



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Andrew Do
Gene Hernandez
Steve Jones
Joe Muller

Orange County Transportation Authority
Headquarters
Conference Room 07
550 South Main Street
Orange, California

Wednesday, January 13, 2021 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.

Guidance for Public Access to the Board of Directors/Committee Meeting

On March 12, 2020 and March 18, 2020, Governor Gavin Newsom enacted Executive Orders N-25-20 and N-29-20 authorizing a local legislative body to hold public meetings via teleconferencing and make public meetings accessible telephonically or electronically to all members of the public to promote social distancing due to the state and local State of Emergency resulting from the threat of Novel Coronavirus (COVID-19).

In accordance with Executive Order N-29-20, and in order to ensure the safety of the Orange County Transportation Authority (OCTA) Board of Directors (Board) and staff and for the purposes of limiting the risk of COVID-19, in-person public participation at public meetings of the OCTA will not be allowed during the time period covered by the above-referenced Executive Orders.

Instead, members of the public can listen to AUDIO live streaming of the Board and Committee meetings by clicking the below link:

<http://www.octa.net/About-OCTA/Who-We-Are/Board-of-Directors/Live-and-Archived-Audio/>



AGENDA

Finance and Administration Committee Meeting

Guidance for Public Access to the Board of Directors/Committee Meeting (Continued)

Public comments may be submitted for the upcoming Board and Committee meetings by emailing them to ClerkOffice@octa.net.

If you wish to comment on a specific agenda Item, please identify the Item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

In order to ensure that staff has the ability to provide comments to the Board Members in a timely manner, please submit your public comments **30 minutes prior to the start time of the Board and Committee meeting date.**



Call to Order

Roll Call

Pledge of Allegiance

Director Hernandez

1. Public Comments

Special Calendar

There are no Special Calendar matters.

Consent Calendar (Items 2 through 6)

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 December 9, 2020 Finance and Administration Committee meeting.

3. Fiscal Year 2019-20 Annual Financial Statement Audits, Single Audit, 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 and on its compliance with requirements of major federal programs. Crowe LLP, an independent accounting firm, has completed its annual audits of the Orange County Transportation Authority and related entities for the fiscal year 2019-20, and issued the required Single Audit report with its opinion on the Orange County Transportation Authority's compliance with major federal programs. In addition, reports have been issued on the results of agreed-upon procedures applied by Crowe LLP, to assist management in determining compliance with certain state, federal, and local requirements.



3. (Continued)

Recommendation

Receive and file the fiscal year 2019-20 annual financial statement audits, Single Audit, and agreed-upon procedures reports as information items.

4. Fiscal Year 2020-21 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 2020-21 Internal Audit Plan on July 27, 2020. This report provides an update of activities 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 2020-21 Internal Audit Plan as an information item.

5. Orange County Transportation Authority Investment and Debt Programs Report - November 2020

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 November 30, 2020. 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.



6. Extension of Coronavirus-Related Leaves

Karen DeCrescenzo/Maggie McJilton

Overview

Federal law required Emergency Paid Sick Leave and Expanded Family Medical Leave under the Family and Medical Leave Act for coronavirus-related absences through December 31, 2020. This requirement was not continued in the most recent federal funding agreement. In order to address the anticipated need for leaves, Board of Directors' approval is requested to extend the Emergency Paid Sick Leave and Expanded Family Medical Leave for eligible employees, effective January 1, 2021 until March 31, 2021.

Recommendations

- A. Approve the extension of employees' ability to use Emergency Paid Sick Leave to provide compensation relief for coronavirus-related absences.
- B. Authorize the Chief Executive Officer, or designee, to administer continuation of Emergency Paid Sick Leave and Expanded Family Medical Leave for employees, effective January 1, 2021 until March 31, 2021, and allow program extension beyond that date as necessary to accommodate need and with notification to the Board of Directors.

Regular Calendar

7. Fiscal Year 2020-21 First Quarter Budget Status Report

Anthony Baruch/Andrew Oftelie

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2020-21 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the first quarter of fiscal year 2020-21.

Recommendation

Receive and file as an information item.



Discussion Items

8. Chief Executive Officer's Report

9. Committee Members' Reports

10. Closed Session

There are no Closed Session items scheduled.

11. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, January 27, 2021**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.



Committee Members Present

Via Teleconference:

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Michelle Steel

Committee Members Absent

None

Staff Present

Jennifer L. Bergener, Deputy Chief Executive Officer
Gina Ramirez, Deputy Clerk of the Board
Sahara Meisenheimer, Deputy Clerk of the Board

Via Teleconference:

Darrell E. Johnson, Chief Executive Officer
Andrew Oftelie, Chief Financial Officer
James Donich, General Counsel

Call to Order

The December 9, 2020, regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chairman Hennessey at 10:32 a.m.

Roll Call

The Deputy Clerk of the Board conducted an attendance Roll Call and announced a quorum of the F&A Committee.

Pledge of Allegiance

Director Steel led in the Pledge of Allegiance.

1. Public Comments

There were no Public Comments.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 through 5)

2. Approval of Minutes

A motion was made by Director Do, seconded by Director Steel, and following a roll call vote, declared passed 5-0, to approve of the minutes of the Finance and Administration Committee meeting of November 11, 2020.

Committee Vice Chairman R. Murphy and Director Hernandez and were not present to vote on this item.



3. Orange County Transportation Authority Investment and Debt Programs Report - October 2020

A motion was made by Director Do, seconded by Director Steel, and following a roll call vote, declared passed 5-0, to receive and file as an information item.

Committee Vice Chairman R. Murphy and Director Hernandez and were not present to vote on this item.

4. Environmental Mitigation Program Endowment Fund Investment Report for September 30, 2020

A motion was made by Director Do, seconded by Director Steel, and following a roll call vote, declared passed 5-0, to receive and file as an information item.

Committee Vice Chairman R. Murphy and Director Hernandez and were not present to vote on this item.

5. Orange County Transportation Authority Toll Violations and Enforcement Ordinance

A motion was made by Director Do, seconded by Director Steel, and following a roll call vote, declared passed 5-0, to adopt the proposed Ordinance No. 2020-01, with the amended schedule of penalties effective January 1, 2021.

Committee Vice Chairman R. Murphy and Director Hernandez and were not present to vote on this item.

Regular Calendar

6. State Route 241/91 Express Lanes Connector Update

Kirk Avila, General Manager of Express Lanes, provided a PowerPoint presentation on the following:

- Background;
- State Route 91 (SR-91) Eastbound Configuration with 241/91 Express Lanes Connector (ELC);
- SR-91 Westbound Configuration with 241/91 ELC;
- SR-91 and Interstate 15 Diagram with the Connector;
- Project Schedules;
- Project Update, and;
- Next Steps.

6. (Continued)

A discussion ensued regarding:

- The current configuration only allows access to westbound lanes.
- Dynamic pricing and future configurations could allow access to the eastbound lanes.
- The Orange County Transportation Authority (OCTA), Riverside County Transportation Commission, and Consultants will hire an external party to develop an algorithm for dynamic pricing.

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

7. Agreement for Roadway Operations and Maintenance Services for the 91 Express Lanes in Orange County

Kirk Avila, General Manager of Express Lanes, provided a verbal report on the following:

- The procurement process and splitting the services into three different procurements;
- Overview of the Request for Proposals, proposals, and interviews; and
- Overview of recommendations and background of selected firms.

Director Steel inquired about the total cost of \$5 million being three times more than the other proposer's price.

Mr. Avila responded that the \$5.8 million cost estimate is comparable to what OCTA is currently paying today and what staff estimated at the time of requisition. The large differential in cost for the other provider is the total asset management fee area.

A motion was made by Director Hernandez, seconded by Director Do, and following a roll call vote, declared passed 6-0, to:

7. (Continued)

- A. Approve the selection of DeAngelo Brothers, LLC, as the firm to provide roadway operations and maintenance services for the 91 Express Lanes in Orange County.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2433 between the Orange County Transportation Authority and DeAngelo Brothers, LLC, in the amount of \$5,848,720, to provide roadway operations and maintenance services for the 91 Express Lanes in Orange County, for a four-year initial term effective January 1, 2021 through December 31, 2024, with two, three-year option terms.

Committee Vice Chairman R. Murphy was not present to vote on this item.

8. Fiscal Year 2019-20 Comprehensive Annual Financial Report, Management Letter and 91 Express Lanes Fund Financial Statements

Andrew Oftelie, Chief Financial Officer, provided opening comments and a brief update on the purpose of the Fiscal Year 2019-20 Comprehensive Annual Financial Report (CAFR) and 91 Express Lanes Fund Financial Statements, as well as introduced Kathy Lai of Crowe, LLP.

Ms. Lai reported on the following:

- Engagement objectives, auditors' responsibilities, and the audit results;
- An overview of the five recommendations for improvement to internal controls; and
- Crowe, LLP issued a management letter.

A discussion ensued regarding:

- OCTA maintained a strong cash position going into the pandemic and the Coronavirus Aid, Relief, and Economic Security Act funding added to that.
- Taking possession of property and having a better process for recording transactions before the end of the fiscal year.
- Alternative fuel tax credit and changing how OCTA classified revenue.
- Tightening the process of right of way so issues are addressed in a timely manner.

Committee Chairman Hennessey inquired if the auditors encountered any resistance from management.

8. (Continued)

Ms. Lai responded no difficulties with management were encountered during the audit, but it was challenging under the extraordinary circumstances.

A motion was made by Director Hernandez, seconded by Director Steel, and following a roll call vote, declared passed 7-0, to:

- A. Receive and file the fiscal year 2019-20 Comprehensive Annual Financial Report and the 91 Express Lanes Fund Financial Statements.
- B. Receive and file the Orange County Transportation Authority Management Letter for fiscal year 2019-20, as an information item.
- C. Direct staff to implement auditor recommendations related to internal controls.

Discussion Items

9. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer, (CEO) reported on the following:

- OCTA received a \$140 million award for the State Route 55 Improvement Project from the California Transportation Commission (CTC). The project will add much-needed general-purpose and high occupancy vehicle and auxiliary lanes in both directions between Interstate 405 and the Interstate 5 freeways. Project funding awarded from the following Senate Bill 1 competitive programs:
 - \$115 million from the Trade Corridor Enhancement Program; and
 - \$25 million from the Local Partnership Competitive Program.
- Mr. Johnson, CEO, thanked the CTC and the California Department of Transportation, District 12, for their support.
- This is the final Finance and Administration Committee meeting for Committee Vice Chairman Richard Murphy and Director Michelle Steel. Mr. Johnson, CEO thanked both Directors for their hard work on this Committee and their service on the OCTA Board of Directors (Board).
- Mr. Johnson, CEO, wished both Directors all the best in the future. OCTA staff looks forward to working with Director Steel as she represents California's 48th Congressional District.



9. (Continued)

- This is the final F&A Committee meeting of the year, and 2020 has been very challenging. Mr. Johnson, CEO, thanked Committee Chairman Hennessey and the F&A Committee for their leadership.

10. Committee Members' Reports

Committee Chairman Hennessey thanked outgoing Directors R. Murphy and Steel for their years of service on the Board.

Committee Vice Chairman R. Murphy thanked the staff for their support while serving on the Board and congratulated Director Steel.

Director Steel thanked the Board and staff for their support while serving on the Board. She expressed her appreciation and hopes to still be helpful to OCTA.

11. Closed Session

There were no Closed Session items scheduled.

12. Adjournment

The meeting was adjourned at 11:24 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, January 13, 2021**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Michael Hennessey
Committee Chairman



January 13, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2019-20 Annual Financial Statement Audits, Single Audit, and Agreed-Upon Procedures Reports

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements and on its compliance with requirements of major federal programs. Crowe LLP, an independent accounting firm, has completed its annual audits of the Orange County Transportation Authority and related entities for the fiscal year 2019-20, and issued the required Single Audit report with its opinion on the Orange County Transportation Authority's compliance with major federal programs. In addition, reports have been issued on the results of agreed-upon procedures applied by Crowe LLP, to assist management in determining compliance with certain state, federal, and local requirements.

Recommendation

Receive and file the fiscal year 2019-20 annual financial statement audits, Single Audit, 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 December 14, 2020. In connection with the CAFR audit, Crowe LLP (Crowe) provides opinions on other financial reports of OCTA, conducts the required Single

Audit, and applies agreed-upon procedures to assist management in determining compliance with certain federal, state, and local requirements.

The audits were performed under generally accepted auditing standards, the standards set forth for financial audits in the Government Accountability Office's *Government Auditing Standards*, audit requirements of Title 2 United States Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as the following additional requirements, where applicable:

- *State of California Transportation Development Act,*
- *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 engagement and issued unmodified opinions on all financial statement audits for the fiscal year ended June 30, 2020. Results of the required Single Audit and all agreed-upon procedures reviews have also been issued. Reports are included as attachments A through J.

Crowe previously made communications required by professional standards at the Finance and Administration Committee on December 9, 2020. No additional recommendations or observations were made related to the Single Audit or the agreed-upon procedures reports attached herewith.

Summary

Crowe has completed its annual financial audits of OCTA and related entities for the fiscal year 2019-20, as well as the Single Audit of OCTA. 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, 2020
- B. Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) Annual Financial and Compliance Report Year Ended June 30, 2020
- C. Orange County Transportation Authority Local Transportation Fund Financial Statements Year ended June 30, 2020
- D. Orange County Transportation Authority State Transit Assistance Fund Financial Statements Year ended June 30, 2020
- E. Orange County Transportation Authority Independent Auditor's Report on Proposition 1B Schedule of Unspent Funds and Cash Disbursements Year ended June 30, 2020
- F. Independent Accountant's Report on Applying Agreed-Upon Procedures
- G. Orange County Transportation Authority Independent Accountant's Report on Applying Agreed-Upon Procedures with Respect to the Treasury Department Year ended June 30, 2020
- 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, 2020
- I. Orange County Transportation Authority Agreed-Upon Procedures Performed with Respect to the National Transit Database Report June 30, 2020
- 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, 2020

Prepared by:



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

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

SINGLE AUDIT

Year ended June 30, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
Orange, California

SINGLE AUDIT
Year ended June 30, 2020

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**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, 2020, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated November 16, 2020.

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) as a basis for designing 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of the State of California Transportation Development Act (TDA), Title 21 of the California Code of Regulations, Public Utilities Code Section 99245, and California Government Code §8879.50 (collectively "Transportation Development Act") noncompliance with which could have a direct and material effect on the financial statements. 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*, including the Transportation Development Act.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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, appearing to read "Crowe LLP", is positioned above the printed name of the firm.

Crowe LLP

Costa Mesa, California
November 16, 2020

**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, 2020. 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, 2020.

(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, 2020, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements. We issued our report thereon dated November 16, 2020, 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 17, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

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 Programs:				
Federal Transit Cluster:				
Federal Transit - Capital Improvement Grants	20.500	Multiple	\$ 33,113,666	\$ 221,544
Federal Transit - Formula Grants	20.507	Multiple	30,120,347	-
COVID-19 - Federal Transit - Formula Grants	20.507	CA-2020-146-00	33,118,755	-
State of Good Repair Program	20.525	Multiple	3,462,150	-
Total Federal Transit Cluster			99,814,918	221,544
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CA-2020-037	2,178,051	-
Job Access and Reverse Commute Program	20.516	CA-37-X113	1,008,826	445,968
Total Transit Services Programs Cluster			3,186,877	445,968
Passed Through California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	Multiple	24,289,931	-
Total U.S. Department of Transportation			127,291,726	667,512
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Office of Security Operations:				
National Explosives Detection Canine Team Program	97.072	Multiple	203,968	-
Passed Through State of California Office of Emergency Services:				
Rail and Transit Security Grant Program (TSGP)	97.075	EMW2017RA00028	34,933	-
Total U.S. Department of Homeland Security			238,901	-
Total Expenditures of Federal Awards			\$ 127,530,627	\$ 667,512

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, 2020

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, 2020. 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. 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. There were no TIFIA expenditures during the fiscal year ended June 30, 2020. As of June 30, 2020, \$122,000,000 was drawn on the TIFIA Loan and the amount outstanding including interest under the TIFIA loan was \$302,421,475.

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2020

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
20.513 / 20.516

Federal Transit Cluster
Transit Services Programs 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, 2020

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

Audited Financial Statements

Year Ended June 30, 2020

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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, 2020, 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, 2020, 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 November 16, 2020, on our consideration of OCLTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCLTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCLTA's internal control over financial reporting and compliance.



Crowe LLP

Costa Mesa, California
November 16, 2020

Orange County Local Transportation Authority
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2020

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, 2020. 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 \$539,825 as of June 30, 2020. The net position of the OCLTA is restricted for transportation projects, Environmental Mitigation Program and debt service.
- Net position decreased by \$86,094 during FY 2019-20. This decrease was primarily due to program expenses exceeding general and program revenues. In FY 2019-20, sales tax revenue decreased by \$15,223 compared to FY 2018-19. In addition, operating grants and contributions decreased by \$65,198, or 45.5 percent, compared to the prior fiscal year.
- OCLTA's governmental funds reported combined ending fund balances of \$1,210,869 reflecting a decrease of \$92,678 from the prior FY. The decrease is primarily due to an increase in capital expenditures related to the I-405 Improvement Project in the current year.

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 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.

Orange County Local Transportation Authority Management's Discussion and Analysis

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 16-31 of this report.

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 32 and the LTA debt service fund as other supplementary information on page 34 to demonstrate compliance with the annual appropriated budget.

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

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, 2020, the OCLTA's assets and deferred outflows of resources exceeded liabilities by \$539,825, a \$86,094 decrease from June 30, 2019. 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	
	2020	2019
Current and other assets	\$ 1,319,159	\$ 1,428,831
Assets held for resale	10,476	371
Total assets	1,329,635	1,429,202
Deferred outflows of resources		
Deferred charge on refunding	1,430	1,499
Current liabilities	99,430	100,688
Long-term liabilities	691,810	704,094
Total liabilities	791,240	804,782
Total net position	\$ 539,825	\$ 625,919

Total assets decreased by \$99,567, or 7.0 percent, from June 30, 2019. This decrease is primarily due to a decrease in cash and investments, which resulted primarily from an increase in cash outflow related to the I-405 Improvement Project during the fiscal year.

