
Change in accrued interest	(5,226)
Amortization of premium and deferred charge on refunding	1,650
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ (396,381)</u>

3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2019:

Investments:	
With OCTA Commingled Investment Pool	\$ 798,836
With Trustee	489,604
With CA Community Foundation	9,534
Total Cash and Investments	<u>\$ 1,297,974</u>

Total deposits and investments are reported in the financial statements as:

Unrestricted Cash and Investments	\$ 1,288,440
Restricted Cash and Investments	9,534
Total Cash and Investments	<u>\$ 1,297,974</u>

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

As of June 30, 2019, OCLTA had the following investments:

Investment	Fair Value	Interest Rate	Yield	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$798,836	*	*	*	*
Money Market Funds **	122,904	Various	1.93%-2.28	7/1/19	1 Day
Guaranteed Investment Contract	366,700	2.02%	0.00%	4/1/21	1.756
CA Community Foundation Investment Fund	<u>9,534</u>	N/A	N/A	N/A	N/A
Total Investments	<u>\$1,297,974</u>				

* Refer to the OCTA Comprehensive Annual Financial Report (CAFR) for information related to the OCTA Commingled Investment Pool.

** Money Market Funds are measured at amortized cost which approximates fair value.

The Portfolio Weighted Average Maturity is 2.53 years.

As of June 30, 2019, OCLTA had \$798,836 invested in the OCTA's Commingled Investment Pool (CIP). Refer to the OCTA's CAFR for details on valuation techniques and fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk. Deposits and withdrawals in OCTA's CIP are made on the basis of \$1.00 (absolute dollars) and not fair value. Accordingly, the OCLTA's investment in OCTA's CIP at June 30, 2019 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2019, OCLTA had \$9,534 invested in the CA Community Foundation (CCF) investment fund. The amount invested is valued using significant unobservable inputs and, therefore, classified as Level 3. Unobservable inputs used by CCF include the foundations own assumptions, market comparable rates, capitalization and occupancy rates.

As of June 30, 2019, OCLTA had \$366,700 invested in a guaranteed investment contract. This investment is valued using quoted prices of similar assets and, therefore, classified as Level 2.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three NRSROs: S&P, Moody's, and Fitch. For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

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, 2019. (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	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	61.54%
CA Community Foundation	NR	NR	0.74%
Held by Trustee:			
Money Market Funds	AAA	Aaa	9.47%
Guaranteed Investment Contract	A	Aa	28.25%
Total			100.00%

4. Due From/To Other Governments

Amounts due from other governments as of June 30, 2019 in the fund financial statements are \$95,603 and are comprised of \$60,576 of sales taxes, \$32,893 of project reimbursements and \$2,134 representing the interest receivable on Build America Bonds.

Amounts due to other governments as of June 30, 2019 are \$11,746 and are comprised of \$11,545 for transportation projects and \$201 for other miscellaneous transactions.

5. Related Party Transactions and Interfund Transfers

Related party transactions:

As of June 30, 2019, OCLTA has \$1,787 receivable from other OCTA funds. \$203 is due from the 91 Express Lanes fund for the SR-91 Improvement project and \$1,584 is due from the Service Authority for Freeway Emergencies fund for project expenditures.

As of June 30, 2019, OCLTA owes \$13,151 to other OCTA funds as follows:

	Amount	Explanation
General Fund	\$ 593	Placentia Rail Station and ARTIC
OCUTT	48	Local Fair Share funds withheld from City of Placentia
General Capital Project	11,966	OC Streetcar project
OCTD	544	Mission Viejo Transit Circle & iShuttle operations
Total	<u>\$ 13,151</u>	

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

OCTA advanced monies to OCLTA to cover expenditures such as election costs, administrative costs, and accrued interest. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (2.39 percent for fiscal year 2018-19). As of June 30, 2019, OCLTA owes OCTA \$1,109. OCLTA began repaying OCTA when Measure M funds were collected.

Contributions from Other OCTA Funds:

During fiscal year 2018-19, OCLTA received \$70,243 from the I-405 EL Fund for the I-405 Improvement project. In addition, OCLTA received \$659 from the 91 EL Fund for freeway improvements and \$4,747 from OCTA for the sale of land related to the Measure M Program.

Contributions to Other OCTA Funds:

During fiscal year 2018-19, OCLTA made contributions to the following funds:

- \$10 to the General Fund for the Placentia Rail Station.
- \$36,409 to the General Capital Projects Fund for the OC Streetcar project.
- \$396 to the OC Streetcar Fund for the OC Streetcar project.
- \$12,507 to the OCTD Fund for La Habra service, Irvine Shuttle, Commuter Rail, Fare Stabilization and Senior Mobility Program.

Interfund Transfers:

During fiscal year 2018-19, the LTA Fund transferred \$34,874 to the LTA Debt Service Fund for debt service payments.

6. Capital Assets

Capital assets activity for the OCLTA governmental activities for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 32	\$ -	\$ (11)	\$ 21
Total capital assets, being depreciated	32	-	(11)	21
Less accumulated depreciation for:				
Machinery and equipment	(32)	-	11	(21)
Total accumulated depreciation	(32)	-	11	(21)
Total capital assets, being depreciated, net	-	-	-	-
Total governmental activities capital assets, net	\$ -	\$ -	\$ -	\$ -

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

7. Long-Term Debt

Sales Tax Revenue Bonds

On December 9, 2010, OCLTA issued \$293,540 in Measure 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. The Measure M sales tax is the source of revenue for repaying this debt.

On February 12, 2019, OCLTA issued \$376,690 in Measure M2 Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2019 (the "Series 2019 Bonds"), i) to refinance costs of certain transportation projects located in Orange County, consisting of the general purpose lanes of the I-405 Improvement Project; ii) to refund and defease \$43,540 of the 2010 Series A Bonds, which resulted in gross cumulative cash flow savings of approximately \$2,867 and net present value cumulative savings of approximately \$2,584; and to fund costs of issuance related to the Series 2019 Bonds. A reserve fund is not required in connection with the Series 2019 Bonds per the bond indenture. The transaction closed on February 26, 2019.

The OCLTA's outstanding debt obligations related to M2 Sales Tax Revenue Bonds contain a provision that in the event of default, bondholders have the right to sue in order to force the OCLTA to cure the event of default, which may result in financial related consequences.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)	2019 Series B (Tax-Exempt Bonds)
Issuance date	12/9/10	12/9/10	2/12/19
Original issue amount	\$ 293,540	\$ 59,030	\$ 376,690
Original issue premium	-	6,023	69,342
Net Bond Proceeds	\$ 293,540	\$ 65,053	\$ 446,032
Issuance costs	\$ 1,905	\$ 274	\$ 970
Interest rates	5.56%-6.91%	3.00%-5.00%	3.00%-5.00%
Maturity range	2021-2041	2014-2020	2021-2041
Final maturity	2041	2020	2041
Bonds outstanding	\$ 250,000	\$ 8,530	\$ 376,690
Plus unamortized premium	-	602	68,272
Total	\$ 250,000	\$ 9,132	\$ 444,962

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 8,530	\$ 35,592
2021	8,065	35,774
2022	8,455	35,371
2023	19,935	34,949
2024	20,920	33,952
2025-2029	123,440	151,202
2030-2034	156,585	111,323
2035-2039	197,110	61,479
2040-2041	92,180	8,146
Total	\$ 635,220	\$ 507,788

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Measure M program activities:					
Sales tax revenue bonds	\$ 310,235	\$ 376,690	\$ (51,705)	\$ 635,220	\$ 8,530
Unamortized premium	1,205	69,342	(1,673)	68,874	-
Total Measure M program activities long-term liabilities	\$ 311,440	\$ 446,032	\$ (53,378)	\$ 704,094	\$ 8,530

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2019, debt service payments in relation to the pledged gross revenue net of the local fair share program and other expenses as required by the debt agreement, 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	\$ 258,085	\$ 28,795	8.96

Line of Credit

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

Year Ended June 30, 2019
(in thousands)

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 in the amount of \$450,000 and the other with a 2021 maturity, also in the amount of \$450,000. 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, 2019. The 2019 Credit and Fee Agreement line of credit matured in early 2019. Therefore, the unused balance is \$450,000.

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.

8. Commitments and Contingencies

Purchase Commitments

The OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2019, were \$1,150,140, the majority of which relate to the expansion of Orange County's freeway and road systems.

Federal Grants

The OCLTA receives federal grants for transportation 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 the OCLTA's financial position or changes in financial position.

9. 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.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

This Statement is effective for OCLTA's fiscal year ending June 30, 2019. OCLTA has determined that this Statement does not have a material impact on the financial statements.

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 OCLTA's fiscal year ending June 30, 2020. OCLTA 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 OCLTA's fiscal year ending June 30, 2021. OCLTA 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 OCLTA's fiscal year ending June 30, 2019. See note 7.

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2019
(in thousands)

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 OCLTA's fiscal year ending June 30, 2021. OCLTA, however, has early implemented this Statement in this fiscal year. OCLTA has determined that this Statement does not have a material impact on the financial statements.

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 OCLTA's fiscal year ending June 30, 2020. OCLTA has not determined the effect of this Statement.

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for OCTA's fiscal year ending June 30, 2022. OCLTA has not determined the effect of this Statement.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Required Supplementary Information
Budgetary Comparison Schedule - LTA Fund (Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts			
(amounts expressed in thousands)	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Sales taxes	\$ 332,170	\$ 332,170	\$ 338,666	\$ 6,496
Contributions from other agencies	60,646	60,646	106,488	45,842
Contributions from other OCTA funds	14,521	14,521	75,649	61,128
Interest	7,470	7,470	40,024	32,554
Miscellaneous	4,665	4,665	456	(4,209)
Total revenues	419,472	419,472	561,283	141,811
Expenditures:				
Current:				
General government - supplies and services	169,600	168,819	110,311	58,508
Transportation:				
Contributions to other local agencies	175,551	175,517	109,552	65,965
Contributions to other OCTA funds	51,405	51,405	49,322	2,083
Capital outlay	972,401	972,401	842,762	129,639
Debt service:				
Interest	-	-	47	(47)
Bond issuance costs	-	1,000	826	174
Total expenditures	1,368,957	1,369,142	1,112,820	256,322
Excess (deficiency) of revenues over (under) expenditures	(949,485)	(949,670)	(551,537)	398,133
Other financing sources (uses):				
Transfers in	17,624	17,624	-	(17,624)
Transfers out	(48,535)	(48,535)	(34,874)	13,661
Bond issuance	-	-	376,690	376,690
Bond premium	-	-	69,342	69,342
Payment to refunded bond escrow agent	-	-	(45,062)	(45,062)
Total other financing uses	(30,911)	(30,911)	366,096	397,007
Net change in fund balance	\$ (980,396)	\$ (980,581)	\$ (185,441)	\$ 795,140
Reconciliation to GAAP:				
Net change in fund balance (budgetary basis)			\$ (185,441)	
Less: Estimated revenues for encumbrances outstanding at June 30			46,996	
Add: Current year encumbrances outstanding at June 30			677,337	
Net change in fund balance (GAAP basis)			\$ 444,900	

See accompanying notes to the required supplementary information.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)

Notes to Required Supplementary Information

Year Ended June 30, 2019

(in thousands)

1. Budgetary Data

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA and the debt service 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 2019 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

There were no excess of expenditures over appropriations for fiscal year 2018-19.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Other Supplementary Information
Budgetary Comparison Schedule - LTA Debt Service Fund (Budgetary Basis)
Year Ended June 30, 2019

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Interest	\$ 6,726	\$ 6,726	\$ 6,800	\$ 74
Total revenues	6,726	6,726	6,800	74
Expenditures:				
Debt service:				
Principal payments on long-term debt	11,279	11,279	8,165	3,114
Interest on long-term debt	33,086	33,086	20,630	12,456
Total expenditures	44,365	44,365	28,795	15,570
Deficiency of revenues under expenditures	(37,639)	(37,639)	(21,995)	15,644
Other financing sources:				
Transfers in	37,638	37,638	34,874	(2,764)
Transfers out	(6,726)	(6,726)	-	6,726
Total other financing sources	30,912	30,912	34,874	3,962
Net change in fund balance	\$ (6,727)	\$ (6,727)	\$ 12,879	\$ 19,606

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

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated October 29, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Costa Mesa, California
October 29, 2019

**ORANGE COUNTY
TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

FINANCIAL STATEMENTS

Year ended June 30, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND

FINANCIAL STATEMENTS
JUNE 30, 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEET	4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	5
NOTES TO FINANCIAL STATEMENTS	6
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	9
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	10
SUPPLEMENTARY INFORMATION	
SCHEDULE OF DISBURSEMENTS	11
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	12

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Local Transportation Fund (LTF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019, and the related notes to financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 LTF, of OCTA, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the LTF and do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2019, 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 Matter*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of disbursements is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of disbursements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of disbursements is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of OCTA's internal control over financial reporting, as it relates to the LTF, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance, as it relates to the LTF.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Costa Mesa, California
October 29, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
BALANCE SHEET
June 30, 2019

ASSETS

Cash and investments	\$ 14,274,883
Interest receivable	21,259
Due from other governments (Note 3)	<u>32,735,258</u>
 Total assets	 <u><u>\$ 47,031,400</u></u>

LIABILITIES

Due to other governments (Note 4)	\$ 243,286
Due to other funds (Note 5)	<u>13,832,577</u>
Total liabilities	14,075,863

FUND BALANCE

Restricted for transportation programs	<u>32,955,537</u>
 Total liabilities and fund balance	 <u><u>\$ 47,031,400</u></u>

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the year ended June 30, 2019

REVENUES

Local transportation sales tax allocations	\$ 180,736,991
Investment income	<u>210,905</u>
Total revenues	180,947,896

EXPENDITURES

Current:	
Supplies and services	2,178,208
Contributions to other agencies	<u>2,504,746</u>
Total expenditures	<u>4,682,954</u>

Excess of revenues over expenditures	176,264,942
--------------------------------------	-------------

OTHER FINANCING USES

Transfers to other OCTA funds (Note 6)	<u>172,408,879</u>
--	--------------------

Net change in fund balance	3,856,063
----------------------------	-----------

Fund balance, beginning of year	<u>29,099,474</u>
---------------------------------	-------------------

Fund balance, end of year	<u><u>\$ 32,955,537</u></u>
----------------------------------	-----------------------------

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE 1 – REPORTING ENTITY

The Local Transportation Fund (LTF) is a special revenue fund of the Orange County Transportation Authority (OCTA). The LTF financial statements do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2019, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. This fund is used to account for revenues received and expenditures made for certain transit projects within Orange County.

The LTF was created by the Transportation Development Act (TDA) for specific transportation purposes. Revenues to the LTF are derived from a ¼ cent state sales and use tax. The ¼ cent is returned by the California Department of Tax and Fee Administration (CDTFA) to each county according to the amount of tax collected in that county.

The Orange County Transit District (OCTD) of OCTA is a transit operator and OCTA is the regional Transportation Planning Agency (TPA) for the County of Orange, California (County). Annually, the TPA determines each area's apportionment of LTF revenues. Generally, County LTF revenues are apportioned by population. Where there is a transit operator, separate apportionments are made to areas within and outside the district. Once funds are apportioned, they are only available for allocation to claimants in that area. Payments from the LTF are made by the County Auditor-Controller in accordance with allocation instructions issued by OCTA.

Article 3 of the TDA stipulates that, based on the County's population of more than 500,000, OCTA is eligible to receive LTF revenues solely for claims for the following, which are allocated in specific priority order: administration, planning and programming; Section 99234 of Article 3, which are claims for pedestrian and bicycle facilities; Article 4, which are for general transit operations and services; and Article 4.5, which are claims for community transit services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the LTF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental units.

Fund Accounting: The LTF activities and transactions are recorded and accounted for in a special revenue fund of OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds. The LTF accounts for revenues received and expenditures made for certain transit projects within Orange County. Financing is generated from a ¼ cent state sales and use tax pursuant to the TDA. Expenditures of these monies must be made in accordance with TDA provisions. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: The LTF financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 90 days of year end. Amounts not collected within the availability period are classified as deferred inflows of resources – unavailable revenue. Expenditures are recorded when the liability is incurred. Liabilities are considered current when they are expected to be liquidated with available financial resources.

Cash and Investments: The LTF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is performed by the Orange County Treasury Oversight Committee. The fair value of the LTF's investment in this pool is reported in the accompanying financial statements at amounts based upon the LTF'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 income earned by the pooled cash and investments in the OCIP is allocated based on average cash and investment balance. The OCIP is not rated.

For information on cash and investment disclosures relating to LTF's deposits in the OCIP, please see OCTA's Comprehensive Annual Financial Report.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fund Balance: The LTF classifies fund balance based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Fund balance for the year ended June 30, 2019 consists of the following:

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation. For the LTF, amounts are restricted pursuant to the TDA.

When funds of different classifications are available for the same purpose, the spending priority is to spend restricted resources before unrestricted resources, and within the unrestricted category, committed followed by assigned fund balance.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments of \$32,735,258 represents a TDA receivable due from the State of California.

NOTE 4 – DUE TO OTHER GOVERNMENTS

Due to other governments of \$243,286 represents amounts due to other agencies for use in transit projects.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE 5 – DUE TO OTHER FUNDS

Due to other funds for the year ended June 30, 2019 consisted of the following:

OCTD for transit operations	\$ 12,743,395
OCTA for planning and administration	<u>1,089,182</u>
	<u>\$ 13,832,577</u>

NOTE 6 – TRANSFERS

Transfers to other OCTA funds during the fiscal year ended June 30, 2019 consisted of the following:

OCTD for transit operations	\$ 168,328,897
OCTA for planning and administration	<u>4,079,982</u>
	<u>\$ 172,408,879</u>

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS)
For the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local transportation sales				
tax allocations	\$ 170,866,805	\$ 170,866,805	\$ 180,736,991	\$ 9,870,186
Investment income	<u>46,993</u>	<u>46,993</u>	<u>210,905</u>	<u>163,912</u>
Total revenues	170,913,798	170,913,798	180,947,896	10,034,098
EXPENDITURES				
Current:				
Supplies and services	2,192,762	2,192,762	2,178,208	14,554
Contributions to other local agencies	<u>2,415,636</u>	<u>2,415,636</u>	<u>2,504,746</u>	<u>(89,110)</u>
Total expenditures	4,608,398	4,608,398	4,682,954	(74,556)
Excess of revenues over expenditures	166,305,400	166,305,400	176,264,942	9,959,542
OTHER FINANCING USES				
Transfers to other OCTA funds	<u>(166,305,400)</u>	<u>(166,305,400)</u>	<u>(172,408,879)</u>	<u>(6,103,479)</u>
Net change in fund balance	-	-	3,856,063	3,856,063
Fund balance, beginning of year	<u>29,900,940</u>	<u>29,900,940</u>	<u>29,099,474</u>	<u>(801,466)</u>
Fund balance, end of year	<u><u>\$ 29,900,940</u></u>	<u><u>\$ 29,900,940</u></u>	<u><u>\$ 32,955,537</u></u>	<u><u>\$ 3,054,597</u></u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2019

NOTE 1 – BUDGETARY DATA

The LTF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States, 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 may be amended by the OCTA Board of Directors (Board) to increase 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. OCTA 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 include 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, is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end.