Total liabilities decreased by \$13,542, or 1.7 percent, from June 30, 2019. This decrease is primarily due to principal payments during the fiscal year.

Total net position from governmental activities decreased from \$625,919 at June 30, 2019 to \$539,825 at June 30, 2020. This decrease was primarily due to decreased operating grants and contributions and sales tax revenues, in addition to higher 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	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 1,195	\$ 454
Operating grants and contributions	77,975	143,173
General revenues:		
Sales taxes	317,964	333,187
Unrestricted investment earnings	53,871	46,824
Other miscellaneous revenue	(67)	110
Total revenues	450,938	523,748
Measure M program expenses	537,032	460,785
Change in net position	(86,094)	62,963
Net position – beginning	625,919	562,956
Net position – end of year	\$ 539,825	\$ 625,919

OCLTA expenses shown on the statement of activities consist of:

	Governmental Activities	
	2020	2019
Supplies and services	\$ 83,941	\$ 92,893
Contributions to other local agencies	93,577	109,443
Bond issuance	—	826
Infrastructure	266,035	184,048
Interest expense	32,376	24,253
Contributions to other OCTA funds	61,103	49,322
Total expenses	\$ 537,032	\$ 460,785

Governmental activities decreased the OCLTA's net position by \$86,094.

Total revenues decreased by \$72,810, or 13.9 percent, from FY 2018-19 primarily due to a decrease in operating grants and contributions for freeway projects including the I-405 Improvement Project. Also, investment earnings increased by \$7,047 due to market performance. Sales taxes,

Orange County Local Transportation Authority Management's Discussion and Analysis

which ultimately financed a significant portion of the OCLTA's net costs, decreased by \$15,223 from the prior year as a result of the coronavirus pandemic impact in the economy.

Program expenses increased by \$76,247 primarily due to an increase in expenses related to the I-405 Improvement Project.

Financial Analysis of the OCLTA's Funds

As of June 30, 2020, the OCLTA's governmental funds reported combined ending fund balances of \$1,210,869, a decrease of \$92,678 compared to FY 2018-19. The majority of fund balances, 96.8 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 decreased by \$74,953 primarily due to an increase in capital expenditures related to the I-405 Improvement Project.

The LTA Debt Service fund balance decreased by \$17,725, due to an increase in interest expenditures related to debt service payments.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2020, the OCLTA had \$0 net of accumulated depreciation invested in capital assets, including machinery.

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

	Governmental Activities	
	2020	2019
Machinery	\$ 21	\$ 21
Total capital assets	21	21
Less accumulated depreciation	(21)	(21)
Total capital assets, net	\$ —	\$ —

More detailed information about the OCLTA's capital assets is presented in note 5 to the financial statements.

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$583,689 for the I-405 Improvement Project and \$227,479 for the I-5 Freeway Widening Construction Project.

Orange County Local Transportation Authority Management's Discussion and Analysis

Debt Administration

As of June 30, 2020, the OCLTA had \$626,690 in sales tax revenue bonds compared to \$635,220 as of the prior fiscal year.

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 6 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 covering FY 2016-17 through FY 2025-26, called the Next 10 Plan, was adopted by the Board of Directors on November 14, 2016. The Next 10 Plan has been annually reviewed and updated, with the latest version adopted by the Board of Directors on November 11, 2019.

Due to the adverse impact of coronavirus pandemic brought to both the global and national economies, MuniServices, LLC has forecasted a 4.1% decline in sales tax for FY 2020-21 for M2. Sales tax for the M2 Program is estimated to be \$11.6 billion over the life of the measure.

The OCLTA adopted its FY 2020-21 annual budget on June 8, 2020. Approximately \$726 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 \$418 million to make improvements along Interstate 405, Interstate 5, State Route 55, State Route 91, and State Route 57. Approximately \$146 million is budgeted to improve streets and roads, including \$56 million for the Regional Capacity Program, \$49 million to fund the Local Fair Share Program, and \$36 million for Regional Traffic Signal Synchronization. In addition, the M2 transit budget consists of \$60 million in bus and rail projects, including \$32 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, 2020

<i>(amounts expressed in thousands)</i>	Governmental Activities
Assets	
Cash and investments	\$ 1,208,376
Receivables:	
Interest	4,658
Operating grants	7,479
Other	192
Due from other OCTA funds	229
Due from other governments	74,200
Condemnation deposits	7,810
Note receivable	3,225
Restricted investments	12,420
Other assets	570
Assets held for resale	10,476
Total Assets	1,329,635
Deferred Outflows of Resources	
Deferred charge on refunding	1,430
Total Deferred Outflows of Resources	1,430
Liabilities	
Accounts payable	57,273
Accrued interest payable	13,366
Due to other OCTA funds	15,450
Due to other governments	12,387
Unearned revenue	319
Other liabilities	17
Advance from other OCTA funds	618
Noncurrent liabilities:	
Due within one year	8,065
Due in more than one year	683,745
Total Liabilities	791,240
Net Position	
Restricted for:	
Transportation projects	509,112
Debt service	18,293
Environmental Mitigation Program	12,420
Total Net Position	\$ 539,825

See accompanying notes to the financial statements

CITY LOCAL TRANSPORTATION AUTHORITY
(a part of the Orange County Transportation Authority)
Statement of Activities
For Year Ended June 30, 2020

					Net (Expense) Revenue and Changes in Net Position
			Program Revenues		
(amounts expressed in thousands)	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Program					
Governmental activities:					
Measure M program	\$ 537,032	\$ 1,195	\$ 77,975	\$	(457,862)
	General revenues:				
	Sales taxes				317,964
	Unrestricted investment earnings				53,871
	Other miscellaneous revenue				(67)
	Total general revenues				371,768
	Change in net position				(86,094)
	Net position - beginning				625,919
	Net position - ending				\$ 539,825

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, 2020

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	\$ 1,190,083	\$ 18,293	\$ 1,208,376
Receivables:			
Interest	4,658	—	4,658
Operating grants	7,479	—	7,479
Other	192	—	192
Due from other OCTA funds	229	—	229
Due from other governments	72,070	2,130	74,200
Condemnation deposits	7,810	—	7,810
Note receivable	3,225	—	3,225
Restricted investments	12,420	—	12,420
Other assets	570	—	570
Total Assets	\$ 1,298,736	\$ 20,423	\$ 1,319,159
Liabilities			
Accounts payable	\$ 57,273	\$ —	\$ 57,273
Due to other OCTA funds	15,450	—	15,450
Due to other governments	12,387	—	12,387
Unearned revenue	319	—	319
Other liabilities	17	—	17
Advance from other OCTA funds	618	—	618
Total Liabilities	86,064	—	86,064
Deferred Inflows of Resources			
Unavailable revenue - grant reimbursements	15,219	—	15,219
Unavailable revenue - reimbursements from others	4,877	2,130	7,007
Total Deferred Inflows of Resources	20,096	2,130	22,226
Fund Balances			
Nonspendable:			
Condemnation deposits	7,810	—	7,810
Other assets - prepaids	570	—	570
Restricted for:			
Debt service	—	18,293	18,293
Environmental Mitigation Program	12,420	—	12,420
Transportation projects	1,171,776	—	1,171,776
Total Fund Balances	1,192,576	18,293	1,210,869
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,298,736	\$ 20,423	\$ 1,319,159

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, 2020

(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)		\$ 1,210,869
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		10,476
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.		22,226
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(13,366)
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.		1,430
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (626,690)	
Plus unamortized bond issuance premium	(65,120)	<u>(691,810)</u>
Net position of governmental activities (page 10)		<u><u>\$ 539,825</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 Balance
Governmental Funds
Year Ended June 30, 2020

<i>(amounts expressed in thousands)</i>		LTA Debt	
		LTA	Service Total OCLTA
Revenues			
Sales taxes	\$	317,964	\$ — \$ 317,964
Contributions from other agencies		80,181	— 80,181
Contributions from other OCTA funds		15,174	— 15,174
Interest		47,922	3,819 51,741
Miscellaneous		1,167	— 1,167
Total Revenues		462,408	3,819 466,227
Expenditures			
Current:			
General government:			
Supplies and services		83,941	— 83,941
Transportation:			
Contributions to other local agencies		93,577	— 93,577
Contributions to other OCTA funds		61,103	— 61,103
Capital outlay		276,139	— 276,139
Debt service:			
Principal payments on long-term debt		—	8,530 8,530
Interest		22	35,593 35,615
Total Expenditures		514,782	44,123 558,905
Deficiency of revenues			
under expenditures		(52,374)	(40,304) (92,678)
Other financing sources (uses)			
Transfers in		21,951	44,530 66,481
Transfers out		(44,530)	(21,951) (66,481)
Total other financing sources (uses)		(22,579)	22,579 —
Net change in fund balances		(74,953)	(17,725) (92,678)
Fund balances - beginning		1,267,529	36,018 1,303,547
Fund balances - ending	\$	1,192,576	\$ 18,293 \$ 1,210,869

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 Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

(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)	\$ (92,678)
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The net effect of various miscellaneous transactions involving assets held for resale is to increase net position.	10,105
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(15,290)
--	----------

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 in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	\$	8,530	
Change in accrued interest		(446)	
Amortization of premium and deferred charge on refunding		3,685	11,769

Change in net position of governmental activities (page 11)	\$ (86,094)
--	--------------------

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, 2020
(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.

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, 2020, interest expense of \$32,376 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.

Year Ended June 30, 2020
(in thousands)

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.

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, 2020. 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.

Year Ended June 30, 2020
(in thousands)

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, municipal debt, banker's acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other mutual funds, mortgage or asset-backed securities, LAIF, OCIP, variable and floating rate securities and bank deposits.

Investment 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 is responsible of the foundation's investment pool. 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 pool includes a mix of asset classes including equities, alternative investments, real assets, and fixed income. The target asset allocation is approximately 50% equities, 14% alternative investments, 14% real assets and 22% fixed income.

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

Year Ended June 30, 2020
(in thousands)

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.

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 2019-20, \$21,964 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.

Year Ended June 30, 2020
(in thousands)

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:

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

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.

Year Ended June 30, 2020
(in thousands)

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.

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, 2020, 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, 2020, 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.

Year Ended June 30, 2020
(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.

Recent Event

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California issued a statewide shelter-in-place order that continues to have a significant impact on the operations and business results of OCLTA. OCLTA cannot predict the extent and duration of the impact on its activities, including fluctuations in sales tax receipts. The extent to which the coronavirus may impact OCLTA will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

2. Cash and Investments

Cash and investments are comprised of the following at June 30, 2020:

Investments:	
With OCTA Commingled Investment Pool	\$ 883,153
With Trustee	325,223
With CA Community Foundation	12,420
Total Cash and Investments	<u>\$ 1,220,796</u>

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

Unrestricted Cash and Investments	\$ 1,208,376
Restricted Cash and Investments	12,420
Total Cash and Investments	<u>\$ 1,220,796</u>

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2020
(in thousands)

As of June 30, 2020, OCLTA had the following investments:

Investment	Fair Value	Interest Rate	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$ 883,153	*	*	*
Money Market Funds **	76,481	0.010%-0.070%	7/1/20-7/30/20	0.005
Commercial Paper **	81,842	0.000%	7/7/20-9/14/20	0.070
Guaranteed Investment Contract	166,900	3.010%	4/1/21	0.753
CA Community Foundation Investment Fund	<u>12,420</u>	N/A	N/A	N/A
Total Investments	<u><u>\$1,220,796</u></u>			

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

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

The Portfolio Weighted Average Maturity is 1.750 years.

As of June 30, 2020, OCLTA had \$883,153 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, 2020 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2020, OCLTA had \$12,420 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, 2020, OCLTA had \$166,900 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.

Year Ended June 30, 2020
(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, 2020. (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	72.34 %
CA Community Foundation	NR	NR	1.02
Held by Trustee:			
Money Market Funds	AAA	Aaa	6.27
Commercial Paper	A-1	P-1	6.70
Guaranteed Investment Contract	A	Aa	13.67
Total			<u>100.00 %</u>

3. Due From/To Other Governments

Amounts due from other governments as of June 30, 2020 in the fund financial statements are \$74,200 and are comprised of \$56,092 of sales taxes, \$15,969 of project reimbursements, \$9 for other miscellaneous transactions, and \$2,130 representing the interest receivable on Build America Bonds.

Amounts due to other governments as of June 30, 2020 are \$12,387 and are comprised of \$12,140 for transportation projects and \$247 for other miscellaneous transactions.

4. Related Party Transactions and Interfund Transfers

Related party transactions:

As of June 30, 2020, OCLTA has \$229 receivable from other OCTA funds for SR-91 Improvement project.

As of June 30, 2020, OCLTA owes \$15,450 to other OCTA funds as follows:

	Amount	Explanation
General Fund	\$ 583	Placentia Rail Station and ARTIC
OCUTT	40	Local Fair Share funds withheld from City of Placentia
General Capital Project	14,786	OC Streetcar project
OCTD	41	Mission Viejo Transit Circle & iShuttle operations
Total	<u>\$ 15,450</u>	

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 (2.13 percent for fiscal year 2019-20). As of June 30, 2020, OCLTA owes OCTA \$618. OCLTA began repaying OCTA when Measure M funds were collected.

Year Ended June 30, 2020
(in thousands)

Contributions from Other OCTA Funds:

During fiscal year 2019-20, OCLTA received \$15,174 from the 91 EL Fund for freeway improvements.

Contributions to Other OCTA Funds:

During fiscal year 2019-20, OCLTA made contributions to the following funds:

- \$21 to the General Fund for the Placentia Rail Station.
- \$47,193 to the General Capital Projects Fund for the OC Streetcar project.
- \$379 to the OC Streetcar Fund for the OC Streetcar project.
- \$3,456 to the SAFE Fund for the Freeway Service Patrol project.
- \$10,054 to the OCTD Fund for La Habra service, Irvine Shuttle, Commuter Rail, Fare Stabilization and Senior Mobility Program.

Interfund Transfers:

During fiscal year 2019-20, the LTA Fund transferred \$44,530 to the LTA Debt Service Fund for debt service payments. Additionally, the LTA Debt Service Fund transferred \$21,951 in excess interest earnings to the LTA Fund.

5. Capital Assets

Capital assets activity for the OCLTA governmental activities for the year ended June 30, 2020 was as follows:

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

6. 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

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2020
(in thousands)

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)		2019 Series B (Tax-Exempt Bonds)		Total
Issuance date	12/9/10		2/12/19		
Original issue amount	\$	293,540	\$	376,690	\$ 670,230
Original issue premium		—		69,342	69,342
Net Bond Proceeds	\$	293,540	\$	446,032	\$ 739,572
Issuance costs	\$	1,905	\$	970	\$ 2,875
Interest rates	5.56%-6.91%		3.00%-5.00%		
Maturity range	2021-2041		2021-2041		
Final maturity	2041		2041		
Bonds outstanding	\$	250,000	\$	376,690	\$ 626,690
Plus unamortized premium		—		65,120	65,120
Total		250,000		441,810	\$ 691,810

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2020
(in thousands)

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 8,065	\$ 35,774
2022	8,455	35,371
2023	19,935	34,949
2024	20,920	33,952
2025	21,950	32,906
2026-2030	129,960	144,061
2031-2035	164,000	102,204
2036-2040	206,240	50,223
2041	47,165	2,757
Total	<u>\$ 626,690</u>	<u>\$ 472,197</u>

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Measure M program activities:					
Sales tax revenue bonds	\$ 635,220	\$ —	\$ (8,530)	\$ 626,690	\$ 8,065
Unamortized premium	68,874	—	(3,754)	65,120	—
Total Measure M program activities long-term liabilities	<u>\$ 704,094</u>	<u>\$ —</u>	<u>\$ (12,284)</u>	<u>\$ 691,810</u>	<u>\$ 8,065</u>

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2020, 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	\$ 252,571	\$ 44,123	5.72

Line of Credit (Direct Borrowing)

On July 26, 2017, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a TIFIA loan of up to \$628,930 for eligible project costs for the I-405 Improvement Project. The Bureau required OCTA to secure a \$900,000 line of credit secured by future M2 debt issuances to be committed at the time of closing on the TIFIA loan. The OCTA Board of Directors selected Bank of America N.A. (BANA) to provide a \$900,000 line

Year Ended June 30, 2020
(in thousands)

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 \$400,000 and the other with a 2021 maturity, also in the amount of \$500,000. 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. The 2019 maturity terminated in 2019. The cost for the \$500,000 2021 maturity BANA Line of credit was 36 basis points per year with an expiration date of July 16, 2021 however, the agreements were amended, effective June 29, 2020, changing the expiration to June 28, 2021, and reducing the commitment fee from 36 basis points to 34 basis points. There were no amounts drawn on the line of credit as of June 30, 2020. The unused portion of line of credit at June 30, 2020 is \$500,000.

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.

7. 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, 2020, were \$1,192,069, 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.

8. Effect of New Pronouncements

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 was effective for OCLTA's fiscal year ending June 30, 2020, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCLTA has not determined the effect of this Statement.

Year Ended June 30, 2020
(in thousands)

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 was effective for OCLTA's fiscal year ending June 30, 2021, but was postponed by 18 months per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCLTA has not determined the effect of this Statement.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement was effective for OCLTA's fiscal year ending June 30, 2020, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. 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 was effective for OCLTA's fiscal year ending June 30, 2022, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCLTA has not determined the effect of this Statement.

Year Ended June 30, 2020
(in thousands)

GASB Statement No. 92

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 of this Statement are effective immediately. The remaining paragraphs of this Statement were effective for OCLTA's fiscal year ending June 30, 2021, but were postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The implementation of paragraphs 4, 5, 11 and 13 of this Statement did not have a material effect on the financial statements. OCLTA has not determined the effect of the remaining paragraphs of this Statement.