Contributions to other local agencies and transfers exceeded appropriations in the amount of \$89,110 and \$6,103,479 respectively, as a result of 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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
SCHEDULE OF DISBURSEMENTS
For the year ended June 30, 2019

<u>Claimant</u>	Article 3 <u>Administration</u>	Article 3 <u>Planning</u>	Article 4 Operating and <u>Capital</u>	Article 4.5 Paratransit Operating and <u>Capital</u>	<u>Total</u>
City of Laguna Beach	\$ -	\$ -	\$ 1,185,090	\$ -	\$ 1,185,090
County of Orange	7,804	-	-	-	7,804
Orange County Transit District	-	-	159,853,198	8,475,699	168,328,897
Orange County Transportation Authority	144,425	3,935,557	-	-	4,079,982
Southern California Association of Governments	-	1,311,852	-	-	1,311,852
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	<u>\$ 152,229</u>	<u>\$ 5,247,409</u>	<u>\$ 161,038,288</u>	<u>\$ 8,475,699</u>	<u>\$ 174,913,625</u>

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

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Local Transportation Fund (LTF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the LTF's financial statements, and have issued our report thereon dated October 29, 2019. As discussed in Note 1, the financial statements present only the LTF and do not purport to, and do not, present fairly the financial position of OCTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Costa Mesa, California
October 29, 2019

**ORANGE COUNTY
TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND**

FINANCIAL STATEMENTS

Year ended June 30, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND

FINANCIAL STATEMENTS
JUNE 30, 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	4
NOTES TO FINANCIAL STATEMENTS	5
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	8
NOTES TO SUPPLEMENTARY INFORMATION	9
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	10

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the State Transit Assistance Fund (STAF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019, and the related notes to financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the STAF, of OCTA, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the STAF and do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2019, 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 Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of OCTA's internal control over financial reporting, as it relates to the STAF, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance, as it relates to the STAF.



Crowe LLP

Costa Mesa, California
October 29, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
BALANCE SHEET
June 30, 2019

ASSETS

Cash and investments	\$ 77,794
Interest receivable	8,852
Due from other governments (Note 3)	<u>10,340,550</u>

Total assets	<u><u>\$ 10,427,196</u></u>
--------------	-----------------------------

LIABILITIES

Due to other OCTA funds (Note 4)	\$ 10,340,550
Due to other governments	<u>4</u>
Total liabilities	10,340,554

FUND BALANCE

Restricted for transportation programs	<u>86,642</u>
--	---------------

Total liabilities and fund balance	<u><u>\$ 10,427,196</u></u>
------------------------------------	-----------------------------

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
For the year ended June 30, 2019

REVENUES

State transit assistance sales tax allocations	\$ 35,400,528
Transportation improvement fee	5,603,075
Interest and investment income	<u>41,117</u>
Total revenues	41,044,720

EXPENDITURES

Current:	
Supplies and services	<u>1,291</u>
Excess of revenues over expenditures	41,043,429

OTHER FINANCING USES

Transfers to other OCTA funds (Note 5)	<u>(42,879,637)</u>
Net change in fund balance	(1,836,208)
Fund balance, beginning of year	<u>1,922,850</u>
Fund balance, end of year	<u>\$ 86,642</u>

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE 1 – REPORTING ENTITY

The State Transit Assistance Fund (STAF) is a special revenue fund of the Orange County Transportation Authority (OCTA). The STAF financial statements do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2019, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. This fund is used to account for State Transit Assistance (STA) funds transferred to the Orange County Transit District (OCTD) for operations and fare assistance for seniors and disabled persons.

The STA funds provide a second source of Transportation Development Act (TDA) funding for transportation planning and mass transportation purposes as specified by the State of California Legislature. Funds for the program are derived from sales taxes on gasoline and use taxes on diesel fuel. 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.

The STA funds are allocated through an appropriation to the State Controller by the Legislature for allocation by formula to each Transportation Planning Agency (TPA). OCTA serves as the regional TPA for the County of Orange, California (County). The formula allocates 50 percent of the funds according to population and the remaining 50 percent according to operator revenues from the prior fiscal year. The allocations are based on the operator's share of revenues compared to all of the other operators in the State. The STA allocations are deposited in the OCTA's STAF, which is maintained by the Auditor-Controller of the County. The allocation to OCTA's STA funds must be made in a resolution adopted by OCTA's governing board. Payments from the STAF are made by the County Auditor-Controller in accordance with the allocation instructions in the allocation resolution.

The STA funds may not be allocated to fund administration or streets and roads projects. Operators receiving the STA funds must meet qualifying criteria based on the subsidy per revenue vehicle hour received in the previous year, taking into consideration the change in the Consumer Price Index within the operator's region.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the STAF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental units.

Fund Accounting: The STAF activities and transactions are recorded and accounted for in a special revenue fund of the OCTA. This fund is used to account for funds transferred to OCTD transit for operations and fare assistance for senior 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. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: The STAF financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are accrued when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Revenues are considered available if they are collected by the County Auditor-Controller within 90 days of year end. Amounts not collected within the availability period are classified as deferred inflows of resources – unavailable revenue. Expenditures are recorded when the liability is incurred. Liabilities are considered current when they are expected to be liquidated with available financial resources.

Cash and Investments: The STAF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is performed by the Orange County Treasury Oversight Committee. The fair value of the STAF's investment in this pool is reported in the accompanying financial statements at amounts based upon the STAF'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 income earned by the pooled cash and investments in the OCIP is allocated based on average cash and investment balance. The OCIP is not rated.

For information on cash and investment disclosures relating to STAF's deposits in the OCIP, please see OCTA's Comprehensive Annual Financial Report.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fund Balance: The STAF classifies fund balance based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Fund balance for the year ended June 30, 2019 consists of the following:

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation. For the STAF, amounts are restricted pursuant to the TDA.

When funds of different classifications are available for the same purpose, the spending priority is to spend restricted resources before unrestricted resources, and within the unrestricted category, committed followed by assigned fund balance.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments of \$10,340,550 represents a TDA receivable due from the State of California.

NOTE 4 – DUE TO OTHER OCTA FUNDS

Due to other OCTA funds of \$10,340,550 represents a TDA payable due to OCTD.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE 5 – TRANSFERS TO OTHER OCTA FUNDS

Transfers to OCTD of \$42,879,637 for the year ended June 30, 2019 were for the purpose of funding transit operations.

SUPPLEMENTARY INFORMATION

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS)
For the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
State transit assistance sales				
tax allocations	\$ 29,933,406	\$ 29,933,406	\$ 35,400,528	\$ 5,467,122
Transportation improvement fee	5,673,043	5,673,043	5,603,075	(69,968)
Interest and investment income	<u>5,765</u>	<u>5,765</u>	<u>41,117</u>	<u>35,352</u>
Total revenues	35,612,214	35,612,214	41,044,720	5,432,506
EXPENDITURES				
Supplies and services	<u>-</u>	<u>-</u>	<u>1,291</u>	<u>(1,291)</u>
Excess of revenues over expenditures	35,612,214	35,612,214	41,043,429	5,431,215
OTHER FINANCING USES				
Transfers to other OCTA funds	(35,612,214)	(35,612,214)	(42,879,637)	(7,267,423)
Net change in fund balance	-	-	(1,836,208)	(1,836,208)
Fund balance, beginning of year	<u>23,303</u>	<u>23,303</u>	<u>1,922,850</u>	<u>1,899,547</u>
Fund balance, end of year	<u>\$ 23,303</u>	<u>\$ 23,303</u>	<u>\$ 86,642</u>	<u>\$ 63,339</u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO SUPPLEMENTARY INFORMATION
For the year ended June 30, 2019

NOTE 1 – BUDGETARY DATA

The STAF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States, 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 may be amended by the OCTA Board of Directors (Board) to increase 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. OCTA 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 include 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, is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end.

Expenditures exceeded appropriations for transfers in the amount of \$7,267,423. This was a result of receiving more sales tax revenue than budgeted in the current year being transferred to OCTD.

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

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Transit Assistance Fund (STAF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the STAF's financial statements, and have issued our report thereon dated October 29, 2019. As discussed in Note 1, the financial statements present only the STAF and do not purport to, and do not, present fairly the financial position of OCTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Costa Mesa, California
October 29, 2019

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT ON
PROPOSITION 1B AND THE
TRANSPORTATION DEVELOPMENT ACT**

Year ended June 30, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
Orange, California

PROPOSITION 1B AND THE
TRANSPORTATION DEVELOPMENT ACT
Year ended June 30, 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON PROPOSITION 1B SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS	1
SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS	2
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> , THE TRANSPORTATION DEVELOPMENT ACT, CALIFORNIA GOVERNMENT CODE §8879.50, AND STATE SENATE BILL 88 (2007).....	3

**INDEPENDENT AUDITOR'S REPORT ON PROPOSITION 1B SCHEDULE
OF UNSPENT FUNDS AND CASH DISBURSEMENTS**

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the 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 fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements. We issued our report thereon dated October 31, 2019 which contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Proposition 1B Schedule of Unspent Funds and Cash Disbursements is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Costa Mesa, California
October 31, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
PROPOSITION 1B
SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS
Year ended June 30, 2019

	<u>PTMISEA (1)</u>	<u>TSSSDRA (2)</u>	<u>Total</u>
Unspent Prop 1B funds as of July 1, 2018	\$ 4,932,356	\$ 9,016,675	\$ 13,949,031
Prop 1B funds received	-	-	-
Interest revenue earned on unspent Prop 1B funds	103,713	94,393	198,106
Prop 1B disbursements spent	<u>1,561,238</u>	<u>(9,111,068)</u>	<u>(7,549,830)</u>
Unspent Prop 1B funds as of June 30, 2019	<u>\$ 6,597,307</u>	<u>\$ -</u>	<u>\$ 6,597,307</u>

(1) Public transportation, modernization, improvement, and service enhancement account

(2) Transit system safety, security & disaster recovery account

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
THE TRANSPORTATION DEVELOPMENT ACT, CALIFORNIA GOVERNMENT CODE §8879.50,
AND STATE SENATE BILL 88 (2007)**

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of the Transportation Development Act Section 6667 of Title 21 of the California Code of Regulations, California Government Code §8879.50 and California State Senate Bill 88 (2007), et seq., noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the Transportation Development Act Section 6667 of Title 21 of the California Code of Regulations, California Government Code §8879.50 and the California State Senate Bill 88 (2007), et seq.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Costa Mesa, California
October 31, 2019

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report**

Year Ended June 30, 2019

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

**Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report**

Year Ended June 30, 2019

Table of Contents

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures to the Measure M2 Status Report.....	1
Measure M2 Status Report (Unaudited):	
Schedule 1 - Schedule of Revenues, Expenditures and Changes in Fund Balance	4
Schedule 2 - Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)	5
Schedule 3 - Schedule of Revenues and Expenditures Summary	6
Notes to Measure M2 Status Report	8

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers' Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Orange County Local Transportation Authority ("OCLTA" or "Authority") and the Taxpayers' Oversight Committee of the Authority ("TOC") (the specified parties), on the Measure M2 Status Report of the Authority. The Authority and the TOC are responsible for the Measure M2 Status Report. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are included in Appendix A.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Measure M2 Status Report. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M2 Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

This report is intended solely for the information and use of OCLTA's management, the Board of Directors, and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than these specified parties.



Crowe LLP

Costa Mesa, California
December 19, 2019

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2019

The procedures and associated findings are as follows:

The Measure M2 Status Report is separated into three sections: Section A describes the procedures applied to Schedule 1; Section B describes the procedures applied to Schedule 2; and Section C describes the procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared year to date June 30, 2019 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund (Fund 17) and the OCLTA Debt Service Fund (Fund 72) and additional detailed information from the underlying accounting records.
2. Compared Period from Inception through June 30, 2019 amounts (Column B) by adding the prior year's Period from Inception through June 30, 2018 amounts with year to date June 30, 2019 amounts (Column A).
3. Re-computed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared year ended June 30, 2019 (Columns C.1 and C.2) to Schedule 1, Column A. For professional services, non-project related amounts, we compared the sum of this caption allocated to Revenues and to Bond Revenues at June 30, 2019 (C.1 and C.2) to Schedule 1, Column A. For Environmental Cleanup, we agreed this amount to the project job ledger.
2. Compared Period from Inception through June 30, 2019 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related, and other non-project related amounts, we compared the total of the amounts allocated to Revenues and to Bond Revenues at June 30, 2019 (D.1 and D.2) to Schedule 1, Column B. For Environmental Cleanup, we agreed this amount to the project job ledger.
3. Compared forecast amounts (Column E.1 and E.2) to Measure M2 Forecast Model Schedule.
4. Re-computed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Net Revenues through June 30, 2019 (Column H) and total net revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Revenues (Totals), respectively.
2. Recalculated Net Revenues through June 30, 2019 (Column H) and Total Net Revenues (Column I) amounts, by mode and project description, based on the Measure M2 Transportation Investment Plan (Investment Plan).
3. Reconciled Expenditures through June 30, 2019 (Column J) to Schedule 1, Column B. Agreed Environmental Cleanup to Schedule 2, Column D.1. Agreed Oversight and Annual Audits to the summary of Measure M2 administrative costs through June 30, 2019. Agreed Column J, by project description, to the project job ledger by fiscal year.

(Continued)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2019

4. Selected a sample of 40 expenditures from Column J and compared them to invoices and supporting documentation to determine whether the sampled expenditures were properly accrued and classified.
5. Agreed Reimbursements through June 30, 2019 (Column K) to Schedule 1, Column B. Agreed Oversight and Annual Audits line item to summary of Measure M2 administrative costs through June 30, 2019.
6. Agreed Column K to the supporting revenue summary by project and fiscal year. Selected a sample of 40 reimbursements from Column K and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly calculated.
7. Recalculated the net M2 cost (Column L) by subtracting Column K from Column J.
8. Recalculated revenues through June 30, 2019 (Column H.1) and the Total Revenues (Column I.1) for Environmental Cleanup (2% of revenues) and Oversight and Annual Audits (1% of revenues) by multiplying sales taxes and operating interest per Schedule 2, Column D.1 and Column F.1 by 2% and 1%, respectively.
9. Recalculated Revenues through June 30, 2019 (Column H.1) and Total Revenues (Column I.1) for Collect Sales Taxes (1.5% of sales taxes) by multiplying Sales Taxes per Schedule 2, Column D.1 and Column F.1 by 1.5%.
10. Re-computed total and subtotals.

Results: No exceptions were found as a result of these procedures.

(Continued)

Measure M2
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2019
(Unaudited)

(\$ in thousands)	Year to Date June 30, 2019 (A)	Period from Inception to June 30, 2019 (B)
Revenues:		
Sales taxes	\$ 338,666	\$ 2,413,729
Other agencies' share of Measure M2 costs:		
Project related	43,475	667,785
Non-project related	-	454
Interest:		
Operating:		
Project related	636	1,228
Non-project related	29,244	52,356
Bond proceeds	10,169	61,487
Debt service	506	813
Commercial paper	-	393
Right-of-way leases	30	941
Proceeds on sale of assets held for resale	-	12,201
Donated assets held for resale:		
Project related	2,071	2,071
Non-project related	(2,071)	-
Miscellaneous:		
Project related	-	270
Non-project related	-	100
Total revenues	<u>422,726</u>	<u>3,213,828</u>
Expenditures:		
Supplies and services:		
Sales tax administration fees	3,473	26,292
Professional services:		
Project related	36,692	381,802
Non-project related	4,784	26,785
Administration costs:		
Project related	10,088	73,269
Non-project related:		
Salaries and Benefits	2,574	25,107
Other	5,302	42,015
Other:		
Project related	86	5,027
Non-project related	908	4,915
Payments to local agencies:		
Project related	107,923	945,857
Capital outlay:		
Project related	169,281	1,025,983
Non-project related	-	31
Debt service:		
Principal payments on long-term debt	8,165	50,500
Interest on long-term debt and commercial paper	20,676	178,614
Total expenditures	<u>369,952</u>	<u>2,786,197</u>
Excess of revenues over expenditures	<u>52,774</u>	<u>427,631</u>
Other financing sources (uses):		
Transfers out:		
Project related	(166,072)	(204,679)
Transfers in:		
Project related	75,770	158,470
Bond proceeds	446,032	804,625
Payment to refunded bond escrow agent	(45,062)	(45,062)
Total other financing sources (uses)	<u>310,668</u>	<u>713,354</u>
Excess of revenues over expenditures and other sources (uses)	<u>\$ 363,442</u>	<u>\$ 1,140,985</u>

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2019
(Unaudited)

<i>(\$ in thousands)</i>	Year to Date June 30, 2019 (actual) (C.1)	Period from Inception through June 30, 2019 (actual) (D.1)	Period from July 1, 2019 through March 31, 2041 (forecast) (E.1)	Total (F.1)
Revenues:				
Sales taxes	\$ 338,666	\$ 2,413,729	\$ 10,657,522	\$ 13,071,251
Operating interest	29,244	52,356	139,989	192,345
Subtotal	<u>367,910</u>	<u>2,466,085</u>	<u>10,797,511</u>	<u>13,263,596</u>
Other agencies share of M2 costs	-	454	-	454
Miscellaneous	-	100	-	100
Total revenues	<u>367,910</u>	<u>2,466,639</u>	<u>10,797,511</u>	<u>13,264,150</u>
Administrative expenditures:				
Sales tax administration fees	3,473	26,292	123,125	149,417
Professional services	4,784	23,010	97,884	120,894
Administration costs:				
Salaries and Benefits	2,574	25,107	113,436	138,543
Other	5,302	42,015	185,485	227,500
Other	82	1,914	8,546	10,460
Capital outlay	-	31	-	31
Environmental cleanup	7,118	41,865	213,116	254,981
Total expenditures	<u>23,333</u>	<u>160,234</u>	<u>741,592</u>	<u>901,826</u>
Net revenues	<u>\$ 344,577</u>	<u>\$ 2,306,405</u>	<u>\$ 10,055,919</u>	<u>\$ 12,362,324</u>
	(C.2)	(D.2)	(E.2)	(F.2)
Bond revenues:				
Proceeds from issuance of bonds	\$ 446,032	\$ 804,625	\$ 1,425,000	\$ 2,229,625
Interest revenue from bond proceeds	10,169	61,487	94,619	156,106
Interest revenue from debt service funds	506	813	4,685	5,498
Interest revenue from commercial paper	-	393	-	393
Total bond revenues	<u>456,707</u>	<u>867,318</u>	<u>1,524,304</u>	<u>2,391,622</u>
Financing expenditures and uses:				
Professional services	-	3,775	4,988	8,763
Payment to refunded bond escrow	45,062	45,062	-	45,062
Bond debt principal	8,165	50,500	2,060,220	2,110,720
Bond debt and other interest expense	20,676	178,614	932,293	1,110,907
Other	826	3,001	-	3,001
Total financing expenditures and uses	<u>74,729</u>	<u>280,952</u>	<u>2,997,501</u>	<u>3,278,453</u>
Net bond revenues (debt service)	<u>\$ 381,978</u>	<u>\$ 586,366</u>	<u>\$ (1,473,197)</u>	<u>\$ (886,831)</u>