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable, (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap, (6) clarifying the definition of reference rate, as it is used in Statement 53, as amended, (7) providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this Statement, except for paragraph 11b, are effective for OCLTA's fiscal year ending June 30, 2021. The requirement in paragraph 11b is effective for OCLTA's fiscal year ending June 30, 2022. GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the effective date of paragraphs 13 and 14 of this Statement by one year. OCLTA has not determined the effect of this Statement.

GASB Statement No. 94

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement is effective for OCLTA's fiscal year ending June 30, 2023. OCLTA has not determined the effect of this Statement.

GASB Statement No. 95

In May 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for

Year Ended June 30, 2020
(in thousands)

periods beginning after June 15, 2018, and later. This Statement is effective for OCLTA's fiscal year ending June 30, 2020. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 96

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). This Statement is effective for OCLTA's fiscal year ending June 30, 2023. OCLTA has not determined the effect of this Statement.

GASB Statement No. 97

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Paragraphs 4 and 5 of this Statement are effective immediately, and the remaining paragraphs of this Statement are effective for OCLTA's fiscal year ending June 30, 2022. The implementation of paragraphs 4 and 5 of this Statement did not have a material effect on the financial statements. OCLTA has not determined the effect of the remaining paragraphs 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, 2020

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 340,940	\$ 340,940	\$ 317,964	\$ (22,976)
Fines	8	8	—	(8)
Contributions from other agencies	137,748	137,748	87,618	(50,130)
Contributions from other OCTA funds	36,410	36,410	15,174	(21,236)
Interest	26,536	26,536	47,922	21,386
Miscellaneous	4,505	4,505	1,167	(3,338)
Total revenues	546,147	546,147	469,845	(76,302)
Expenditures:				
Current:				
General government - supplies and services	178,735	173,827	127,363	46,464
Transportation:				
Contributions to other local agencies	157,610	162,518	93,672	68,846
Contributions to other OCTA funds	40,273	40,273	61,103	(20,830)
Capital outlay	997,712	997,712	804,930	192,782
Debt service:				
Interest	—	—	22	(22)
Total expenditures	1,374,330	1,374,330	1,087,090	287,240
Excess (deficiency) of revenues over (under) expenditures	(828,183)	(828,183)	(617,245)	210,938
Other financing sources (uses):				
Transfers in	19,970	19,970	21,951	1,981
Transfers out	(43,783)	(43,783)	(44,530)	(747)
Total other financing sources (uses)	(23,813)	(23,813)	(22,579)	1,234
Net change in fund balance	\$ (851,996)	\$ (851,996)	\$ (639,824)	\$ 212,172

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (639,824)
Less: Estimated revenues for encumbrances outstanding at June 30	7,437
Add: Current year encumbrances outstanding at June 30	572,308
	<hr/>
Net change in fund balance (GAAP basis)	<u><u>\$ (74,953)</u></u>

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, 2020
(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 2020 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

Excess Expenditures Over Appropriations

Expenditures exceeded over appropriations for contribution to other OCTA funds in the amount of \$20,830 due to interfund transfers pertaining to carry over budget from encumbered contracts related to OC Streetcar project.

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, 2020

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Interest	\$ 6,010	\$ 6,010	\$ 3,819	\$ (2,191)
Total revenues	6,010	6,010	3,819	(2,191)
Expenditures:				
Debt service:				
Principal payments on long-term debt	8,530	8,530	8,530	—
Interest on long-term debt	35,593	35,593	35,593	—
Total expenditures	44,123	44,123	44,123	—
Deficiency of revenues under expenditures	(38,113)	(38,113)	(40,304)	(2,191)
Other financing sources:				
Transfers in	43,783	43,783	44,530	747
Transfers out	(5,670)	(5,670)	(21,951)	(16,281)
Total other financing sources	38,113	38,113	22,579	(15,534)
Net change in fund balance	\$ —	\$ —	\$ (17,725)	\$ (17,725)

**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, 2020, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated November 16, 2020.

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) as a basis for designing 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 from 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 financial statements. 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 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
November 16, 2020

**ORANGE COUNTY
TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

FINANCIAL STATEMENTS

Year ended June 30, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND

FINANCIAL STATEMENTS
JUNE 30, 2020

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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, 2020, 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 LTF, of OCTA, as of June 30, 2020, 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, 2020, 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 November 16, 2020 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 the effectiveness of OCTA's internal control over financial reporting or on compliance, as it relates to the LTF. 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 written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
November 16, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
BALANCE SHEET
June 30, 2020

ASSETS

Cash and investments	\$ 11,785,644
Interest receivable	15,644
Due from other governments (Note 3)	<u>28,792,184</u>
 Total assets	 <u><u>\$ 40,593,472</u></u>

LIABILITIES

Due to other governments (Note 4)	\$ 162,301
Due to other OCTA funds (Note 5)	<u>11,280,709</u>
Total liabilities	11,443,010

FUND BALANCE

Restricted for transportation programs	<u>29,150,462</u>
 Total liabilities and fund balance	 <u><u>\$ 40,593,472</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, 2020

REVENUES

Local transportation sales tax allocations	\$ 165,146,028
Investment income	<u>141,033</u>
Total revenues	165,287,061

EXPENDITURES

Current:	
Supplies and services	1,802,362
Contributions to other agencies	<u>2,372,115</u>
Total expenditures	<u>4,174,477</u>

Excess of revenues over expenditures	161,112,584
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OTHER FINANCING USES

Transfers to other OCTA funds (Note 6)	<u>(164,917,659)</u>
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Net change in fund balance	(3,805,075)
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Fund balance, beginning of year	<u>32,955,537</u>
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Fund balance, end of year	<u><u>\$ 29,150,462</u></u>
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See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020, 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
June 30, 2020

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, 2020 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 \$28,792,184 represents a TDA receivable due from the State of California.

NOTE 4 – DUE TO OTHER GOVERNMENTS

Due to other governments of \$162,301 represents amounts due to other agencies for use in transit projects.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – DUE TO OTHER OCTA FUNDS

Due to other OCTA funds as of June 30, 2020 consisted of the following:

OCTD for transit operations	\$ 11,023,245
OCTA for planning and administration	<u>257,464</u>
	<u>\$ 11,280,709</u>

NOTE 6 – TRANSFERS

Transfers to other OCTA funds during the fiscal year ended June 30, 2020 consisted of the following:

OCTD for transit operations	\$ 161,006,227
OCTA for planning and administration	<u>3,911,432</u>
	<u>\$ 164,917,659</u>

NOTE 7 – RECENT EVENT

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California issued a statewide shelter-in-place order that continues to have a significant impact on the operations and business results of OCTA. OCTA cannot predict the extent and duration of the impact on its activities, including fluctuations in sales tax receipts from the LTF. The extent to which the coronavirus may impact the LTF will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

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, 2020

	<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	\$ 176,672,584	\$ 176,672,584	\$ 165,146,028	\$ (11,526,556)
Investment income	46,240	46,240	141,033	94,793
Total revenues	<u>176,718,824</u>	<u>176,718,824</u>	<u>165,287,061</u>	<u>(11,431,763)</u>
EXPENDITURES				
Current:				
Supplies and services	2,267,269	2,267,269	1,802,362	464,907
Contributions to other local agencies	<u>2,472,930</u>	<u>2,472,930</u>	<u>2,372,115</u>	<u>100,815</u>
Total expenditures	4,740,199	4,740,199	4,174,477	565,722
Excess of revenues over expenditures	171,978,625	171,978,625	161,112,584	(10,866,041)
OTHER FINANCING USES				
Transfers to other OCTA funds	<u>(171,978,625)</u>	<u>(171,978,625)</u>	<u>(164,917,659)</u>	<u>7,060,966</u>
Net change in fund balance	-	-	(3,805,075)	(3,805,075)
Fund balance, beginning of year	<u>32,955,537</u>	<u>32,955,537</u>	<u>32,955,537</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 32,955,537</u></u>	<u><u>\$ 32,955,537</u></u>	<u><u>\$ 29,150,462</u></u>	<u><u>\$ (3,805,075)</u></u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2020

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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
SCHEDULE OF DISBURSEMENTS
For the year ended June 30, 2020

<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	\$ -	\$ -	\$ 1,114,503	\$ -	\$ 1,114,503
County of Orange	2,939	-	-	-	2,939
Orange County Transit District	-	-	152,900,190	8,106,037	161,006,227
Orange County Transportation Authority	147,412	3,764,020	-	-	3,911,432
Southern California Association of Governments	<u>-</u>	<u>1,254,673</u>	<u>-</u>	<u>-</u>	<u>1,254,673</u>
 Total disbursements	 <u>\$ 150,351</u>	 <u>\$ 5,018,693</u>	 <u>\$ 154,014,693</u>	 <u>\$ 8,106,037</u>	 <u>\$ 167,289,774</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, 2020, and the related notes to financial statements, which collectively comprise the LTF's financial statements, and have issued our report thereon dated November 16, 2020. 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, as a basis for designing 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 from 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 financial statements. 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 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
November 16, 2020

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

FINANCIAL STATEMENTS

Year ended June 30, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND

FINANCIAL STATEMENTS
JUNE 30, 2020

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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, 2020, 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 STAF, of OCTA, as of June 30, 2020, 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, 2020, 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 November 16, 2020 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 the effectiveness of OCTA's internal control over financial reporting or on compliance, as it relates to the STAF. 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
November 16, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
BALANCE SHEET
June 30, 2020

ASSETS

Cash and investments	\$ 104,567
Interest receivable	6,150
Due from other governments (Note 3)	<u>10,055,938</u>
Total assets	<u>\$ 10,166,655</u>

LIABILITIES

Due to other OCTA funds (Note 4)	\$ 10,055,938
Due to other governments	<u>208</u>
Total liabilities	10,056,146

FUND BALANCE

Restricted for transportation programs	<u>110,509</u>
Total liabilities and fund balance	<u>\$ 10,166,655</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, 2020

REVENUES

State transit assistance sales tax allocations	\$ 35,822,732
Transportation improvement fee	5,822,594
Interest and investment income	<u>24,777</u>
Total revenues	41,670,103

EXPENDITURES

Current:	
Supplies and services	<u>910</u>

Excess of revenues over expenditures	41,669,193
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OTHER FINANCING USES

Transfers to other OCTA funds (Note 5)	<u>(41,645,326)</u>
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Net change in fund balance	23,867
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Fund balance, beginning of year	<u>86,642</u>
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Fund balance, end of year	<u><u>\$ 110,509</u></u>
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See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020, 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
June 30, 2020

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, 2020 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 \$10,055,938 represents a TDA receivable due from the State of California.

NOTE 4 – DUE TO OTHER OCTA FUNDS

Due to other OCTA funds of \$10,055,938 represents a TDA payable due to OCTD.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – TRANSFERS TO OTHER OCTA FUNDS

Transfers to OCTD of \$41,645,326 for the year ended June 30, 2020 were for the purpose of funding transit operations.

NOTE 6 – RECENT EVENT

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California issued a statewide shelter-in-place order that continues to have a significant impact on the operations and business results of OCTA. OCTA cannot predict the extent and duration of the impact on its activities, including fluctuations in sales tax receipts and transportation improvement fees from the STAF. The extent to which the coronavirus may impact the STAF will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

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, 2020

	<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	\$ 41,059,475	\$ 41,059,475	\$ 35,822,732	\$ (5,236,743)
Transportation improvement fee	5,720,119	5,720,119	5,822,594	102,475
Interest and investment income	1,113	1,113	24,777	23,664
Total revenues	<u>46,780,707</u>	<u>46,780,707</u>	<u>41,670,103</u>	<u>(5,110,604)</u>
EXPENDITURES				
Supplies and services	<u>-</u>	<u>-</u>	<u>910</u>	<u>(910)</u>
Excess of revenues over expenditures	46,780,707	46,780,707	41,669,193	(5,111,514)
OTHER FINANCING USES				
Transfers to other OCTA funds	<u>(46,780,707)</u>	<u>(46,780,707)</u>	<u>(41,645,326)</u>	<u>5,135,381</u>
Net change in fund balance	-	-	23,867	23,867
Fund balance, beginning of year	<u>86,642</u>	<u>86,642</u>	<u>86,642</u>	<u>-</u>
Fund balance, end of year	<u>\$ 86,642</u>	<u>\$ 86,642</u>	<u>\$ 110,509</u>	<u>\$ 23,867</u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO SUPPLEMENTARY INFORMATION
For the year ended June 30, 2020

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 Supplies and Services in the amount of \$910. This was a result of investment services.

**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, 2020, and the related notes to financial statements, which collectively comprise the STAF's financial statements, and have issued our report thereon dated November 16, 2020. 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, as a basis for designing 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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the STAF's financial statements are free from 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 financial statements. 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 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
November 16, 2020

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT ON
PROPOSITION 1B SCHEDULE OF UNSPENT
FUNDS AND CASH DISBURSEMENTS**
Year ended June 30, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
Orange, California

PROPOSITION 1B SCHEDULE
Year ended June 30, 2020

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**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, 2020, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements. We issued our report thereon dated November 16, 2020 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
November 16, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
PROPOSITION 1B SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS
Year ended June 30, 2020

	<u>PTMISEA (1)</u>
Unspent Prop 1B funds as of July 1, 2019	\$ 6,597,307
Prop 1B funds received	-
Interest revenue earned on unspent Prop 1B funds	100,164
Prop 1B disbursements spent	<u>(5,200,621)</u>
Unspent Prop 1B funds as of June 30, 2020	<u>\$ 1,496,850</u>

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



Crowe LLP
Independent Member Crowe Global

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 in Attachment A on the Measure M2 Status Report of the Authority. The Orange County Local Transportation Authority ("OCLTA" or "Authority") and the Taxpayers' Oversight Committee of the Authority ("TOC") (the specified parties) are responsible for the Measure M2 Status Report.


The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and the associated findings are contained in Attachment A.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Authority and the TOC and is not intended to be, and should not be, used by anyone other than the specified parties.


Crowe LLP

Costa Mesa, California
December 8, 2020

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2020

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, 2020 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, 2020 amounts (Column B) by adding the prior year's Period from Inception through June 30, 2019 amounts with year to date June 30, 2020 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, 2020 (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, 2020 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, 2020 (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, 2020 (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, 2020 (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, 2020 (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, 2020. 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, 2020

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, 2020 (Column K) to Schedule 1, Column B. Agreed Oversight and Annual Audits line item to summary of Measure M2 administrative costs through June 30, 2020.
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, 2020 (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, 2020 (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.

ORANGE COUNTY TRANSPORTATION AUTHORITY

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

Year ended June 30, 2020

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 related to the investment policies, procedures and selected activities of the Orange County Transportation Authority ("OCTA" or "the Authority") for the fiscal year ended June 30, 2020. OCTA's management is responsible for the investment policies, procedures and selected activities of the Authority.


The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

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

We were engaged by OCTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the investment policies, procedures and selected activities of the Authority. 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.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 29, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2020

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 10, 2019 and June 10, 2020 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.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2020

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).

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, 2020 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, 2020 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.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2020

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

9. We selected a sample of three monthly bank reconciliations during the fiscal year ended June 30, 2020 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, 2020

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, 2020
- 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: No exceptions were noted as a result of this procedure. 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: No exceptions were noted as a result of this procedure. 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, 2020

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 on the Appropriations Limit Worksheet (Worksheet) the of Orange County Transportation Authority ("OCTA" or "the Authority") as of June 30, 2020. OCTA's management is responsible for the preparation of the Worksheet.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

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 2019-2020 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 2019-2020 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)

We were engaged by OCTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. 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.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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.

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 29, 2020

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPROPRIATIONS LIMIT CALCULATIONS
Year ended June 30, 2020

	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 11,573,733	
B. Adjustment factors:		
1. Population change	1.0385	State Finance
2. Per capital change	1.0029	State Finance
Total adjustments $[(B.1 \times B.2) - 1.0]$	0.04150	
C. Annual adjustment	<u>480,310</u>	A \times B
D. This year's limit	<u>\$ 12,054,043</u>	A + C

ORANGE COUNTY TRANSPORTATION AUTHORITY
AGREED-UPON PROCEDURES PERFORMED
WITH RESPECT TO THE NATIONAL TRANSIT DATABASE REPORT
June 30, 2020

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 otherwise 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 included in the declarations section of the *2020 NTD Policy Manual* and described in Attachment 1 of this report for the year ended June 30, 2020 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, 2020, 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 *2020 NTD Policy Manual*. OCTA's management is responsible for OCTA's compliance with those standards and the accuracy of the FFA-10 form.

(Continued)

OCTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose described above. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and findings described in Attachment 1 of this report, which are referenced in order to correspond to the *2020 NTD 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, 2020, 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 - Purchased Transportation – Taxi (DRTX) and (7) Vanpool Service - Purchased Transportation (VPPT).

We were engaged by OCTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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 *2020 NTD 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.

We are required to be independent of OCTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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.



Crowe LLP

Costa Mesa, California
November 16, 2020

The procedures to be applied to each applicable mode and type of service (TOS) (DO, PT, and TX) 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 2020 *NTD 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 of 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 2020 *NTD 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 2020 *NTD Policy Manual*.