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2019
(Unaudited)

Project	Description	Net Revenues through June 30, 2019	Total Net Revenues	Expenditures through June 30, 2019	Reimbursements through June 30, 2019	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	
	(\$ in thousands)					
Freeways (43% of Net Revenues)						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 90,907	\$ 487,263	\$ 7,486	\$ 7,101	\$ 385
B	I-5 Santa Ana/SR-55 to El Toro	58,065	311,226	9,601	6,515	3,086
C	I-5 San Diego/South of El Toro	121,274	650,029	143,362	46,689	96,673
D	I-5 Santa Ana/San Diego Interchange Upgrades	49,902	267,476	2,179	527	1,652
E	SR-22 Garden Grove Freeway Access Improvements	23,211	124,407	4	-	4
F	SR-55 Costa Mesa Freeway Improvements	70,792	379,442	27,830	14,200	13,630
G	SR-57 Orange Freeway Improvements	50,038	268,202	51,174	12,071	39,103
H	SR-91 Improvements from I-5 to SR-57	27,079	145,142	34,792	824	33,968
I	SR-91 Improvements from SR-57 to SR-55	80,559	431,798	23,265	6,782	16,483
J	SR-91 Improvements from SR-55 to County Line	68,122	365,136	6,937	5,294	1,643
K	I-405 Improvements between I-605 to SR-55	207,501	1,112,203	488,526	104,049	384,477
L	I-405 Improvements between SR-55 to I-5	61,836	331,442	9,163	6,941	2,222
M	I-605 Freeway Access Improvements	3,868	20,735	2,106	16	2,090
N	All Freeway Service Patrol	29,013	155,509	2,379	-	2,379
	Freeway Mitigation	49,588	265,790	53,421	2,935	50,486
	Subtotal Projects	991,755	5,315,800	862,225	213,944	648,281
	Net (Bond Revenue)/Debt Service	-	-	44,913	-	44,913
	Total Freeways	\$ 991,755	\$ 5,315,800	\$ 907,138	\$ 213,944	\$ 693,194
	%					37.0%
Street and Roads Projects (32% of Net Revenues)						
O	Regional Capacity Program	\$ 230,643	\$ 1,236,248	\$ 742,532	\$ 461,670	\$ 280,862
P	Regional Traffic Signal Synchronization Program	92,253	494,477	60,311	4,950	55,361
Q	Local Fair Share Program	415,153	2,225,218	401,621	77	401,544
	Subtotal Projects	738,049	3,955,943	1,204,464	466,697	737,767
	Net (Bond Revenue)/Debt Service	-	-	49,885	-	49,885
	Total Street and Roads Projects	\$ 738,049	\$ 3,955,943	\$ 1,254,349	\$ 466,697	\$ 787,652
	%					42.0%

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2019
(Unaudited)

Project	Description	Net Revenues through June 30, 2019	Total Net Revenues	Expenditures through June 30, 2019	Reimbursements through June 30, 2019	Net M2 Cost
(G)		(H)	(I)	(J)	(K)	(L)
	(\$ in thousands)					
Transit Projects (25% of Net Revenues)						
R	High Frequency Metrolink Service	\$ 217,441	\$ 1,232,958	\$ 290,390	\$ 98,736	\$ 191,654
S	Transit Extensions to Metrolink	203,602	1,091,307	56,858	2,133	54,725
T	Metrolink Gateways	30,144	63,187	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	74,208	428,665	71,627	88	71,539
V	Community Based Transit/Circulators	46,116	247,181	9,875	94	9,781
W	Safe Transit Stops	5,090	27,283	1,093	26	1,067
	Subtotal Projects	576,601	3,090,581	528,063	162,033	366,030
	Net (Bond Revenue)/Debt Service	-	-	27,899	-	27,899
	Total Transit Projects	\$ 576,601	\$ 3,090,581	\$ 555,962	\$ 162,033	\$ 393,929
	%					21.0%

Measure M2 Program

\$ 2,306,405	\$ 12,362,324	\$ 2,717,449	\$ 842,674	\$ 1,874,775
---------------------	----------------------	---------------------	-------------------	---------------------

Project	Description	Revenues through June 30, 2019	Total Revenues	Expenditures through June 30, 2019	Reimbursements through June 30, 2019	Net M2 Cost
(G)		(H.1)	(I.1)	(J)	(K)	(L)
	(\$ in thousands)					
Environmental Cleanup (2% of Revenues)						
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 49,322	\$ 265,272	\$ 41,865	\$ 292	\$ 41,573
	Net (Bond Revenue)/Debt Service	-	-	-	-	-
	Total Environmental Cleanup	\$ 49,322	\$ 265,272	\$ 41,865	\$ 292	\$ 41,573
	%					1.7%

Taxpayer Safeguards and Audits

Collect Sales Taxes (1.5% of Sales Taxes)	\$ 36,206	\$ 196,069	\$ 26,292	\$ -	\$ 26,292
%					1.1%
Oversight and Annual Audits (1% of Revenues)	\$ 24,661	\$ 132,636	\$ 25,107	\$ 446	\$ 24,661
%					1.0%

See Notes to Measure M2 Status Report (Unaudited)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Measure M2 Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M (M1). This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County for 20 years. On November 7, 2006, Orange County voters approved the renewal of Measure M, known as Renewed Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. In August 2007, the Orange County Local Transportation Authority Board of Directors approved the M2 Early Action Plan to advance the completion of projects prior to the start of sales tax collection in April 2011. A Plan of Finance was adopted in November 2007 identifying a tax-exempt commercial paper program as the preferred method of funding Early Action Plan projects.

The Orange County Local Transportation Authority (OCLTA) is responsible for administering the M2 sales tax program, which commenced on April 1, 2011 for a period of 30 years. The M1 sales tax program was completed and closed out in June 2015.

Demonstrating accountability for the receipt and expenditure of M2 funds is accomplished through the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2019 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined M2 special revenue and debt service funds. Such financial information is derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2019 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the fiscal year ended June 30, 2019. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of \$363,442 agrees with the combined change in fund balances of \$350,563 in the M2 special revenue fund and \$12,879 in the M2 debt service fund in the trial balance for the year ended June 30, 2019.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Period from Inception through June 30, 2019 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the period from inception through June 30, 2019. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$1,140,985 agrees with the combined ending fund balances of \$1,104,967 in the M2 special revenue fund and \$36,018 in the M2 debt service fund, as presented in the trial balance for the year ended June 30, 2019.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues and other financing sources are presented as "Reimbursements" (Column K) in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" (Column J) in Schedule 3.

Schedule 2—Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)

This schedule presents calculations of net revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Orange County Transportation Investment Plan (Investment Plan). Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from non-project related amounts on Schedule 1. Environmental cleanup expenditures were obtained from the project job ledger. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years going forward, and for the combined total of actual and forecast amounts for the period from inception going forward.

Calculation of Net Revenues

Year Ended June 30, 2019 (actual) (Column C.1)

This column presents net revenues, consisting of total revenues less total administrative expenditures, capital outlay, and environmental cleanup, for year ended June 30, 2019. Revenues, administrative expenditures, and capital outlay for the year ended June 30, 2019 were obtained from Column A in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, and other agencies' share of M2 costs. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Period from Inception through June 30, 2019 (actual) (Column D.1)

This column presents net revenues, consisting of total cumulative revenues less total cumulative administrative expenditures, capital outlay, and environmental cleanup, for the period from inception through June 30, 2019. Revenues, administrative expenditures, and capital outlay for the period from inception through June 30, 2019 were obtained from Column B in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Total net revenues for the period from inception through June 30, 2019 are presented in Schedule 3 as "Net Revenues through June 30, 2019" (Column H). Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, other agencies' share of M2 costs, and miscellaneous revenue. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2019 through March 31, 2041 (forecast) (Column E.1)

This column presents net revenues, consisting of total projected revenues less total projected administrative expenditures and environmental cleanup expenditures, for subsequent years from July 1, 2019 through March 31, 2041. Revenues and administrative expenditures for subsequent years from July 1, 2019 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model, which is updated quarterly. Revenues and administrative expenditures utilized in the calculation of net revenues for subsequent years from July 1, 2019 through March 31, 2041 are non-project and non-financing related. Revenues consist of projected sales taxes and operating interest. Administrative expenditures consist of projected sales tax administration fees, professional services, administration costs, and other expenditures.

Total (Column F.1)

This column presents total net revenues, calculated as the sum of columns D.1 and E.1. Total net revenues are presented in Schedule 3 as "Total Net Revenues" (Column I).

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2019 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2019. Bond revenues and financing expenditures and uses for the year ended June 30, 2019 were obtained from Column A in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of interest revenue from bond proceeds and debt service funds.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from Inception through June 30, 2019 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2019. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2019 were obtained from Column B in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds, debt service funds, and commercial paper. Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2019 through March 31, 2041 (forecast) (Column E.2)

This column presents bond revenues (debt service), consisting of total projected bond revenues less total projected financing expenditures and uses, for subsequent years from July 1, 2019 through March 31, 2041. Bond revenues and financing expenditures and uses for subsequent years from July 1, 2019 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds and debt service funds. Financing expenditures and uses consist of bond debt principal and bond debt and other interest expense.

Total (Column F.2)

This column presents total net bond revenues (debt service), calculated as the sum of columns D.2 and E.2.

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures, by mode and project description, as specified in the Investment Plan. Total M2 program amounts agree with amounts on Schedules 1 and 2. Amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

This column presents project descriptions by mode in accordance with the Investment Plan.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Net Revenues through June 30, 2019 (Column H)

This column presents total M2 program net revenues for the period from inception through June 30, 2019, which agrees with net revenues in Column D.1 in Schedule 2. Such net revenues are allocated to each of the three modes based on the allocation percentages specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Total Net Revenues (Column I)

This column presents total actual and projected net revenues (total net revenues) during the life of M2, which agree with total net revenues in Column F.1 in Schedule 2. Such total net revenues are allocated to each of the three modes based on the allocations specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Expenditures through June 30, 2019 (Column J)

This column presents total expenditures plus net (bond revenue)/debt service. Total expenditures, excluding oversight and annual audit expenditures, agree with the sum of project related expenditures including transfers out from Column B in Schedule 1. Oversight and annual audit expenditures agree with the administrative costs for salaries and benefits derived from the annual cost allocation plan. Total net (bond revenue)/debt service agrees with the total net bond revenue (debt service) expenditures from Column D.2 in Schedule 2. Project related expenditures are comprised of professional services, administration costs, other expenditures, payments to local agencies, capital outlay, and transfers out. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger.

Reimbursements through June 30, 2019 (Column K)

This column presents total reimbursements for the period from inception through June 30, 2019, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M2 costs, right-of-way leases, proceeds on sale of assets held for resale, donated assets held for resale, transfers in and miscellaneous revenue. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger. Reimbursements for oversight and annual audits agree with the principal balance of the amount advanced from the Orange County Unified Transportation Trust (OCUTT) to cover administrative costs for salaries and benefits exceeding more than one percent of revenues.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2019

Net M2 Cost (Column N)

Net M2 cost is a calculation of Column J minus Column K. For each mode, a percentage is calculated as the net project cost per mode divided by the total M2 Program net project cost. Such percentage can be compared to the required percentage included in M2 as an indication of the progress to date for each mode.

Revenues through June 30, 2019 (Column H.1)

The total environmental cleanup revenue for the period from inception through June 30, 2019, represents two percent (2%) of revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total oversight and annual audits revenues for the period from inception through June 30, 2019, represent one percent (1%) of the revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total collect sales taxes revenue for the period from inception through June 30, 2019, represents one and one-half percent (1.5%) of the sales tax revenues in Column D.1 in Schedule 2.

Total Revenues (Column I.1)

The total environmental cleanup actual and projected revenues during the life of M2 represent 2% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2. The total collect sales taxes actual and projected revenues during the 30-year life of M2 represent 1.5% of sales tax revenues found in Column F.1 in Schedule 2. The total oversight and annual audits actual and projected revenues during the 30-year life of M2 represent 1% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2.

ORANGE COUNTY TRANSPORTATION AUTHORITY

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
WITH RESPECT TO THE TREASURY DEPARTMENT**

Year ended June 30, 2019

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

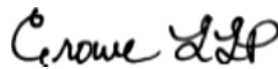
Board of Directors
Orange County Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Orange County Transportation Authority ("OCTA" or "Authority") (the specified party), on the Investment Policy of the Authority. OCTA's management is responsible for the Investment Policy. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are included in Appendix A.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Investment Policy. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of OCTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.



Crowe LLP

Costa Mesa, California
October 17, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2019

The procedures performed and associated results are as follows:

1. We conducted inquiries of personnel involved in the Treasury Department operations, obtained the Debt and Investment Management Manual and observed the procedures performed to determine whether the procedures provided for:
 - a. Transactions that are clearly documented and readily available for examination;
 - b. Transactions that are promptly recorded and properly classified;
 - c. Transactions that are authorized and executed only by persons acting within the scope of their authority;
 - d. Segregation of key duties and responsibilities in authorizing, processing, recording and reviewing;
 - e. Supervision to ensure that internal control objectives are achieved;
 - f. Limiting access to resources and records to authorized individuals and ensuring accounting for custody of resources; and
 - g. Periodic reconciliation of investments between the custodian statements and the general ledger.

Finding: No exceptions were noted as a result of this procedure. We observed the procedures performed to determine whether the procedures provided for items a.-g. by observing documented procedures in the Investment Management Manual (Manual) and determining the attributes above were provided for in the Manual.

2. We compared the Investment Policies dated June 11, 2018, February 25, 2019, and June 10, 2019 to California Government Code Section 53601 to determine compliance.

Finding: No exceptions were noted as a result of this procedure.

3. We observed system related controls to determine they were in place to appropriately limit access to cash and investment information.

Finding: We observed system related controls surrounding the Clearwater system and no exceptions were noted as a result of this procedure. Specifically, we observed that access to the system was password protected and that the user access listing was restricted to those individuals requiring access for their job duties.

4. We determined that the Investment Policy was provided to external investment managers on an annual basis. In addition, we determined whether each investment manager certified receipt of the Investment Policy with a statement agreeing to abide by its terms.

Finding: No exceptions were noted as a result of this procedure.

5. We sampled three monthly Treasury/Public Finance Department Reports on OCTA Investment and Debt Programs presented to the Finance and Administration Committee to determine whether they were provided in accordance with the Debt and Investment Management Manual (Section 2, Part C, Treasury/Public Finance Department, and Investment Reporting).

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2019

Finding: No exceptions were noted as a result of this procedure.

6. We selected a sample of four authorization letters (and changes to them) to investment managers, brokers, banks and custodians to determine that they were jointly authorized in writing by the Treasurer and another individual authorized by the Debt and Investment Management Manual. In addition, we inspected the letters for existence of the following attributes:
 - a. OCTA staff authorized to make investments;
 - b. Custody instructions; and
 - c. Instructions for money and security transfers.

Finding: No exceptions were noted as a result of this procedure.

7. We selected a sample of 60 investment purchases during the fiscal year ended June 30, 2019 to determine that:
 - a. The investments were in compliance with the Investment Policy;
 - b. The Treasury Department's policies and procedures with respect to investment purchases were followed;
 - c. The investments were properly recorded; and
 - d. Any investment earnings on matured investments were calculated and recorded correctly.

Finding: We inspected the investment policies obtained in procedure two and compared the policies outlined for investment purchases contained within to the sample of investments purchased during the year and noted no exceptions. We agreed Asset ID, ISIN number, Maturity date, Principal (Value), and Security Ratings to the Clearwater report to ensure proper recording of the securities. We recalculated investment earnings on matured investments and agreed to the Clearwater system. No exceptions were noted as a result of this procedure.

8. We sampled ten weekly holdings reports for each external investment manager during the fiscal year ended June 30, 2019 and determined whether they were monitored by Treasury Department personnel and were in compliance with the Investment Policy. Specifically:
 - a. We obtained the holdings report for each external manager for each week selected;
 - b. We inspected that the Treasury Department's review was documented on the holdings report;
 - c. We compared the holdings report to the Investment Policy limits and diversification guidelines to determine whether the external investment manager complied; and
 - d. We determined that any instances of noncompliance were identified and corrected by the Treasury Department and that probationary and reporting procedures were followed.

Finding: No exceptions were noted as a result of this procedure.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2019

9. We selected a sample of three monthly bank reconciliations during the fiscal year ended June 30, 2019 and performed the following:
- a. Traced general ledger balances and bank balances to supporting documentation;
 - b. Determine whether the reconciliations were completed within thirty days of month end;
 - c. Determine that any discrepancies were reported and resolved;
 - d. Determine that reconciliations and resolution of discrepancies were reviewed and approved by an official who was not responsible for recording receipts and disbursements; and
 - e. Determine that bank statements were mailed directly to the Accounting Department.

Finding: No exceptions were noted as a result of this procedure. We determined the items in b. - e. by observing the reconciliations contained the information listed.

10. We selected a sample of three monthly investment account reconciliations and inspected the supporting documentation to determine that:
- a. Reconciliations were completed and approved by the end of the month following the month being reconciled, and were performed by someone who was not responsible for recording receipts and disbursements;
 - b. Discrepancies were identified and resolved;
 - c. Reconciliations and the resolution of discrepancies were reviewed by an official who was not responsible for recording investment transactions; and
 - d. Investment statements were mailed directly to the Accounting Department.

Finding: The Bank of New York Mellon is accessed using a computer login, therefore procedure (d) listed above was not applicable. The remainder of the procedures were performed with no exceptions noted.

11. We inspected the Treasury Department's cash forecasting documentation to determine the Department performed or prepared the following:
- a. A day-to-day cash forecast for the current week;
 - b. Reviewed forecasts with the Funds Management Team;
 - c. Monitored actual cash flow activity versus forecast;
 - d. Maintained regular communication with external investment managers regarding OCTA cash forecast and operational needs.

Finding: No exceptions were noted as a result of this procedure. For procedure d., weekly communications were observed.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2019

12. We inspected monthly Investment and Debt Programs reports for required reporting of downgrades and credit watch placements.

Finding: No exceptions were noted as a result of this procedure.

13. We inspected minutes of both the Board of Directors and the Finance and Administration Committee, inquired with Treasury Department personnel, and inspected other supporting documentation to determine that the following required oversight activities took place:

- a. The Finance and Administration Committee reviewed investments on a monthly basis;
- b. The Board of Directors reviewed investments on a quarterly basis;
- c. The Board of Directors reviewed and approved the Investment Policy and amendments made during the fiscal year ended June 30, 2019
- d. The Internal Audit Department performed semi-annual reviews to determine if OCTA was in compliance with its debt, investment, and accounting policies and procedures and
- e. The funds management team met on a weekly basis.

Finding: We inspected the Finance and Administration Committee meeting minutes, Board of Directors meeting minutes, semi-annual reviews performed by the Internal Audit Department, and the informational packet for the funds management team meeting noting that the above oversight activities took place.