Finding: We inquired regarding OCTA's procedures for the MBDO, CBDO, MBPT, CBPT, DRPT, DRTX, 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 2020 *NTD 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:

ATTACHMENT 1

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 Scheduled Daily Line Summaries Unlinked Passenger Trips Vehicle Revenue Miles by Service, Route, and Urbanized Area Automatic Passenger Counting (APC) Summaries 	<ul style="list-style-type: none"> October 2019 February 2020 June 2020 Three years of data were noted to be archived on OCTA's network, with the exception of APC data, as the technology was implemented during March of the current fiscal year.
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 Automatic Passenger Counting (APC) Summaries 	<ul style="list-style-type: none"> September 2019 December 2019 April 2020 Three years of data were noted to be archived on OCTA's network, with the exception of APC data, as the technology was implemented during March of the current fiscal year.
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 Automatic Passenger Counting (APC) Summaries 	<ul style="list-style-type: none"> September 2019 December 2019 April 2020 Three years of data were noted to be archived on OCTA's network, with the exception of APC data, as the technology was implemented during March of the current fiscal year.
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 Automatic Passenger Counting (APC) Summaries 	<ul style="list-style-type: none"> September 2019 December 2019 April 2020 Three years of data were noted to be archived on OCTA's network, with the exception of APC data, as the technology was implemented during March of the current fiscal year.
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"> September 2019 December 2019 April 2020 Three years of data were noted to be archived on OCTA's network.
DRTX	<ul style="list-style-type: none"> Contractor Provided NTD Program Data Reports Same Day Taxi - Passenger and Mileage Summaries Supplemental ACCESS Program Data 	<ul style="list-style-type: none"> September 2019 December 2019 April 2020 This Mode of Service classification was just released by the FTA in the

(Continued)

ATTACHMENT 1

Type of Service	Source Document	Months Tested
		2020 NTD Policy Manual. We noted the Agency possessed archived data for the entire FY20 reporting period.
VPPT	<ul style="list-style-type: none"> • Passenger Trips and Miles • Revenue Miles Summaries • Vanpool Trips and Miles 	<ul style="list-style-type: none"> • <i>September 2019</i> • <i>December 2019</i> • <i>April 2020</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.

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, DRTX 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 sample of 16 Random Check Trip Sheets, each, for both the MBDO and MBPT services, 8 Random Check Trip Sheets, each, for both the CBDO and CBPT services, 48 Drivers Manifests for the DRPT service, and 12 Invoices for DRTX 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 2020 *NTD Policy Manual*.

(Continued)

Finding: Sampling was conducted for the MBDO, CBDO, MBPT, and CBPT modes. On March 23, 2020, OCTA was instructed to cease the use of on-board surveyors in order to sample trips for the preceding four modes, in an effort to maintain the health and safety of employers, as well as the public, from potential exposure to COVID-19. As an alternative method of sampling, OCTA began using Automatic Passenger Counting (APC) software, in order to continue collecting data for their fixed-route services. We inspected the sampling methodology used prior to March 23, 2020, in addition to the data supplied with the APC data, which we noted were in accordance with the requirements of the 2020 *NTD Policy Manual* as well as the COVID-19 Reporting Guidance. Additionally, in order for OCTA to use APC data for the current fiscal year, FTA approval was required to be obtained. The Agency received FTA approval prior to the date of this report.

The remaining three modes of services (DRPT, DRTX, and VPPT) do not involve sampling. These modes use a 100% count of actual Passenger Miles and compilations of actual Revenue Miles, which are in accordance with the 2020 *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 uses average trip length for sampling in order to estimate PMT. For the MBDO, CBDO, MBPT, and CBPT modes, we obtained a copy of OCTA's methodologies used to calculate and estimate Passenger Miles Traveled (PMT), to which we determined that the methodologies used by OCTA resulted in a random selection of runs, and that the stated sampling procedure was followed. OCTA sampled 347 trips prior to stopping the use of on-board checkers due to the COVID-19 pandemic. In order to best estimate PMT without the use of on-board checkers, OCTA began the use of APC data collection as an alternative means to collecting data necessary to calculate PMT utilizing the Average Passenger Trip Length (APTL) PMT sampling method. No exceptions were noted as a result of this procedure, as we noted the applied sampling methodologies were in accordance with the authoritative guidance of the FTA.

- 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 accumulation periods that were tested. Test the arithmetical accuracy of the summary.

Finding: For MBDO, 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 CBDO, we randomly selected 8 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 8 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 DRTX modes, we selected 48 routes performed during September 2019, December 2019 and April 2020 and compared the PMT reported against the signed driver manifests. We recomputed the mathematical accuracy of the trip sheets and observed all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. In our April 2020 DRPT sample selections, we noted a net variance of 15 miles across four of our selections, which resulted in a net under-reporting of 15 passenger miles traveled for our sampled routes. No other exceptions were found as a result of this procedure.

For VPPT, we compared ridership being entered on the Vanpool internet database for September 2019, January 2020 and March 2020 against amounts uploaded to the Data Warehouse without exception. We also traced revenue miles reported in the Vanpool Participation Log reports for September 2019, January 2020, and March 2020 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 various key-personnel assigned responsibility for NTD 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 DRTX 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.

- 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 and Commuter 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, there were no temporary interruptions in transit service during the report year attributable to maintenance or rehabilitation improvements to the Fixed Guideway segments. 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.

- 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 2020 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 2020 report year, the Agency Revenue Service Date must occur within the transit agency's 2020 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 purchased transportation-generated fare revenues. The purchased transportation 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 purchased transportation services and the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have an Independent Auditor Statement for the purchased transportation 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 purchased transportation 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, DRTX 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:

MBDO:

- A 20.3% decrease in Passenger Miles Traveled (PMT). Per inquiry, this change was attributable to the COVID-19 pandemic impacting ridership, as the passenger boarding's were roughly half of what was estimated.
- A 17.6% decrease in Unlinked Passenger Trips (UPT). Per inquiry, this change was attributable to the COVID-19 pandemic impacting ridership, as passenger boarding's have a direct correlation to UPT.
- A 77.9% increase in High Intensity Busway Vehicle Revenue Miles (HIB VRM). Per inquiry, this change was attributable to the routine, scheduled services changes that occurred in October 2019 and February 2020, which increased trip frequency along one of the Routes that operates over High Intensity Busways.

CBDO:

- A 19.1% decrease in Vehicle Revenue Miles (VRM). Per inquiry, this change is attributable to service changing scheduled operational times from the weekday to the weekend schedule, in which CB does not operate on weekends, resulting in fewer scheduled trips, reporting decreased levels of VRM compared to the prior reporting year.
- A 21.8% decrease in Vehicle Revenue Hours (VRH). Per inquiry, this change is attributable to service changing scheduled operational times from the weekday to the weekend schedule, in which CB does not operate on weekends, resulting in fewer scheduled trips, reporting decreased levels of VRH compared to the prior reporting year.

(Continued)

- A 20.7% decrease in Passenger Miles Traveled (PMT). Per inquiry, this change is attributable to decreased passenger boarding's as a result of the COVID-19 pandemic, of which boarding's are a key driver to PMT estimation.
- A 15.9% decrease in Operating Expenses (OE). Per inquiry, this change is attributable to decreased costs realized from operating scheduled trips on the weekend schedule, as opposed to the weekday schedule, resulting in lower expenses necessary to operate the CB modes.
- A 27.2% decrease in High Intensity Bus Vehicle Revenue Miles (HIB VRM). Per inquiry, this change is attributable to service changing scheduled operational times from the weekday to the weekend schedule, in which CB does not operate on weekends, resulting in fewer scheduled trips, reporting decreased levels of HIB VRM compared to the prior reporting year.

MBPT:

- A 15.1% decrease in Vehicle Revenue Miles (VRM). Per inquiry, this change is attributable to service changing scheduled operational times from weekday to the weekend schedule, resulting in nearly half of the number of trips that occurred during the COVID-19 period, compared to regular operations.
- A 14.9% decrease in Vehicle Revenue Hours (VRH). Per inquiry, this change is attributable to service changing scheduled operational times from weekday to the weekend schedule, resulting in nearly half of the number of trips that occurred during the COVID-19 period, compared to regular operations.
- A 26.3% decrease in Passenger Miles Traveled (PMT). Per inquiry, this change is attributable to substantially less ridership during the COVID-19 pandemic, in which the volume of passenger boarding's is a key driver in estimation of annual PMT.
- A 20.6% decrease in Unlinked Passenger Trips (UPT). Per inquiry, this change is attributable to ridership being significantly affected by the COVID-19 pandemic, which is a key driver in estimating annual UPT.

CBPT:

- A 44.1% decrease in Vehicle Revenue Miles (VRM). Per inquiry, this change is attributable to the OC Fair Express being transitioned back to CBDO, as well, during the COVID-19 pandemic ridership declined by 90% as service changed to a weekend schedule during weekdays when CB service does not operate on weekends.
- A 49.4% decrease in Vehicle Revenue Hours (VRH). Per inquiry, this change is attributable to OC Fair Express being transitioned back to CBDO, as well, during the COVID-19 pandemic ridership declined by 90% as service changed to a weekend schedule during weekdays when CB service does not operate on weekends.
- A 36.8% decrease in Passenger Miles Traveled (PMT). Per inquiry, this change is attributable to OC Fair Express being transitioned back to CBDO, as well, during the COVID-19 pandemic ridership declined by 90% as service changed to a weekend schedule during weekdays when CB service does not operate on weekends. Additionally, with ridership being a key driver in estimation of annual PMT and the negative effects of the COVID-19 pandemic on that key driver, PMT decreased substantially compared to the prior reporting year.
- A 42.6% decrease in Unlinked Passenger Trips (UPT). Per inquiry, this change is attributable to OC Fair Express being transitioned back to CBDO, as well, during the COVID-19 pandemic ridership declined by 90% as service changed to a weekend schedule during weekdays when CB service does not operate on weekends. Additionally, with ridership being a key driver in estimation of annual UPT and the negative effects of the COVID-19 pandemic on that key driver, UPT decreased substantially compared to the prior reporting year.
- A 33.7% decrease in Operating Expenses (OE). Per inquiry, this change is attributable to OC Fair Express being transitioned back to CBDO, as well, during the COVID-19 pandemic ridership declined by 90% as service changed to a weekend schedule during weekdays when CB service does not operate on weekends. As a result of the lessened frequency of trips, the related operational costs from the contractor to provide services also decreased.

(Continued)

- A 42.1% decrease in High Intensity Bus Directional Route Miles (HIB DRM). Per inquiry, this change is attributable to OC Fair Express being transitioned back to CBDO, as well, during the COVID-19 pandemic ridership declined by 90% as service changed to a weekend schedule during weekdays when CB service does not operate on weekends.
- A 51.1% decrease in High Intensity Bus Vehicle Revenue Miles (HIB VRM). Per inquiry, this change is attributable to OC Fair Express being transitioned back to CBDO, as well, during the COVID-19 pandemic ridership declined by 90% as service changed to a weekend schedule during weekdays when CB service does not operate on weekends.

DRPT:

- A 43.9% decrease in Vehicle Revenue Hours (VRH). Per inquiry, this change is attributable to the addition of a new mode of service released by the FTA in the 2020 NTD Policy Manual; DRTX. Subcontracted incidental taxi trips, which were previously classified as DRPT, satisfied the qualifications to be reported as DRTX in the FY2020 reporting year, causing a large portion of the year over year change. Additionally, the COVID-19 pandemic resulted in a 60% decrease in service demand.
- A 48.6% decrease in Unlinked Passenger Trips (UPT). Per inquiry, this change is attributable to the addition of a new mode of service released by the FTA in the 2020 NTD Policy Manual; DRTX. Subcontracted incidental taxi trips, which were previously classified as DRPT, satisfied the qualifications to be reported as DRTX in the FY2020 reporting year, causing a large portion of the year over year change. Additionally, the COVID-19 pandemic resulted in a 60% decrease in service demand, as well as an 80% decrease in ridership, directing affecting annual UPT.
- A 51.7% decrease in Vehicle Revenue Miles (VRM). Per inquiry, this change is attributable to the addition of a new mode of service released by the FTA in the 2020 NTD Policy Manual; DRTX. Subcontracted incidental taxi trips, which were previously classified as DRPT, satisfied the qualifications to be reported as DRTX in the FY2020 reporting year, causing a large portion of the year over year change. Additionally, the COVID-19 pandemic resulted in a 60% decrease in service demand, as well as an 80% decrease in ridership, directing affecting annual VRM.
- A 51.3% decrease in Passenger Miles Traveled (PMT). Per inquiry, this change is attributable to the addition of a new mode of service released by the FTA in the 2020 NTD Policy Manual; DRTX. Subcontracted incidental taxi trips, which were previously classified as DRPT, satisfied the qualifications to be reported as DRTX in the FY2020 reporting year, causing a large portion of the year over year change. Additionally, the COVID-19 pandemic resulted in a 60% decrease in service demand, as well as an 80% decrease in ridership, directing affecting annual PMT.
- A 38.3% decrease in Operating Expenses (OE). Per inquiry, this change is attributable to service demand and ridership decreasing by 60% and 80%, respectively. As a result, the costs to operate the service decreased accordingly.

DRTX:

- A 100% increase in Vehicle Revenue Hours (VRH), Unlinked Passenger Trips (UPT), Vehicle Revenue Miles (VRM), Passenger Miles Traveled (PMT), and Operating Expenses (OE). Per inquiry, this is a new mode of service, and thus there is no prior reporting year FFA-10 to compare the current reporting year data to.

VPPT:

- A 27.6% decrease in Vehicle Revenue Hours (VRH). Per inquiry, this change is attributable to the decrease in Vanpool Groups, along with OCTA relaxing their occupancy requirement for period of March 2020 – June 2020. This resulted in many Vanpools transitioning into non-operational status. Additionally, higher prices drove down driver-passenger participation in the program, as well as the ridership usage.
- A 25.7% decrease in Unlinked Passenger Trips (UPT). Per inquiry, this change is attributable to the decrease in Vanpool Groups, along with OCTA relaxing their occupancy requirement for period of March 2020 – June 2020. This resulted in many Vanpools transitioning into non-operational status. Additionally, higher prices drove down driver-passenger participation in the program, as well as the ridership usage.

ATTACHMENT 1

- A 22.9% decrease in Vehicle Revenue Miles (VRM). Per inquiry, this change is attributable to the decrease in Vanpool Groups, along with OCTA relaxing their occupancy requirement for period of March 2020 – June 2020. This resulted in many Vanpools transitioning into non-operational status. Additionally, higher prices drove down driver-passenger participation in the program, as well as the ridership usage.
- A 26.6% decrease in Passenger Miles Traveled (PMT). Per inquiry, this change is attributable to the decrease in Vanpool Groups, along with OCTA relaxing their occupancy requirement for period of March 2020 – June 2020. This resulted in many Vanpools transitioning into non-operational status. Additionally, higher prices drove down driver-passenger participation in the program, as well as the ridership usage.
- A 10.9% decrease in Operating Expenses (OE). Per inquiry, this change is attributable to the decrease in Vanpool Groups, along with OCTA relaxing their occupancy requirement for period of March 2020 – June 2020. This resulted in many Vanpools transitioning into non-operational status. Additionally, higher prices drove down driver-passenger participation in the program, as well as the ridership usage. With less driver-passenger participation and ridership usage, the costs to operate the program also declined

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 2020 *NTD 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 LOCALTRANSPORTATION 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, 2020

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 on the Appropriations Limit Worksheet (Worksheet) of the Orange County Local Transportation Authority ("OCLTA" or "Authority") as of June 30, 2020. OCLTA's management is responsible for the preparation of the Worksheet.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

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 2019-2020 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 2019-2020 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.

(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. 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.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of OCTLA'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 29, 2020

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPROPRIATIONS LIMIT CALCULATIONS
Year ended June 30, 2020

	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 1,749,112,942	
B. Adjustment factors:		
1. Population change	1.0385	State Finance
2. Per capital change	1.0029	State Finance
Total adjustments [(B.1 x B.2) – 1.0]	0.04150	
C. Annual adjustment	<u>73,556,910</u>	A x B
D. This year's limit	<u>\$ 1,821,701,129</u>	A + C



January 13, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2020-21 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 2020-21 Internal Audit Plan on July 27, 2020. This report provides an update of activities 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 2020-21 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 Fiscal Year (FY) 2020-21 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the second quarter of the FY, Internal Audit issued results of an audit of employee separations. Based on the audit, internal controls related to employee separations have been established, and controls to ensure accurate final payroll processing are adequate. However, Internal Audit offered three recommendations to improve the employee off-boarding process, to ensure more consistent quarterly stale account reviews, and to improve documentation and communication of employee exit survey results. Management agreed with the recommendations and indicated that corrective actions will be taken.

Internal Audit also issued results of banking services and the agreement with Bank of the West. Based on the audit, controls, policies, and procedures over banking activities are generally adequate and operating, and Bank of the West operates in compliance with the agreement. Internal Audit offered two recommendations to further enhance controls related to bank-authorized signers and bank statement analyses. Management agreed and indicated that procedures would be developed to enhance controls.

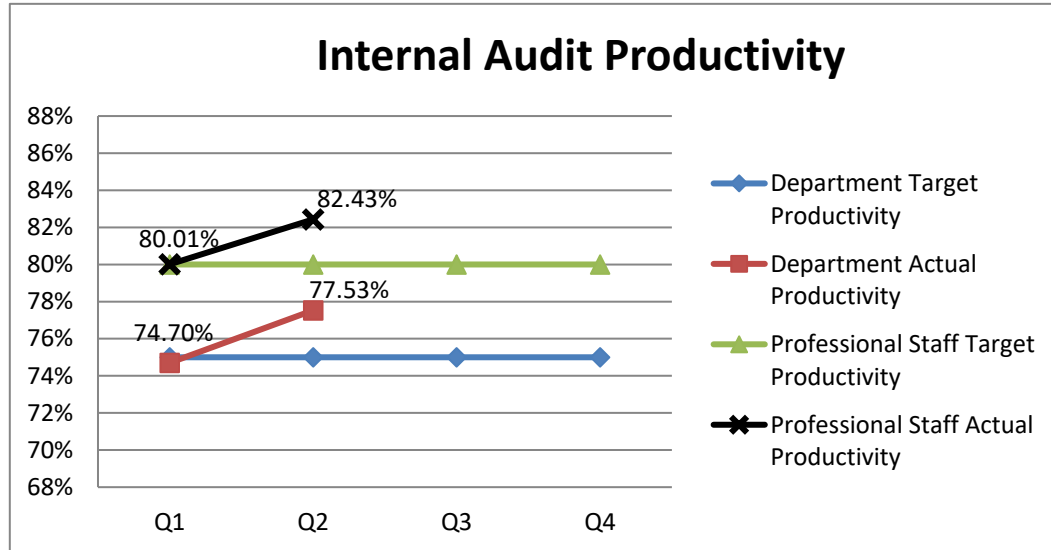
The primary focus of Internal Audit during the quarter was to provide coordination and assistance related to the annual financial audits and agreed-upon procedure reviews conducted by OCTA's independent financial statement auditor, Crowe LLP (Crowe). All audits and agreed-upon procedures reviews, except those related to individual cities and the County of Orange, were issued. In connection with the audits, Crowe made five recommendations to management for improvement to internal controls. Management agreed with the recommendations and outlined actions to address the issues.