14. We inquired whether there have been any changes in Treasury policies and procedures, organization or function, as a result of any prior year audit findings or as a result of the Treasury Department Agreed-Upon Procedures.

Finding: Based upon our inquiry no changes in Treasury policies and procedures, organization or function were noted as a result of any prior year findings or as a result of the Treasury Department Agreed-Upon Procedures.

ORANGE COUNTY TRANSPORTATION AUTHORITY

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES RELATED TO
ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION
For the fiscal year ended June 30, 2019

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Orange County Transportation Authority (OCTA) (the specified party), related to the Appropriations Limit Calculation of OCTA, prepared in accordance with Section 1.5 of Article XIII-B of the California Constitution, for the fiscal year ended June 30, 2019. OCTA's management is responsible for the Appropriations Limit Calculation. The sufficiency of these procedures is solely the responsibility of OCTA. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCTA's appropriations limit and compared the 2018-2019 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2018-2019 appropriations limit.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

(Continued)

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Appropriations Limit Calculation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of OCTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.



Crowe LLP

Costa Mesa, California
October 17, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPROPRIATIONS LIMIT CALCULATIONS
Year ended June 30, 2019

	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 11,087,013	
B. Adjustment factors:		
1. Population change	1.0367	State Finance
2. Per capital change	1.0069	State Finance
Total adjustments $[(B.1 \times B.2) - 1.0]$	0.04390	
C. Annual adjustment	<u>486,720</u>	A \times B
D. This year's limit	<u>\$ 11,573,733</u>	A + C

ORANGE COUNTY TRANSPORTATION AUTHORITY
AGREED-UPON PROCEDURES PERFORMED
WITH RESPECT TO THE NATIONAL TRANSIT DATABASE REPORT
June 30, 2019



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Transportation Authority
Orange, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) for the Orange County Transportation Authority (OCTA) annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by FTA or meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
7. Data are consistent with prior reporting periods and other facts known about OCTA's operations.

We have performed the procedures described in Attachment 1 of this report, which were agreed to by OCTA and the FTA and specified in the declarations section of the *2019 Policy Manual*, solely to assist you in evaluating whether OCTA complied with the standards described above and that the information included in the NTD report FFA-10 form for the year ended June 30, 2019, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR part 630, *Federal Register*, January 15, 1993 and as presented in the *2019 Policy Manual*. OCTA's management is responsible for OCTA's compliance with those standards and the accuracy of the FFA-10 form. The sufficiency of these procedures is solely the responsibility of OCTA and FTA. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which this report has been requested or for any other purpose.

(Continued)

The procedures and findings described in Attachment 1 of this report, which are referenced in order to correspond to the *2019 Policy Manual* procedures, were applied separately to each of the information systems used to develop the reported vehicle revenue miles (VRM), passenger miles (PM), fixed guideway directional route miles (FG DRM), High Intensity Bus Lanes directional route miles (HIB DRM), and operating expenses of OCTA for the year ended June 30, 2019, and for each of the following modes: (1) Motor Bus – Directly Operated (MBDO), (2) Commuter Bus - Directly Operated (CBDO), (3) Motor Bus - Purchased Transportation (MBPT), (4) Commuter Bus - Purchased Transportation (CBPT), (5) Demand Response - Purchased Transportation (DRPT), (6) Demand Response - Taxi - Purchased Transportation (DTPT) and (7) Vanpool Service - Purchased Transportation (VPPT).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR part 630, *Federal Register*, January 15, 1993 and as presented in the *2019 Policy Manual* or on the FFA-10. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of OCTA management, OCTA Board of Directors and the FTA and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
October 31, 2019

ATTACHMENT 1

The procedures to be applied to each applicable mode and type of service (TOS) (directly operated (DO) and purchased transportation (PT)) are:

- a. Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2019 Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

Finding: We obtained and read a copy of OCTA's written instructions for Passenger Counting and Reporting (PCR) schedule generation. Based on inquiry surrounding collection, retention and reporting of NTD data, we noted that OCTA maintains and follows an informal set procedures in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2019 Policy Manual*. No exceptions were noted as a result of this procedure.

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
 - The extent to which the transit agency followed the procedures on a continuous basis, and
 - Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2019 Policy Manual*.

Finding: We inquired regarding OCTA's procedures for the MBDO, CBDO, MBPT, CBPT, DRPT, DTPT, and VPPT services and were informed that the informally asserted procedures were followed on a consistent and continual basis. In addition, based on our inquiry with the Business Unit Analyst of the Transit Division and the Section Manager of the Vanpool Program, management asserted that the procedures resulted in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2019 Policy Manual*. No exceptions were noted as a result of this procedure.

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.

Finding: We inquired with the Business Unit Analyst of the Transit Division, Section Manager of the Vanpool Program, and other key NTD personnel, regarding OCTA's retention policy for source documents supporting NTD data reported on the Federal Funding Allocation Statistics form. Per inquiry, the current practice is to retain electronic data for seven years. No exceptions were noted as a result of this procedure.

- d. Based on a description of the transit agency's procedures from items (a) and (b) above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Finding: We inspected the following source documents for each type of service, selected three months out of the year and determined that the documents existed for each of these periods by observing OCTA's shared drive without exception:

Type of Service	Source Document	Months Tested
MBDO	<ul style="list-style-type: none">• Operating Days by Month• Passenger Survey Detail• Revenue Vehicle Miles by Month	<ul style="list-style-type: none">• September 2018• December 2018• April 2019

(Continued)

ATTACHMENT 1

Type of Service	Source Document	Months Tested
	<ul style="list-style-type: none"> Scheduled Daily Line Summaries Unlinked Passenger Trips Vehicle Revenue Miles by Service, Route, and Urbanized Area 	<ul style="list-style-type: none"> Three years of data were noted to be archived on OCTA's network.
CBDO	<ul style="list-style-type: none"> Operating Days by Month Passenger Survey Detail Revenue Vehicle Miles by Month Scheduled Daily Line Summaries Unlinked Passenger Trips Vehicle Revenue Miles by Service, Route, and Urbanized Area 	<ul style="list-style-type: none"> <i>September 2018</i> <i>December 2018</i> <i>April 2019</i> Three years of data were noted to be archived on OCTA's network.
MBPT	<ul style="list-style-type: none"> Operating Days by Month Passenger Survey Detail Revenue Vehicle Miles by Month Scheduled Daily Line Summaries Unlinked Passenger Trips Vehicle Revenue Miles by Service, Route, and Urbanized Area 	<ul style="list-style-type: none"> <i>September 2018</i> <i>December 2018</i> <i>April 2019</i> Three years of data were noted to be archived on OCTA's network.
CBPT	<ul style="list-style-type: none"> Operating Days by Month Passenger Survey Detail Revenue Vehicle Miles by Month Scheduled Daily Line Summaries Unlinked Passenger Trips Vehicle Revenue Miles by Service, Route, and Urbanized Area 	<ul style="list-style-type: none"> <i>September 2018</i> <i>December 2018</i> <i>April 2019</i> Three years of data were noted to be archived on OCTA's network.
DRPT	<ul style="list-style-type: none"> Contractor Provided NTD Program Data Reports Driver Manifests ACCESS - Passenger and Mileage Summaries 	<ul style="list-style-type: none"> <i>September 2018</i> <i>December 2018</i> <i>April 2019</i> Three years of data were noted to be archived on OCTA's network.
DTPPT	<ul style="list-style-type: none"> Contractor Provided NTD Program Data Reports Same Day Taxi - Passenger and Mileage Summaries 	<ul style="list-style-type: none"> <i>September 2018</i> <i>December 2018</i> <i>April 2019</i> Three years of data were noted to be archived on OCTA's network.
VPPT	<ul style="list-style-type: none"> Passenger Trips and Miles Revenue Miles Summaries 	<ul style="list-style-type: none"> <i>September 2018</i> <i>December 2018</i> <i>April 2019</i> Three years of data were noted to be archived on OCTA's network.

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

(Continued)

Finding: We inquired regarding the system of internal controls, noting that each respective mode/type of service is being reviewed by personnel independent of the preparation process. For the Purchased Transportation modes, we also inquired of the Independent Contractors regarding the system of internal controls surrounding the data collection process and transfer of NTD-related information to OCTA. We were informed that review is performed on a monthly basis and again at year-end for the MBDO, CBDO, MBPT, CBPT, DRPT, DTPT and VPPT modes. No exceptions were noted as a result of this procedure.

- f. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

Finding: We selected a random sample of 11 and 16 Random Check Trip Sheets for the MBDO and MBPT services, respectively, 6 Random Check Trip Sheets each for both the CBDO and CBPT services, 40 random sample Drivers Manifests for the DRPT service, and 14 Invoices for DTPT services, noting supervisory signatures documenting reviews of the data presented in the various services, without exception. For VPPT, we noted supervisory signatures on the source documents were in electronic format without exception.

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

Finding: We obtained the worksheets utilized by OCTA to transcribe statistics to the Federal Funding Allocation Statistics (FFA-10) form and compared the data to summaries without exception. We recomputed the arithmetical accuracy of the summaries without exception.

- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the *2019 Policy Manual*.

Finding: Sampling was conducted for the MBDO, CBDO, MBPT, and CBPT modes. We inspected the sampling methodologies and noted that the sampling methodology was used in accordance with the requirements of the *2019 NTD Policy Manual*.

The remaining three modes of services do not involve sampling. These modes use a 100% count of actual Passenger Miles and compilations of actual Revenue Miles, which is in accordance with the *2019 NTD Policy Manual*. No exceptions were noted as a result of this procedure.

- i. Discuss with transit agency staff (the auditor may wish to list the titles of the persons interviewed) the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- According to the 2010 Census, the public transit agency serves an UZA with a population less than 500,000.
 - The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
 - Service purchased from a seller is included in the transit agency's NTD report.
 - For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2017) and determine that statistical sampling was conducted and meets the 95 percent confidence and ± 10 percent precision requirements. Determine how the transit agency estimated annual PMT for the current report year.

Finding: Not applicable - OCTA did not meet the specific requirements per the criteria above. Therefore, the procedure identified above is not applicable.

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

Finding: The transit agency did not use average trip length for sampling. For the MBDO, CBDO, MBPT, and CBPT modes, we obtained a copy of OCTA's methodology used in the statistical sampling to estimate Passenger Miles Travelled (PMT) and determined that the methodology used by OCTA resulted in a random selection of runs and that the stated sampling procedure was followed. No exceptions were noted as a result of this procedure.

- k. Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Finding: For MBDO, we randomly selected 11 surveyed routes throughout the year. We recomputed the mathematical accuracy of the survey count sheets and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. No exceptions were found as a result of this procedure.

For CBDO, we randomly selected 6 surveyed routes throughout the year. We recomputed the mathematical accuracy of the survey count sheets and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. No exceptions were found as a result of this procedure.

For MBPT, we randomly selected 16 surveyed routes throughout the year. We recomputed the mathematical accuracy of the survey count sheets and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. No exceptions were found as a result of this procedure.

For CBPT, we randomly selected 6 surveyed routes throughout the year. We recomputed the mathematical accuracy of the survey count sheets and observed all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. No exceptions were found as a result of this procedure.

For DRPT and DTPT modes, we selected 40 routes performed during September 2018, December 2018 and April 2019 and compared the PMT reported against the signed driver manifests. We noted exceptions for 11 of the route selections for DRPT, in which the PMT data recorded on driver manifests was inconsistent with PMT data recorded in Trapeze, resulting in an understatement of Passenger Miles Traveled for the fiscal year of 136 miles.

For VPPT, we compared ridership being entered on the Vanpool internet database for September 2018, January 2019 and March 2019 against amounts uploaded to the Data Warehouse without exception. We also traced revenue miles reported in the Vanpool Participation Log reports for September 2018, January 2019, and March 2019 to the Monthly Summary reports of the same months and recomputed the accuracy of calculations used to determine PMT without exception.

- l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual Vehicle Revenue Miles (VRM) with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Finding: The procedure identified above is not applicable. Per inquiry with the Business Unit Analyst of the Transit Division and the Section Manager of Accounting & Financial Reporting, OCTA did not provide charter or school bus services.

- m. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.

Finding: For the MBDO, CBDO, MBPT and CBPT modes, OCTA calculated missed hours of service rather than missed trips. This resulted in a Total Actual Revenue Vehicle Hours (RVH) by mode as a percentage of Monthly Total Scheduled VRM calculation, which was computed by dividing the number of service hours actually operated by the number of service hours scheduled. This percentage was applied to scheduled VRMs to determine the number of VRMs actually operated and the number of missed VRMs. We selected all days from 9 months of the year, recalculated the VRMs and compared them to amounts used in the total VRM without exception. We recalculated the percentage of actual revenue hours over the scheduled revenue hours used to determine the missed VRM, without exception.

- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.

Finding: This procedure is not applicable.

- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Finding: For the DRPT mode, Revenue Miles are calculated based on the odometer readings from the first pickup to the last drop off. There are no deadhead miles included in the Revenue Miles calculations due to the nature of the service being comprised of non-dedicated trips. No exceptions were noted as a result of this procedure.

For the DTPT mode, Revenue Miles are calculated by the contractors based on pick up and drop off data entered into the scheduling software. Revenue Miles data is uploaded to the OCTA database and compared to the scheduling data for quality assurance. There are no deadhead miles since these are non-dedicated taxi trips, and accordingly, Revenue Miles for each trip are recorded. No exceptions were noted as a result of this procedure.

For the VPPT mode, deadhead miles are automatically excluded because only commuter miles are entered into the calculation of Revenue Miles and the results are reviewed by the Section Manager of the Vanpool Program. No exceptions were noted as a result of this procedure.

ATTACHMENT 1

- n. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

Finding: The procedure identified above is not applicable as OCTA does not provide rail service.

- o. If fixed guideway or High Intensity Busway directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA definition of fixed guideway (FG) or High Intensity Busway (HIB) in that the service is:
- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR); or
 - Bus (MB, CB, or RB) service operating over exclusive or controlled access rights-of-way (ROW); and
 - i. Access is restricted;
 - ii. Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway; and
 - iii. Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation.

Finding: We interviewed the Business Unit Analyst of the Transit Division and determined that OCTA's Motor Bus services operate over HIB lanes that appear consistent with the FTA's definition of HIB lanes. No exceptions were noted as a result of this procedure.

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

Finding: Per inquiry, we determined that the mileage was computed in accordance with the FTA definitions of FG/HIB DRM. We were informed that there were no increases or decreases in DRMs during the year. No exceptions were noted as a result of this procedure.

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
 - If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. FTA will make a determination on how to report the DRMs.

Finding: Per inquiry with the Business Unit Analyst of the Transit Division and Section Manager of Financial Planning & Analysis, there were no temporary interruptions in transit service during the report year. No exceptions were noted as a result of this procedure.

- r. Measure FG/HIB DRM from maps or by retracing route.

Finding: We recalculated the length of all HIB directional routes for the MBDO, CBDO and CBPT modes of service using publicly available maps without exception. The MBPT mode does not operate over HIB lanes. No exceptions were noted as a result of this procedure.

(Continued)

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and Operating Expense (OE) for the service operated over the same FG/HIB.

Finding: We interviewed the Business Unit Analyst of the Transit Division and noted that OCTA does share High Intensity Lanes. However, the shared High Intensity Lanes were noted as claimed by the proper agency per the NTD annual reporting manual, and not by OCTA. No exceptions were noted as a result of this procedure.

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2019 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2019 report year, the Agency Revenue Service Date must occur within the transit agency's 2019 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (\$5337) and Bus and Bus Facilities (\$5339) programs, the 7-year age requirement for fixed guideway/High Intensity Busway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to the NTD.

Finding: We obtained the HIB segments form noting the High Intensity segments and dates. It was noted that OCTA added no new segments during the year, as evidenced in the HIB segments form and per inquiry with the Section Manager of Accounting & Financial Reporting. No exceptions were noted as a result of this procedure.

- u. Compare operating expenses with audited financial data after reconciling items are removed.

Finding: Operating expenses were compared to the trial balances subject to audit without exception.

- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

Finding: Per inquiry and inspection, we determined that the transit agency purchased transportation services. We then identified the PT fare revenues reported on the Contractual Relationship form and agreed the amounts to the general ledger without exception.

- w. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the IAS-FFA regarding data for the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement for the PT data.

Finding: The data for purchased transportation are included in the reporting by OCTA, and therefore, no IAS for the purchased transportation services is included. No exceptions were noted as a result of this procedure.

- x. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract, and determine that copies of the contracts are retained for three years.

Finding: We inspected the MBPT, CBPT, DRPT, DTPT and VPPT service contracts and determined that they contained the items noted above without exception. We inquired with the Business Unit Analyst of the Transit Division and Section Manager of the Vanpool Program, regarding OCTA's retention policy for executed contracts for purchased transportation programs. Per inquiry, the current retention practice meets NTD requirements of a minimum of three years. No exceptions were noted as a result of this procedure.

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Finding: Per inquiry, OCTA provides services in more than one UZA but does not provide services to non-urbanized areas. Allocations to urbanized areas are based on trip pattern analysis. The number of yearly trips per pattern is multiplied by the number of miles determined for each UZA. We recalculated 8 UZA allocations for mathematical accuracy for the MBDO, MBPT, CBDO and CBPT services, with no exceptions noted.

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10 percent, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Finding: The following fluctuations were noted on the FFA-10 Form:

- A 17.8% decrease in Revenue Miles for CBPT was noted. Per inquiry, this was attributed to the prior year discontinuation of line 212 and 216, which is still affecting current year RVMs, as well as adjustments and reductions of various other lines within this mode.
- A 14.4% increase in Passenger Miles and a 26.5% increase in Operating Expenses for DTPT was noted. Per inquiry, this was attributed to a new service contract entered into in September 2018, which increased the scope of work, resulting in increased rates and ridership.

No exceptions were noted as a result of this procedure.

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by FTA.

Finding: We have documented the procedures followed based on the FTA 2019 *Policy Manual* Exhibit 79 - Federal Funding Allocation Data Review - Suggested Procedures, and noted the documents inspected and tests performed in our workpapers. Additional procedures were not performed.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES RELATED
TO ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION
For the fiscal year ended June 30, 2019**

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Orange County Local Transportation Authority (OCLTA), to the Appropriations Limit Calculation of OCLTA, prepared in accordance with Section 1.5 of Article XIII-B of the California Constitution for the fiscal year ended June 30, 2019. OCLTA's management is responsible the Appropriations Limit Calculation. The sufficiency of these procedures is solely the responsibility of OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCLTA's appropriations limit and compared the 2018-2019 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCLTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2018-2019 appropriations limit.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Appropriations Limit Calculation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of OCLTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.



Crowe LLP

Costa Mesa, California
October 17, 2019

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPROPRIATIONS LIMIT CALCULATIONS
Year ended June 30, 2019

	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 1,675,556,032	
B. Adjustment factors:		
1. Population change	1.0367	State Finance
2. Per capital change	1.0069	State Finance
Total adjustments [(B.1 x B.2) – 1.0]	0.04390	
C. Annual adjustment	<u>73,556,910</u>	A x B
D. This year's limit	<u>\$ 1,749,112,942</u>	A + C