The Department of Finance, Office of State Audits and Examinations, continued work on the audit of four Proposition 1B-funded projects. Internal Audit will continue to provide assistance and coordination of the audit, and will report results when received.

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, 2020, Internal Audit achieved productivity of 77.5 percent, and the professional staff achieved productivity of 82 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (Camm) Department, and consistent with OCTA's procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that Camm handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms, and sole source contractors, to ensure that the prices are fair and reasonable. Internal Audit lists adjustments to rates where the proposed rates exceed rates calculated during the review. During the second quarter, Internal Audit issued results of six price reviews.

Fraud Hotline

During the quarter ended December 31, 2020, Internal Audit received three reports through OCTA's Fraud Hotline, www.ethicspoint.com. Based on the nature of the complaints, two reports were referred to Customer Service, and one was referred to Human Resources and Organizational Development. 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, 2020, Internal Audit made 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, 2020, Internal Audit completed follow-up reviews of four outstanding audit recommendations and concluded that management had taken appropriate corrective actions (Attachment C). The follow-up review of one recommendation is in process as of the end of the quarter. Five recommendations were added as a result of audits issued during the second quarter, and one item was added related to recommendations made by OCTA's independent financial statement auditor in connection with their audit of OCTA's financial statements.

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 Fiscal Year 2020-21 Internal Audit Plan, Second Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through December 31, 2020
- C. Audit Recommendations Closed During Second Quarter, Fiscal Year 2020-21

Prepared by:



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

**Orange County Transportation Authority
Fiscal Year 2020-21 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 (AUP) Procedures Reviews	FY21-001 through FY21-004	Coordinate and report on annual financial and AUP reviews for fiscal year 2019-20.	Financial	450	210	240	In Process
External Regulatory Audits	FY21-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	38	22	In Process
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY21-100	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	180	57	123	
Quality Assurance and Self-Assessment	FY21-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	160	21.5	139	
Fraud Hotline Activities	FY21-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240	30	210	5 Reports
Automated Workpaper Solution	FY21-103	System updates/training related to automated workpaper solution.	Workpaper System	40	7	33	
Internal Audits							
Security and Emergency Preparedness							
Physical Access Security	FY21-5XX	Review and test controls in place to ensure physical access security at Orange County Transportation Authority (OCTA) locations.	Internal Control / Operational	240		240	
Clerk of the Board							
Form 700 Disclosures	FY21-5XX	Review and test controls in place related to coordination of Form 700 disclosures by designated employees.	Compliance	240		240	

**Orange County Transportation Authority
Fiscal Year 2020-21 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)
Human Resources and Organizational Development							
Department of Motor Vehicles (DMV) Pull Notice Program	FY20-5XX	Assess controls and test operation of the DMV Pull Notice Program.	Internal Control/ Operational	240		240	
Separations	FY21-501	Assess and test controls related to employee separations.	Operational	220	226.5	(7)	Complete 10-12-20
Capital Programs							
Interstate 5 (I-5) Project: State Route 55 (SR-55) to State Route 57 (SR-57)	FY20-510	Review of the I-5 Project: SR-55 to SR-57, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	60	57	3	Complete 7-29-20
OC Streetcar Project Management	FY21-503	Review of the OC Streetcar project management controls, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	320	337.5	(18)	In Process
Planning							
Comprehensive Transportation Funding Programs (CTFP): Oversight and Reporting	FY20-512	Review of OCTA monitoring and reporting controls over CTFP projects.	Internal Control	160	288.5	(129)	In Process
Operations							
Facilities Maintenance	FY21-507	Review of facilities maintenance function within Operations Division, including oversight controls and contract compliance.	Operational / Compliance	300	64	236	In Process
Bridgestone/Firestone Tire Lease and Services	FY21-506	Evaluate and test oversight controls and contract compliance related to the agreement with Bridgestone/Firestone for lease of tires and related services.	Internal Controls / Compliance	240	101.5	139	In Process
Finance and Accounting							
Treasury	FY21-502	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	120	80	1 Report Issued
Banking Services - Bank of the West	FY20-507	Assess and test controls to ensure compliance with the agreement between OCTA and Bank of the West for banking services.	Compliance	100	192.5	(93)	Complete 10-21-20

**Orange County Transportation Authority
Fiscal Year 2020-21 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 (CAMP)							
Price Reviews	PR21-XXX	As requested by the CAMP Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	800	656.5	144	16 Reports Issued
Buy America	PR21-XXX	As requested by the CAMP Department, apply AUP to determine compliance with Buy America requirements.	Buy America	180	122	58	2 Reports Issued
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY21-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	240	68	172	
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY21-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	9	51	
Metrolink Audit Activities	FY21-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	20	47	(27)	
Capital Asset Inventory Observation	FY20-603	At the request of the Finance and Administration Department, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80	86	(6)	Complete
Bus Base Inspections	FY20-604	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40	23	17	Complete
Follow-Up Reviews							
Follow-Up Reviews and Reporting	FY21-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	280	63	217	
Total Audit Project Planned Hours (A)				5,150	2,826	2,325	

**Orange County Transportation Authority
Fiscal Year 2020-21 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	74	106	
Executive Steering and Agenda Setting Meetings				180	69	111	
Internal Audit Staff Meetings				150	56.5	94	
Other Administration				1,250	659	591	
Total Hours (B)				6,910	3,684	3,226	
Department Target Efficiency (A/B)				75%	78%		75%
Target Efficiency - Professional Staff				80%	82%		80%

Outstanding Audit Recommendations
Audit Reports Issued through December 31, 2020

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 Finance and Administration (F&A)	Oversight Controls and Contract Compliance Related to the Orange Transportation Center Parking Structure Project	<p>The Internal Audit Department (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>	Nov-20	<p>Capital Programs will work with the Contracts Administration and Materials Management (CAMP) Department 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 project managers, CAMP staff will emphasize the need for timely submission of requests for amendments.</p>	Update June 2020: CAMP is reminding consultants of the need to request amendments to add staff, labor rates, and other direct costs in a timely manner, at project kick-off meetings. This part of the recommendation will be closed. CAMP is planning to discuss requirements for consultant labor timekeeping systems at an upcoming meeting with a local engineering professional organization. This part of the recommendation will remain open pending the outcome of the meeting and CAMP's determination of the appropriate action. Update December 2020: Follow-up review in process.
2/18/20	20-501	F&A	Patch Management Program (PMP)	The auditors offered one recommendation to expand the PMP to address all other operating systems hardware, software, and peripherals, and to incorporate all devices into the PMP. The auditors also offered four recommendations to further enhance the PMP by formalizing plans to address patch vulnerabilities, removing obsolete operating systems and software from the network, restricting users from installing unauthorized software, and developing test scripts to ensure system functionality after implementation of a patch.	Feb-21	Management agreed with the recommendations and indicated that progress has been made, and efforts will continue to implement these improvements.	Update September 2020: Management is in the process of implementing the recommendations, and expects all five recommendations to be completed no later than January 2021. The recommendations will remain open until fully implemented.
7/29/20	20-510	Capital Programs	I-5 Project: SR-55 to SR-57	Internal Audit recommends that management add a step on reviewing labor rate escalation in its invoice review checklist. Internal Audit also recommends that management require cost documentation for other direct costs invoiced and request the consultant to bill all first-tier sub-consultants based on their contract rate schedules.	Jan-21	Management agrees with the recommendation, and items noted in the recommendation are currently being implemented. The invoice review checklist has been revised to add an additional step to include labor rate escalation review. Invoiced labor rate escalation is currently being reviewed. Management will be seeking recovery of the \$1,903 in over-billings due to the incorrect application of the contract's 2.5 percent annual labor escalation factor. Management had previously identified the first-tier subconsultant billing issue, and this was corrected with the consultant's April 2020 invoice. There was no increased cost to OCTA based on the previous sub-consultant billings.	

Outstanding Audit Recommendations
Audit Reports Issued through December 31, 2020

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
10/12/20	21-501	Human Resources and Organizational Development (HROD)	Employee Separations	Internal Audit recommended that the employee off-boarding process be improved and streamlined, with resumption of suspended efforts to automate the employee exit processing form.	Apr-21	Management responded that they would work with other departments to resume efforts to convert the employee exit processing form into an electronic form.	
10/12/20	21-501	HROD	Employee Separations	Internal Audit recommended that stale account reviews be performed quarterly to ensure that accounts associated with separated employees have been disabled or deleted.	Apr-20	Management agreed to perform these reviews timely and also noted that they are working to make the process more efficient.	
10/12/20	21-501	HROD	Employee Separations	Internal Audit recommended that invitations to participate in employee exit surveys be documented and that a procedure be developed to analyze and communicate exit survey results to management.	Apr-20	Management agreed, noting that written procedures will be developed to cover the employee exit survey process and communication of the results.	
10/21/20	21-507	F&A	Audit of Banking Services and Agreement with Bank of the West (BoFW)	Internal Audit recommended that management develop procedures to document the monthly and annual review processes for the BoFW statements and fees.	Apr-20	Management agreed and stated they would develop a procedure to document the monthly and annual review processes and include evidence of any investigations conducted.	
10/21/20	21-507	F&A	Audit of Banking Services and Agreement with BoFW	Internal Audit recommended that management implement a procedure to ensure timely updates to the BoFW signature card and explore options to further enhance the control environment related to cash withdrawals by authorized personnel.	Apr-20	Management agreed and indicated they would develop a procedure to ensure timely update of the BoFW signature card and would work with BoFW to implement tools to further enhance controls over cash withdrawals, if available.	
11/16/20	Not Applicable	F&A	Fiscal Year 2019-20 Management Letter	In connection with the audit of OCTA's financial statements, Crowe LLP issued a management letter identifying five control deficiencies related to accounting for contingencies, accounting for capital assets, classification of non-recurring revenue, accounts payable accruals, and review of the Service Organization Control report related to worker's compensation.	Nov-20	Management agreed with the recommendations and indicated that corrective actions will be taken.	

**Audit Recommendations Closed During
Second Quarter, Fiscal Year 2020-21**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
12/5/19	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.	Management has revised practices to ensure contracts are combined and/or issued for longer periods for recurring services. Management has also issued an updated Project Management Manual that addresses procurement requirements and has conducted staff training.
12/6/19	19-513	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.	A Project Controls function has been implemented and management has updated the Project Management Manual. Training, including guidance related to project manager responsibilities for contract management and invoice review has been conducted.
12/7/19	19-514	External Affairs	Bus Marketing	Internal Audit recommends written procedures be reviewed with project managers, and management requires documented compliance with requirements. Documentation should include the source and support of stated evaluation criteria and related results.	Management has updated the Project Management Manual and provided staff training. The manual addresses documentation of marketing efforts and results.
5/26/20	20-506	Operations	Revenue Vehicle Maintenance	Internal Audit recommends that management either incorporate several preventive maintenance tasks into the work order templates or document variances from the manufacturer guidelines with justification.	Management has incorporated manufacturer-recommended tasks or has documented decisions to deviate from the manufacturer guidelines.



January 13, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report – November 2020

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 November 30, 2020. 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 November 30, 2020, 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 (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 1.4 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.

OCTA's month-end balance in the Local Agency Investment Fund was \$10,922,718, with an average monthly effective yield of 0.6 percent. OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$11,472,047. For the month of October, the monthly gross yield for the OCIP was 1 percent. Yields for the month of November will be received in December.

During the month of November, two securities held within OCTA's investment portfolio were downgraded. The total number of securities on the Negative Credit Watch list decreased from five to three securities for the month. Please refer to A-8 (Rating Downgrades and Negative Credit Watch) of Attachment A for further details. As of November 30, 2020, the securities reflected on A-8 still meet the minimum ratings requirements set forth by OCTA's Investment Policy.

OCTA's debt program is separate from its investment program and is comprised of M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, and 2017 Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan. The debt program currently has an outstanding principal balance of \$1 billion as of November 30, 2020. Approximately 63 percent of the outstanding balance is comprised of M2 debt, nine percent is associated with the 91 Express Lanes Program, and 29 percent is for the TIFIA 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 November 30, 2020.

Attachments

- A. Orange County Transportation Authority Investment and Debt Programs – For the Period Ending November 30, 2020.
- B. Orange County Transportation Authority Portfolio Listing as of November 30, 2020

Prepared by:



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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
November 30, 2020**

INVESTMENT PROGRAM

OCTA Investment Dashboard

11/30/2020

Safety of Principal

Securities that fell below OCTA's minimum credit quality requirements during the month of November 2020:
Not applicable.

Securities currently held within OCTA's portfolio that fell below OCTA's minimum credit quality requirements during prior reporting periods:

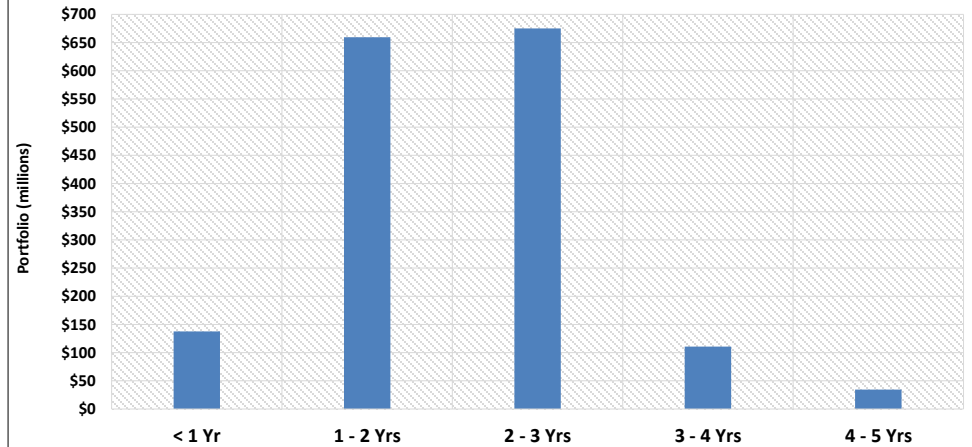
On Thursday, February 20, 2020, Moody's downgraded the long-term debt rating of Nissan to Baa1 from A3. OCTA holds three high quality AAA Nissan Auto/Lease asset backed security positions, respectively 0.3%, 0.4% and 0.6% of the portfolio. However, for asset backed securities, receivables are sold via a legal concept called "true sale" into a bankruptcy-remote issuing trust, therefore isolated from the financial health of the issuer. There has been no negative price action on the asset backed securities on news of the downgrade. The Treasurer reviewed the position and recommended the securities be held for the short-term. The Treasurer presented his recommendation to the Deputy Chief Executive Officer who concurred.

Securities downgraded or placed on Negative Credit Watch during the month of November 2020, but remain in compliance with OCTA's Investment Policy:

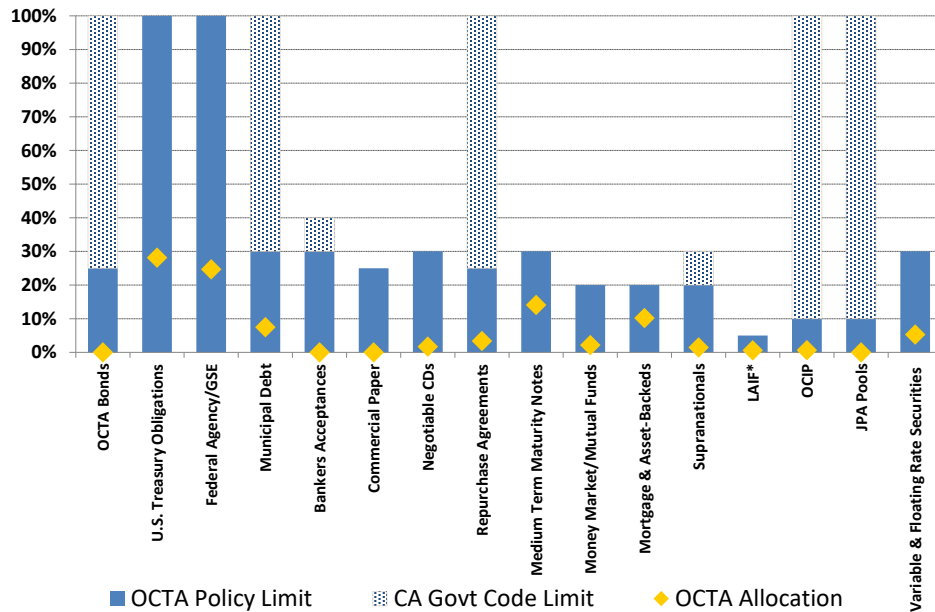
Two securities held within OCTA's investment portfolio were downgraded during the month. The total number of securities on the Negative Credit Watch list decreased from five to three securities for the month.

For further details please refer to A-8 of this report.

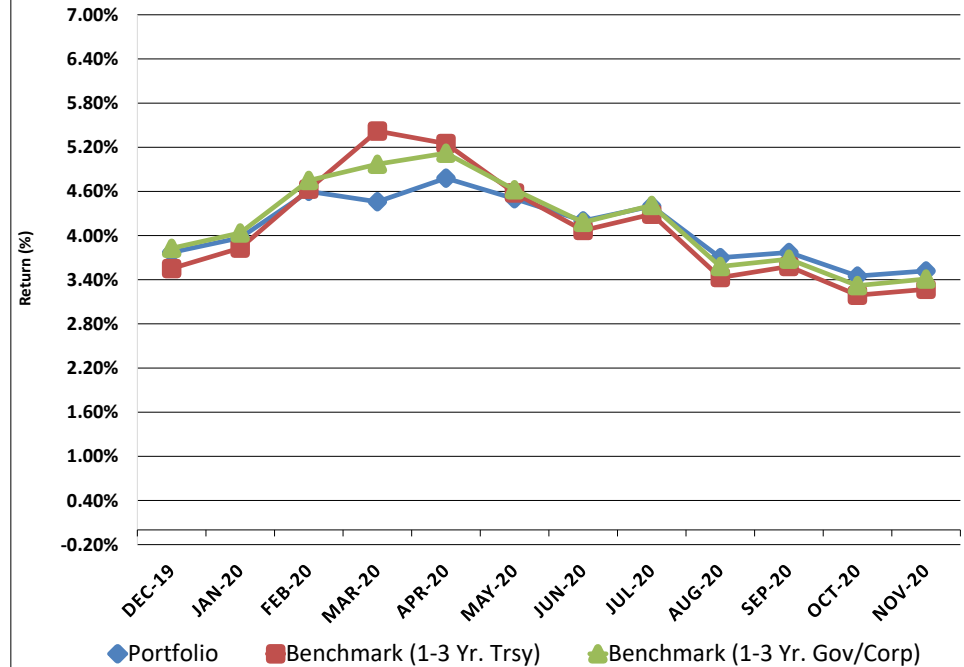
Portfolio Liquidity



Portfolio Diversification



Portfolio Return - 12 Month



*Per CA Government Code LAIF limit is \$75 million

Investment Compliance

11/30/2020

Portfolio Subject to Investment Policy			
Short-Term/Liquid Portfolio ¹	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
U.S. Treasury Obligations	\$ 486,761,153	28.2%	100%
Federal Agency/GSE	426,831,489	24.7%	100%
Municipal Debt	129,673,915	7.5%	30%
Commercial Paper	-	0.0%	25%
Negotiable Certificates of Deposit	29,800,000	1.7%	30%
Repurchase Agreements	58,678,901	3.4%	25%
Medium Term Maturity Notes/Corporates	243,486,849	14.1%	30%
Money Market/Mutual Funds	37,416,742	2.2%	20%
Mortgage & Asset-Backed	176,376,867	10.2%	20%*
Supranationals	25,584,395	1.5%	20%
Local Agency Investment Fund	10,922,718	0.6%	\$ 75 Million
Orange County Investment Pool	11,472,047	0.7%	10%
Joint Powers Authority Pools	-	0.0%	10%
Bank Deposits	250,000	0.0%	5%
Variable & Floating Rate Securities	91,428,316	5.3%	30%
Total Short-Term/Liquid Portfolio	\$ 1,728,683,391	100.0%	

1. Excludes portion of Liquid Portfolio subject to Indenture

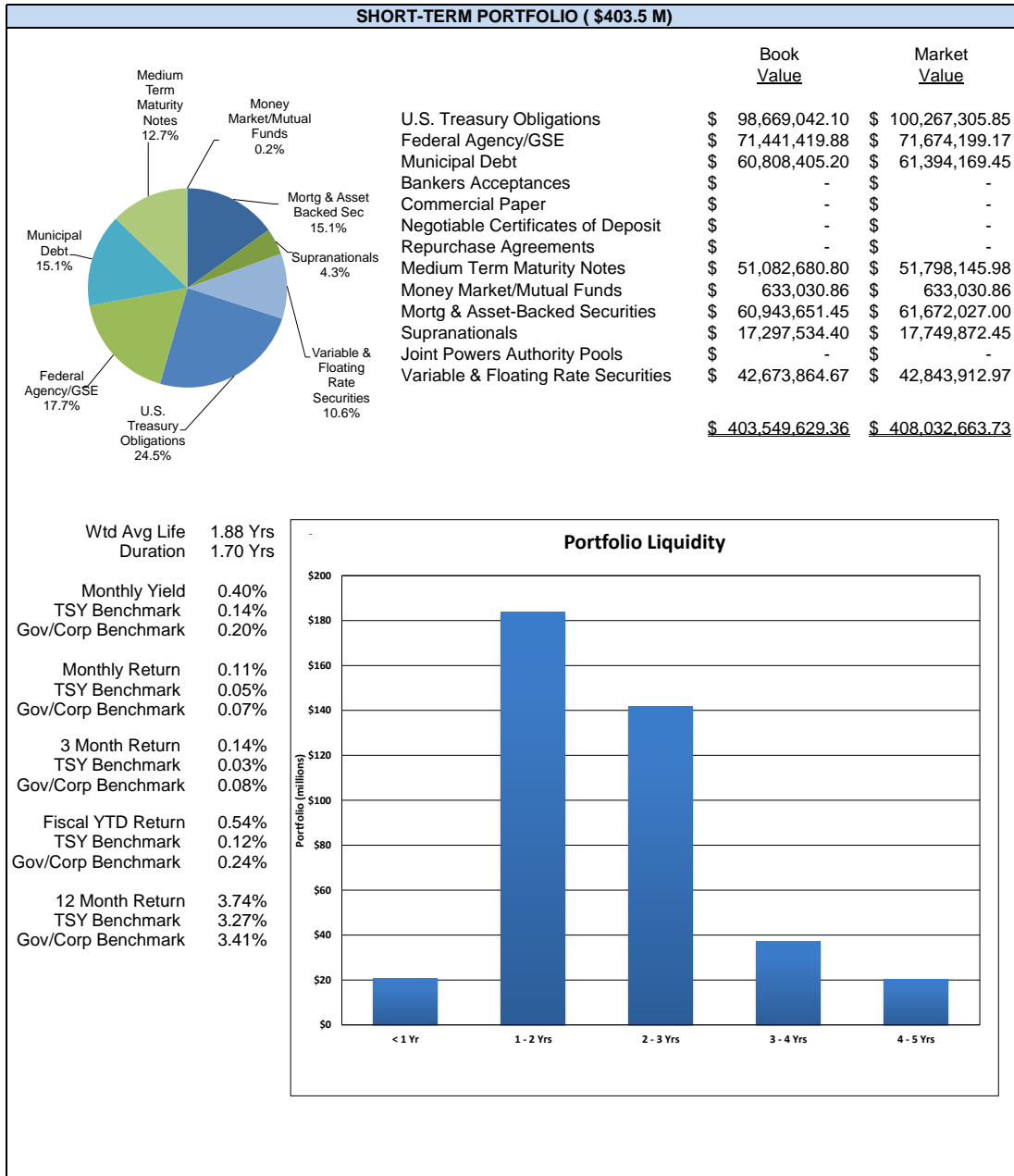
*Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

Portfolio Subject to Indenture					
	Dollar Amount Invested	Credit Quality	OCTA Term	Indenture Requirements Credit Quality	Term
Liquid Portfolio*					
Money Market Funds	\$ 67,806,064	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Bond Proceeds Portfolio					
Money Market Funds	\$ 131,801,475	AAA/Aaa	45 days	Min. A2/A	Max. 4 years
Commercial Paper	\$ 14,991,375	P-1/F-1/A-1	60-90 days	Min. A2/A	Max. 4 years
Guaranteed Investment Contract	83,650,000	Aa2/AA-/A+	N/A	Min. A3/A-	N/A
Total Bond Proceeds Portfolio	\$ 230,442,850				
Reserve Funds Portfolio					
Commercial Paper	\$ 25,075,604	P-1/F-1	60-90 days	Min. A-1/P-1	Max. 180 days
Bank Deposits	\$ 213,077				
US Treasuries Obligations	957	AAA/Aaa	30 days	Min. A2/A	Max. 5 years
Total Reserve Funds Portfolio	\$ 25,289,637				
Total Portfolio Subject to Indenture	\$ 255,732,487				
Portfolio Total	\$ 2,052,221,942				

*Reflects portion of Liquid Portfolio subject to Indenture

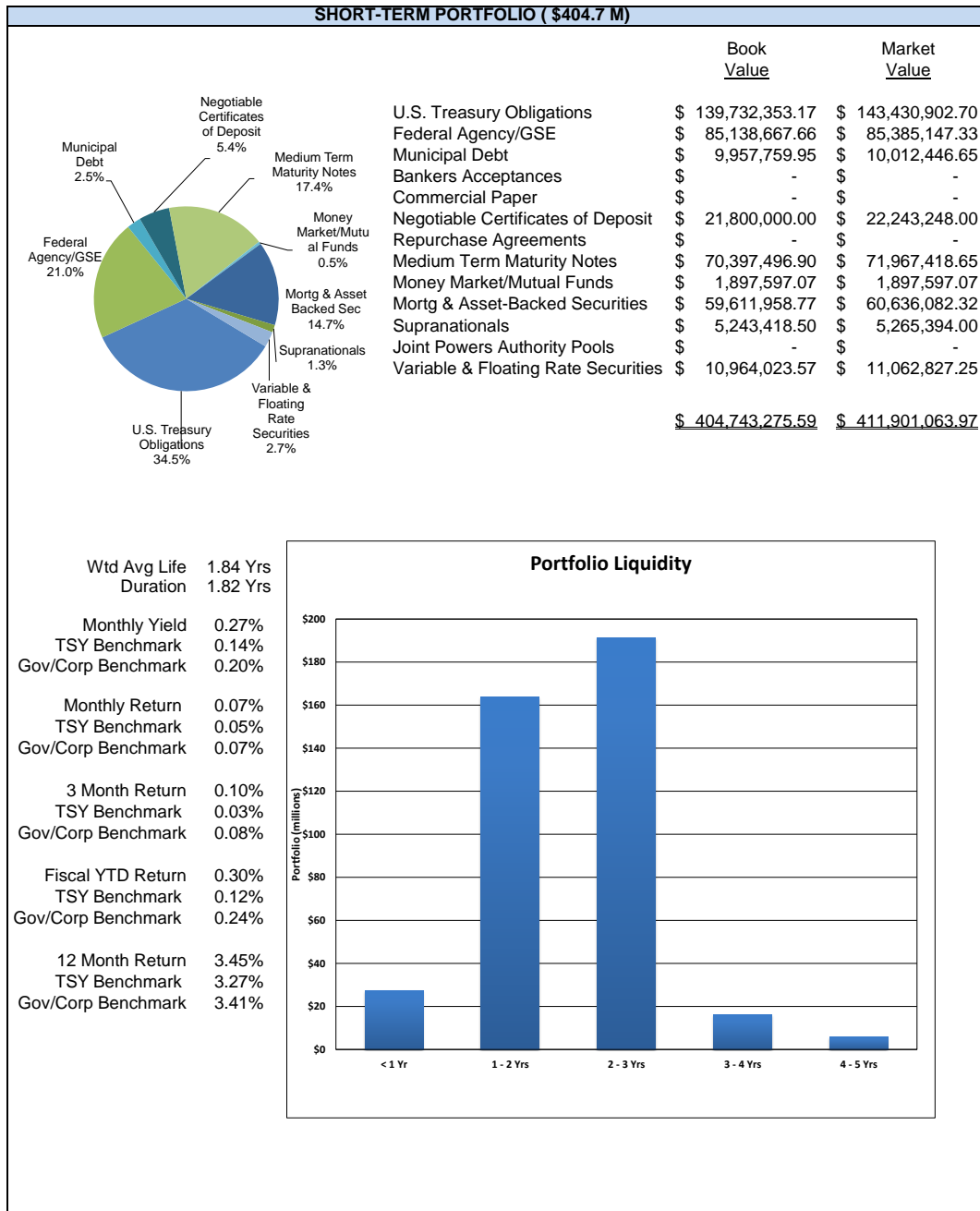
Investment Manager Diversification and Maturity Schedules

MetLife Investment Management
11/30/2020



Investment Manager Diversification and Maturity Schedules

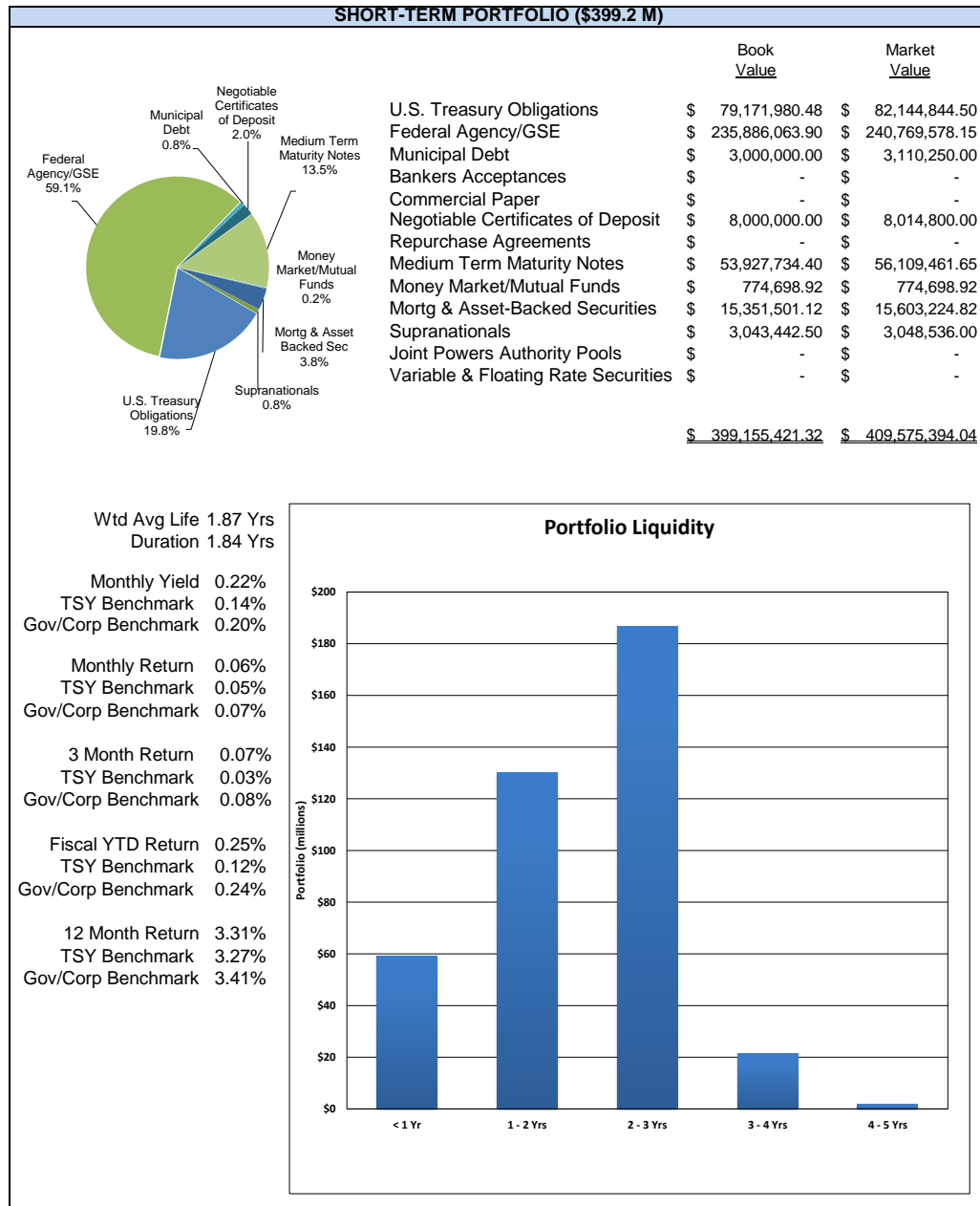
PFM
11/30/2020



Investment Manager Diversification and Maturity Schedules

Chandler Asset Management

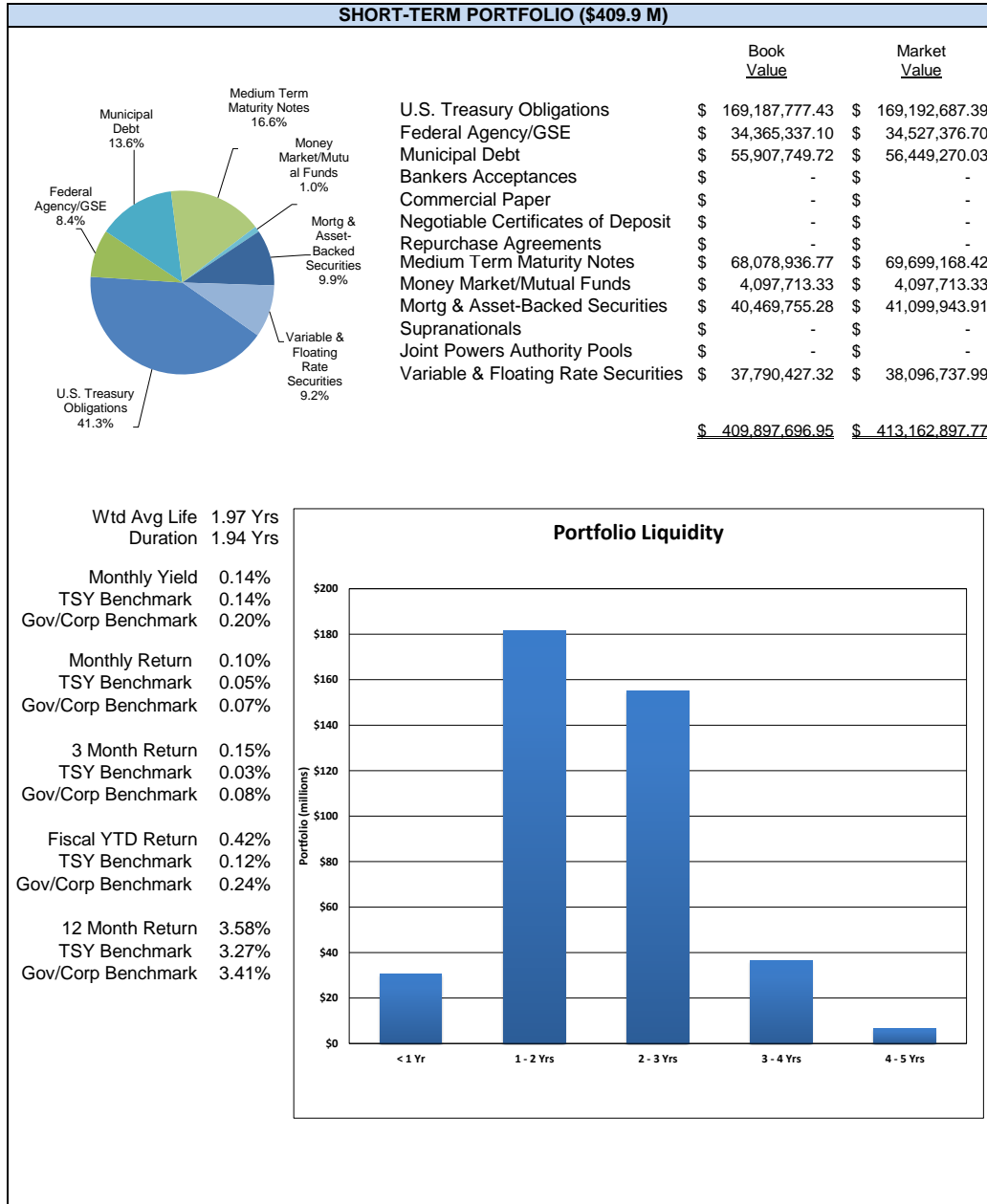
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Investment Manager Diversification and Maturity Schedules

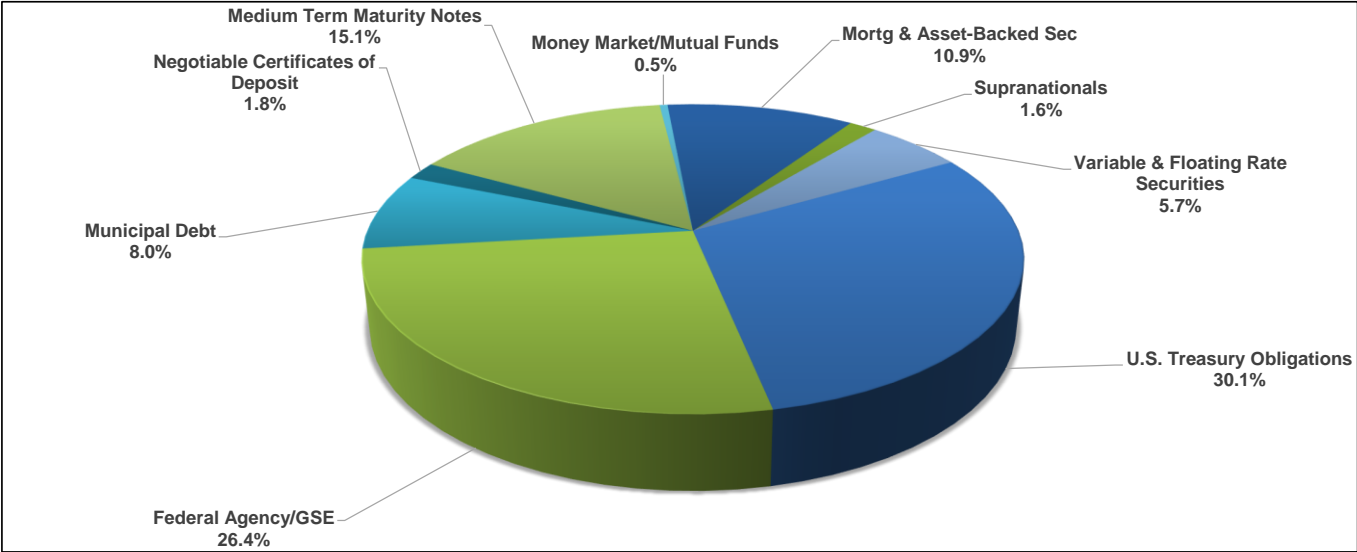
Payden & Rygel

11/30/2020

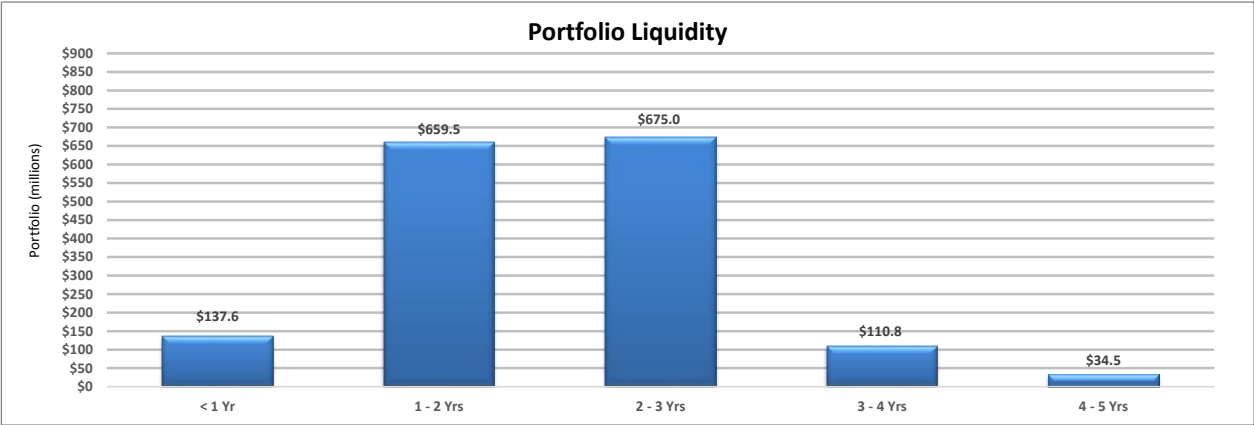


Short-Term Portfolio
11/30/2020

Portfolio Composition



Portfolio Liquidity



Rating Downgrades & Negative Credit Watch

11/30/2020

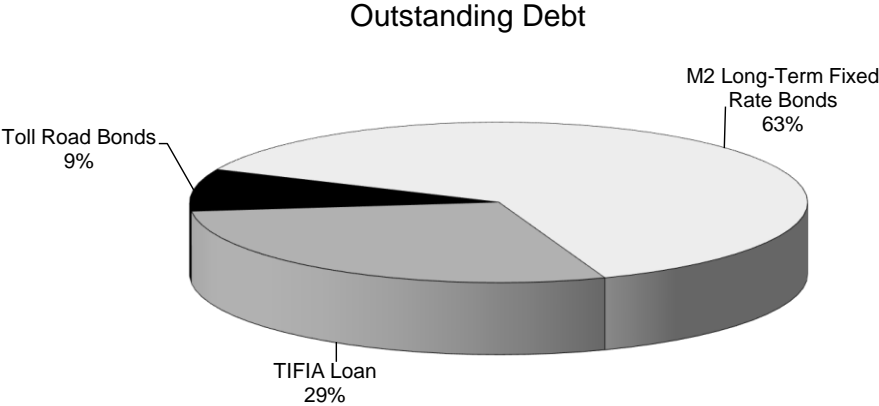
<u>Investment Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
Rating Downgrades:					
PFM					
Pfizer On November 16, 2020, S&P and Moody's downgraded the long-term ratings of Pfizer Inc. from AA- and A1 to A+ and A2 respectively. The downgrade is due to Pfizer's divestiture of its mature off-patent Upjohn business segment, removing a stable, recurring earnings stream. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Pfizer's product diversification and vast revenue streams.	\$ 2,300,000	Various*	A+	A2	A
Walt Disney Co. On November 18, 2020, S&P downgraded the long-term ratings of Disney from A- to BBB+. The downgrade is due to the impact COVID-19 continues to have on a variety of Disney's operations, in particular their theme parks, and movie studio operations. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to Disney's diverse business and assets.	\$ 875,000	9/1/2022	BBB+	A2	A
Negative Credit Watch:					
PFM					
Merck & Co. On February 5, 2020, S&P placed the long-term ratings of Merck & Co. under review for possible downgrade. The credit watch placement is due to Merck's announcement that it will be spinning off a large portion of their brand. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to the industry strength of Merck, and their vast pharmaceutical diversification.	\$ 1,250,000	2/10/2022	AA-	A1	A+
Port Authority of New York & New Jersey On June 26, 2020, Fitch placed the long-term ratings of the Port Authority under review for possible downgrade. The credit watch placement reflects elevated stresses to both the agency's operating activities and revenue generation as a result of COVID-19. The security complies with the requirements of the Investment Policy, and the investment manager is comfortable holding the security due to expectations of long-term revenue recoveries.	\$ 1,125,000	7/1/2023	A+	Aa3	AA-
Payden & Rygel Southern CA Public Power Authority On September 11, 2020, S&P placed the long-term ratings of the Southern CA Public Power Authority (SCAPPA) under review for possible downgrade. The credit watch placement is due to the weakening of one of the project participants, the City of Anaheim, this weakening comes as a result of implications from COVID-19, and its impacts on the tourism and hospitality industries. The security remains in compliance with the requirements of the Investment Policy. Based on the fundamental value of the utility itself as well as the inherent value of the bond the manager is comfortable holding the security.	\$ 2,735,000	7/1/2023	AA-	N/A	AA-

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

DEBT PROGRAM

(M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, 2017 TIFIA Loan (I-405))

Total Outstanding Debt*
As of 11/30/20



TOTAL OUTSTANDING DEBT: \$998,955,000

*Comprised of OCTA's debt obligations (M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, and 2017 TIFIA Loan (I-405)) currently outstanding and irrespective of OCTA's investment program.

Outstanding Debt*

As of 11/30/20

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 2021:		17,270,000
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ Moody's/ S&P):		AA+/Aa2/AA+
Final Maturity:		2041

2019 M2 Sales Tax Bond

Issued:	\$	376,690,000
Outstanding:		376,690,000
Debt Service FY 2021:		26,569,650
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:		85,265,000
Debt Service FY 2021:		10,795,075
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 Interest:		19,560,223
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings (Moody's):		Baa2
Final Maturity:		2057

*Comprised of OCTA's debt obligations (M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, and 2017 TIFIA Loan (I-405)) currently outstanding and irrespective of OCTA's investment program.

**Orange County Transportation Authority
Portfolio Listing
As of November 30, 2020**

LIQUID PORTFOLIO				
DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
<u>CASH EQUIVALENTS</u>				
BANK DEPOSITS	11/30/2020	250,000.00	250,000.00	
REPURCHASE AGREEMENT	11/30/2020	58,678,901.00	58,678,901.00	
MONEY MARKET DEMAND ACCOUNT	N/A	30,013,701.61	30,013,701.61	0.25%
FIDELITY TREASURY OBLIGATIONS FUND	N/A	46,274,622.12	46,274,622.12	0.01%
FEDERATED TREASURY OBLIGATIONS FUND	N/A	21,531,441.45	21,531,441.45	0.01%
SUB-TOTAL		156,748,666.18	156,748,666.18	
<u>LOCAL AGENCY INVESTMENT FUND (LAIF)</u>				
	N/A	10,922,718.11	10,922,718.11	0.58%
<u>ORANGE COUNTY INVESTMENT POOL (OCIP)</u>				
	N/A	11,472,047.08	11,472,047.08	0.96%
LIQUID PORTFOLIO - TOTAL		\$ 179,143,431.37	\$ 179,143,431.37	
SHORT-TERM PORTFOLIO				
DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
<u>Money Market Funds</u>				
FIRST AMER:GVT OBLG Z	11/30/2020	1,897,597.07	1,897,597.07	0.03
FIRST AMER:GVT OBLG Z	11/30/2020	774,698.92	774,698.92	0.03
FIRST AMER:GVT OBLG Z	11/30/2020	4,097,713.33	4,097,713.33	0.03
FIRST AMER:GVT OBLG Z	11/30/2020	633,030.86	633,030.86	0.03
SUB-TOTAL		7,403,040.18	7,403,040.18	
<u>NEGOTIABLE CERTIFICATES OF DEPOSIT</u>				
Credit Suisse AG, New York Branch	2/1/2022	3,100,000.00	3,102,077.00	0.46
DNB Bank ASA, New York Branch	12/2/2022	3,875,000.00	4,000,007.50	0.44
Nordea Bank Abp, New York Branch	8/26/2022	3,875,000.00	3,990,591.25	0.15
Skandinaviska Enskilda Banken AB (publ.)	8/26/2022	3,875,000.00	3,991,443.75	0.15
Societe Generale, New York Branch	2/14/2022	4,000,000.00	4,082,960.00	0.08
Sumitomo Mitsui Banking Corporation, New York Bra	7/8/2022	3,075,000.00	3,076,168.50	0.67
Royal Bank of Canada New York Branch	2/19/2021	8,000,000.00	8,014,800.00	0.18
SUB-TOTAL		29,800,000.00	30,258,048.00	
<u>U.S. TREASURY OBLIGATIONS</u>				
UNITED STATES TREASURY	7/31/2022	4,097,668.75	4,207,423.90	0.15
UNITED STATES TREASURY	7/31/2022	7,004,300.00	7,324,415.20	0.15
UNITED STATES TREASURY	7/31/2022	6,005,625.00	6,172,260.00	0.15
UNITED STATES TREASURY	7/31/2022	5,216,656.25	5,349,292.00	0.15
UNITED STATES TREASURY	9/30/2022	7,534,603.16	7,798,896.00	0.15
UNITED STATES TREASURY	10/31/2022	5,360,733.97	5,580,967.70	0.15
UNITED STATES TREASURY	2/28/2023	5,538,052.36	5,845,974.20	0.16
UNITED STATES TREASURY	2/15/2022	9,389,351.56	9,671,002.00	0.11
UNITED STATES TREASURY	4/15/2022	6,003,750.00	6,174,360.00	0.13
UNITED STATES TREASURY	12/31/2022	4,326,890.63	4,528,263.00	0.15
UNITED STATES TREASURY	12/31/2022	6,439,408.22	6,860,058.20	0.15
UNITED STATES TREASURY	1/31/2023	1,253,320.31	1,293,062.50	0.16
UNITED STATES TREASURY	1/31/2023	2,911,894.53	2,999,905.00	0.16
UNITED STATES TREASURY	3/31/2023	15,308,789.06	15,467,550.00	0.16
UNITED STATES TREASURY	6/30/2023	4,097,187.50	4,124,360.00	0.17
UNITED STATES TREASURY	11/15/2022	3,995,937.50	4,115,800.00	0.14
UNITED STATES TREASURY	1/31/2022	5,803,342.97	6,030,977.70	0.12
UNITED STATES TREASURY	2/28/2022	1,006,718.75	1,021,760.00	0.13
UNITED STATES TREASURY	4/30/2022	633,273.05	645,504.30	0.14
UNITED STATES TREASURY	4/30/2022	1,974,765.63	2,049,220.00	0.14
UNITED STATES TREASURY	5/31/2022	9,031,289.06	9,219,420.00	0.12
UNITED STATES TREASURY	6/30/2022	2,010,156.25	2,050,940.00	0.14
UNITED STATES TREASURY	10/15/2022	745,312.50	767,137.50	0.15
UNITED STATES TREASURY	1/15/2023	2,713,289.06	2,776,680.00	0.16
UNITED STATES TREASURY	1/15/2023	4,101,875.00	4,113,600.00	0.16
UNITED STATES TREASURY	5/15/2023	2,192,093.75	2,198,020.00	0.16
UNITED STATES TREASURY	6/15/2023	4,003,281.25	4,008,280.00	0.17
UNITED STATES TREASURY	6/15/2023	1,051,927.73	1,052,173.50	0.17
UNITED STATES TREASURY	10/15/2023	9,980,859.38	9,983,600.00	0.18
UNITED STATES TREASURY	7/31/2022	6,061,226.56	6,378,002.00	0.15
UNITED STATES TREASURY	3/15/2021	7,598,515.63	7,650,464.00	0.08
UNITED STATES TREASURY	8/31/2022	4,470,357.42	4,790,058.00	0.15
UNITED STATES TREASURY	8/31/2022	2,874,960.94	3,090,360.00	0.15
UNITED STATES TREASURY	11/30/2022	7,718,648.44	8,086,728.00	0.16
UNITED STATES TREASURY	4/30/2023	5,234,208.98	5,434,957.50	0.16
UNITED STATES TREASURY	5/31/2023	7,787,187.50	8,290,320.00	0.17
UNITED STATES TREASURY	10/31/2023	8,007,187.50	8,336,560.00	0.18
UNITED STATES TREASURY	6/30/2022	4,329,843.75	4,614,615.00	0.14
UNITED STATES TREASURY	8/15/2022	6,983,046.88	7,162,680.00	0.14
UNITED STATES TREASURY	10/15/2022	7,957,187.50	8,182,800.00	0.15
UNITED STATES TREASURY	2/28/2022	10,149,609.38	10,127,300.00	0.10
UNITED STATES TREASURY	8/31/2022	19,244,736.33	19,244,802.50	0.14
UNITED STATES TREASURY	8/31/2022	29,954,148.44	29,951,910.80	0.14
UNITED STATES TREASURY	8/31/2022	14,477,737.50	14,476,090.40	0.14
UNITED STATES TREASURY	8/31/2022	2,540,107.73	2,539,314.20	0.14
UNITED STATES TREASURY	8/31/2022	4,134,676.67	4,133,883.55	0.14
UNITED STATES TREASURY	8/31/2022	43,457,305.09	43,457,797.36	0.14
UNITED STATES TREASURY	9/15/2023	4,069,544.06	4,067,970.48	0.18
UNITED STATES TREASURY	9/15/2023	4,131,931.05	4,128,880.20	0.18
UNITED STATES TREASURY	9/15/2023	3,826,058.86	3,823,532.78	0.18
UNITED STATES TREASURY	9/15/2023	4,027,178.58	4,024,834.42	0.18
UNITED STATES TREASURY	9/15/2023	2,345,410.16	2,346,522.00	0.18
UNITED STATES TREASURY	9/15/2023	2,121,430.66	2,121,855.00	0.18
UNITED STATES TREASURY	9/30/2022	1,754,588.67	1,754,455.95	0.14
UNITED STATES TREASURY	9/30/2022	6,826,264.84	6,827,882.70	0.14
UNITED STATES TREASURY	9/30/2022	4,217,197.66	4,218,691.80	0.14
UNITED STATES TREASURY	10/15/2023	18,576,461.13	18,584,471.40	0.18
UNITED STATES TREASURY	11/15/2023	3,483,000.00	3,489,791.85	0.18
UNITED STATES TREASURY	4/15/2023	988,731.72	1,012,238.42	-1.21
UNITED STATES TREASURY	4/15/2023	1,013,289.32	1,039,596.22	-1.21
UNITED STATES TREASURY	4/15/2024	160,163.94	76,600.33	-1.25
UNITED STATES TREASURY	4/15/2024	3,882,783.52	4,054,345.87	-1.25
UNITED STATES TREASURY	4/15/2024	1,940,782.00	2,018,965.76	-1.25
UNITED STATES TREASURY	5/15/2022	156,683.20	159,487.25	0.14
UNITED STATES TREASURY	5/15/2022	2,026,093.75	2,057,900.00	0.14
UNITED STATES TREASURY	5/15/2022	5,901,964.06	5,998,778.50	0.14
UNITED STATES TREASURY	5/15/2022	8,869,816.41	8,982,733.50	0.14
UNITED STATES TREASURY	5/15/2022	1,979,554.69	2,006,452.50	0.14

Orange County Transportation Authority
Portfolio Listing
As of November 30, 2020

DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
UNITED STATES TREASURY	9/30/2022	3,799,773.44	3,886,173.75	0.14
UNITED STATES TREASURY	9/30/2022	9,392,172.66	9,615,063.00	0.14
UNITED STATES TREASURY	9/30/2022	7,699,007.81	7,875,292.50	0.14
UNITED STATES TREASURY	9/30/2022	10,407,680.66	10,629,071.25	0.14
UNITED STATES TREASURY	9/30/2022	4,212,140.63	4,323,690.00	0.14
UNITED STATES TREASURY	10/15/2022	6,859,031.25	7,057,665.00	0.15
UNITED STATES TREASURY	10/15/2022	3,944,908.20	4,040,257.50	0.15
UNITED STATES TREASURY	3/15/2023	4,087,313.28	4,086,223.50	0.16
UNITED STATES TREASURY	3/15/2023	5,110,995.70	5,109,039.00	0.16
UNITED STATES TREASURY	3/15/2023	3,678,658.20	3,678,105.00	0.16
UNITED STATES TREASURY	3/15/2023	4,132,031.25	4,131,570.00	0.16
UNITED STATES TREASURY	3/15/2023	2,821,000.00	2,821,560.00	0.16
UNITED STATES TREASURY	3/15/2023	614,622.66	614,697.00	0.16
UNITED STATES TREASURY	10/15/2023	4,989,843.75	4,991,800.00	0.18
SUB-TOTAL		486,761,153.18	495,035,740.44	
FEDERAL AGENCY/GSE				
FEDERAL HOME LOAN MORTGAGE CORP	6/8/2022	6,996,640.00	7,012,110.00	0.14
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5/22/2023	8,160,363.15	8,191,793.55	0.22
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/10/2023	7,758,283.75	7,777,254.75	0.24
FEDERAL HOME LOAN MORTGAGE CORP	4/20/2023	7,526,137.50	7,578,650.70	0.19
FEDERAL HOME LOAN MORTGAGE CORP	5/5/2023	7,146,997.00	7,184,534.50	0.18
FEDERAL HOME LOAN MORTGAGE CORP	6/26/2023	7,383,377.40	7,412,405.00	0.21
FEDERAL HOME LOAN MORTGAGE CORP	7/25/2022	4,963,756.50	4,971,816.00	0.16
FEDERAL HOME LOAN MORTGAGE CORP	8/24/2023	9,190,616.00	9,202,852.00	0.24
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	5,275,963.27	5,278,428.75	0.23
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	6,997,690.00	7,004,550.00	0.23
FEDERAL HOME LOAN MORTGAGE CORP	10/16/2023	3,088,437.00	3,091,940.00	0.22
FEDERAL HOME LOAN MORTGAGE CORP	10/16/2023	1,991,720.00	1,994,800.00	0.22
FEDERAL HOME LOAN MORTGAGE CORP	11/6/2023	8,192,620.00	8,199,754.00	0.25
FHMS K-727 A1	10/25/2023	466,066.09	484,258.08	0.60
FEDERAL HOME LOAN BANKS	9/8/2023	4,135,800.00	4,234,840.00	0.25
FEDERAL HOME LOAN BANKS	9/8/2023	4,104,600.00	4,234,840.00	0.25
FEDERAL HOME LOAN BANKS	3/8/2024	5,201,750.00	5,256,800.00	0.30
FEDERAL HOME LOAN BANKS	3/10/2023	5,053,550.00	5,289,550.00	0.20
FEDERAL HOME LOAN BANKS	6/10/2022	4,988,900.00	5,198,800.00	0.14
FEDERAL HOME LOAN BANKS	12/9/2022	7,058,660.00	7,395,430.00	0.20
FEDERAL HOME LOAN BANKS	3/11/2022	3,046,221.55	3,165,487.65	0.21
FEDERAL HOME LOAN BANKS	3/11/2022	1,160,218.50	1,205,655.75	0.21
FEDERAL HOME LOAN BANKS	6/9/2023	3,977,720.00	4,191,040.00	0.23
FEDERAL HOME LOAN BANKS	6/9/2023	4,029,880.00	4,191,040.00	0.23
FEDERAL HOME LOAN BANKS	9/9/2022	6,828,560.00	7,155,232.00	0.18
FEDERAL HOME LOAN BANKS	9/10/2021	2,515,300.00	2,556,125.00	0.11
FEDERAL HOME LOAN BANKS	9/10/2021	5,006,250.00	5,112,250.00	0.11
FEDERAL FARM CREDIT BANKS FUNDING CORP	12/17/2021	6,022,920.00	6,164,760.00	0.17
FEDERAL FARM CREDIT BANKS FUNDING CORP	3/1/2021	6,965,140.00	7,042,210.00	0.11
FEDERAL FARM CREDIT BANKS FUNDING CORP	11/15/2021	7,034,930.00	7,198,310.00	0.09
FEDERAL FARM CREDIT BANKS FUNDING CORP	7/17/2023	5,060,200.00	5,343,700.00	0.25
FEDERAL FARM CREDIT BANKS FUNDING CORP	6/26/2023	6,967,450.00	7,281,260.00	0.20
FEDERAL FARM CREDIT BANKS FUNDING CORP	2/1/2023	4,996,450.00	5,181,400.00	0.17
FEDERAL FARM CREDIT BANKS FUNDING CORP	8/14/2023	4,993,550.00	5,186,900.00	0.21
FEDERAL FARM CREDIT BANKS FUNDING CORP	8/14/2023	7,983,280.00	7,996,160.00	0.22
FEDERAL FARM CREDIT BANKS FUNDING CORP	2/21/2023	5,000,600.00	5,141,400.00	0.18
FEDERAL FARM CREDIT BANKS FUNDING CORP	4/8/2022	7,204,321.80	7,234,552.65	0.17
FEDERAL FARM CREDIT BANKS FUNDING CORP	5/6/2022	8,124,668.55	8,145,656.85	0.16
FEDERAL FARM CREDIT BANKS FUNDING CORP	10/2/2023	4,994,600.00	4,993,100.00	0.25
FEDERAL HOME LOAN MORTGAGE CORP	6/8/2022	7,995,360.00	8,013,840.00	0.14
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5/22/2023	6,111,548.70	6,135,087.90	0.22
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/10/2023	3,203,098.50	3,210,930.90	0.24
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/10/2023	5,000,300.00	5,001,450.00	0.24
FEDERAL NATIONAL MORTGAGE ASSOCIATION	11/27/2023	1,797,948.00	1,799,658.00	0.26
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1/5/2022	6,815,760.00	7,143,990.00	0.12
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1/19/2023	4,411,710.00	4,708,125.00	0.20
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1/19/2023	2,233,875.00	2,406,375.00	0.20
FEDERAL NATIONAL MORTGAGE ASSOCIATION	4/12/2022	6,370,496.00	6,587,264.00	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION	9/6/2022	3,986,080.00	4,085,840.00	0.16
FEDERAL HOME LOAN MORTGAGE CORP	1/13/2022	8,248,720.00	8,201,440.00	0.12
FEDERAL HOME LOAN MORTGAGE CORP	2/16/2021	4,986,800.00	5,023,800.00	0.12
FEDERAL HOME LOAN MORTGAGE CORP	5/5/2023	7,621,797.50	7,661,828.75	0.18
FEDERAL HOME LOAN MORTGAGE CORP	6/26/2023	7,463,143.80	7,492,485.00	0.21
FEDERAL HOME LOAN MORTGAGE CORP	8/24/2023	8,001,840.00	8,002,480.00	0.24
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	5,098,317.00	5,103,315.00	0.23
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	3,001,860.00	3,001,950.00	0.23
FEDERAL HOME LOAN MORTGAGE CORP	10/16/2023	6,376,128.00	6,383,360.00	0.22
FEDERAL HOME LOAN MORTGAGE CORP	11/6/2023	4,705,761.00	4,709,858.70	0.25
FEDERAL HOME LOAN BANKS	8/15/2024	1,087,438.50	1,139,823.90	0.26
FEDERAL HOME LOAN MORTGAGE CORP	12/29/2022	2,349,530.00	2,350,282.00	0.25
FEDERAL HOME LOAN MORTGAGE CORP	7/21/2025	3,680,000.00	3,682,465.60	0.28
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5/22/2023	4,336,906.50	4,353,610.50	0.22
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/10/2023	3,741,937.50	3,751,087.50	0.24
FEDERAL NATIONAL MORTGAGE ASSOCIATION	9/6/2022	548,086.00	561,803.00	0.16
FEDERAL HOME LOAN MORTGAGE CORP	4/20/2023	4,179,525.00	4,208,687.40	0.19
FEDERAL HOME LOAN MORTGAGE CORP	6/26/2023	3,968,378.40	3,983,980.00	0.21
FEDERAL HOME LOAN MORTGAGE CORP	8/24/2023	3,856,062.80	3,861,196.60	0.24
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	2,809,072.70	2,811,826.50	0.23
FEDERAL HOME LOAN MORTGAGE CORP	10/16/2023	3,098,399.70	3,101,914.00	0.22
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	8/1/2021	710,000.00	720,699.70	0.31
FEDERAL HOME LOAN MORTGAGE CORP	10/20/2022	5,098,470.00	5,097,603.00	0.34
FEDERAL HOME LOAN MORTGAGE CORP	10/20/2022	5,839,084.50	5,832,257.55	0.34
FEDERAL HOME LOAN MORTGAGE CORP	7/28/2023	3,100,000.00	3,100,434.00	0.36
FEDERAL HOME LOAN MORTGAGE CORP	7/28/2023	2,050,000.00	2,050,287.00	0.36
FEDERAL HOME LOAN MORTGAGE CORP	8/12/2025	4,095,490.00	4,077,901.00	0.72
FEDERAL HOME LOAN MORTGAGE CORP	9/28/2023	4,084,387.25	4,084,591.50	0.30
FEDERAL HOME LOAN MORTGAGE CORP	9/28/2023	3,999,600.00	3,999,600.00	0.30
FEDERAL HOME LOAN MORTGAGE CORP	10/13/2023	4,097,950.00	4,097,212.00	0.32
FEDERAL HOME LOAN MORTGAGE CORP	11/24/2023	2,035,000.00	2,035,162.80	0.33
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1/5/2022	251,800.00	255,142.50	0.12
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1/5/2022	5,610,864.00	5,715,192.00	0.12
FEDERAL NATIONAL MORTGAGE ASSOCIATION	1/5/2022	5,677,685.00	5,766,220.50	0.12
FEDERAL NATIONAL MORTGAGE ASSOCIATION	10/27/2023	6,098,475.00	6,097,133.00	0.32
FEDERAL HOME LOAN MORTGAGE CORP	1/13/2022	5,652,771.25	5,715,378.50	0.12
FEDERAL HOME LOAN MORTGAGE CORP	1/13/2022	5,663,313.58	5,715,378.50	0.12
FEDERAL HOME LOAN MORTGAGE CORP	8/24/2023	4,745,155.00	4,751,472.50	0.24
FN 467260	3/1/2021	2,470,926.38	2,419,718.72	3.55
FN 468431	7/1/2021	268,499.29	265,921.38	2.56
FN 468861	8/1/2021	601,948.63	597,592.72	2.15
SUB-TOTAL		426,831,488.54	432,356,301.35	

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<u>MEDIUM TERM NOTES</u>	<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
	ADOBE INC	2/1/2023	449,383.50	464,062.50	0.25
	AMAZON.COM INC	6/3/2023	2,022,165.00	2,032,452.00	0.25
	AMERICAN EXPRESS CREDIT CORP	5/5/2021	1,998,780.00	2,013,940.00	0.22
	AMERICAN HONDA FINANCE CORP	6/27/2022	3,796,504.00	3,908,072.00	0.39
	APPLE INC	8/4/2021	1,514,951.40	1,591,944.80	0.28
	APPLE INC	9/11/2022	589,899.70	605,375.40	0.23
	APPLE INC	5/11/2023	1,475,974.40	1,497,519.20	0.26
	TRUIST FINANCIAL CORP	9/3/2021	1,198,572.00	1,223,532.00	0.29
	BANK OF NEW YORK MELLON CORP	8/23/2022	1,724,448.00	1,774,749.00	0.28
	BANK OF NEW YORK MELLON CORP	1/27/2023	1,099,230.00	1,134,562.00	0.33
	BRISTOL-MYERS SQUIBB CO	11/13/2023	1,900,000.00	1,903,078.00	0.37
	BURLINGTON NORTHERN SANTA FE LLC	9/15/2021	1,024,930.00	1,016,920.00	0.32
	CATERPILLAR FINANCIAL SERVICES CORP	9/7/2021	374,711.25	383,208.75	0.30
	CATERPILLAR FINANCIAL SERVICES CORP	5/17/2021	1,124,460.00	1,137,847.50	0.19
	CATERPILLAR FINANCIAL SERVICES CORP	9/6/2022	1,048,540.50	1,079,652.00	0.30
	CATERPILLAR FINANCIAL SERVICES CORP	11/18/2022	499,770.00	515,495.00	0.37
	CATERPILLAR FINANCIAL SERVICES CORP	7/7/2023	1,124,370.00	1,132,830.00	0.38
	CHEVRON USA INC	8/11/2023	450,000.00	451,296.00	0.32
	CHEVRON CORP	5/16/2021	49,945.50	50,346.50	0.26
	CHEVRON CORP	5/11/2023	875,000.00	892,596.25	0.32
	CITIGROUP INC	8/2/2021	1,723,295.00	1,773,852.50	0.32
	JOHN DEERE CAPITAL CORP	1/10/2022	769,260.80	794,693.90	0.31
	JOHN DEERE CAPITAL CORP	6/7/2021	499,660.00	505,265.00	0.27
	JOHN DEERE CAPITAL CORP	7/5/2023	399,672.00	403,504.00	0.36
	JOHN DEERE CAPITAL CORP	10/10/2023	499,420.00	501,190.00	0.32
	WALT DISNEY CO	9/1/2022	873,101.25	894,547.50	0.37
	EXXON MOBIL CORP	3/6/2022	339,237.50	358,379.00	0.22
	EXXON MOBIL CORP	3/6/2022	1,212,050.00	1,279,925.00	0.22
	HOME DEPOT INC	3/1/2022	498,630.00	519,030.00	0.21
	HONEYWELL INTERNATIONAL INC	8/8/2022	779,212.20	803,883.60	0.24
	HONEYWELL INTERNATIONAL INC	8/19/2022	1,875,000.00	1,878,018.75	0.26
	IBM CREDIT LLC	2/6/2023	1,057,720.00	1,060,580.00	0.22
	INTEL CORP	5/19/2021	1,327,659.20	1,335,652.50	0.60
	INTERNATIONAL BUSINESS MACHINES CORP	2/12/2024	1,027,845.50	1,026,209.25	0.55
	JPMORGAN CHASE & CO	4/1/2023	2,000,000.00	2,073,760.00	0.44
	MERCK & CO INC	2/10/2022	1,226,775.00	1,280,412.50	0.31
	MICROSOFT CORP	8/8/2021	1,057,023.00	1,108,789.00	0.23
	MICROSOFT CORP	2/6/2022	2,049,725.70	2,140,494.40	0.20
	MORGAN STANLEY	5/19/2022	993,370.00	1,034,210.00	0.41
	MORGAN STANLEY	2/25/2023	1,063,280.00	1,071,980.00	0.51
	MORGAN STANLEY	4/21/2021	1,957,500.00	2,016,700.00	0.36
	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	1/21/2022	1,598,592.00	1,627,424.00	0.25
	NORTHERN TRUST CORP	8/2/2022	1,012,140.00	1,035,660.00	0.24
	ORACLE CORP	9/15/2021	1,187,662.00	1,239,063.00	0.28
	PNC BANK NA	2/24/2023	800,000.00	814,352.00	0.28
	PACCAR FINANCIAL CORP	5/10/2021	579,849.20	586,907.80	0.41
	PACCAR FINANCIAL CORP	3/1/2022	499,560.00	515,615.00	0.35
	PACCAR FINANCIAL CORP	5/10/2022	999,460.00	1,034,730.00	0.24
	PACCAR FINANCIAL CORP	8/11/2023	449,410.50	451,084.50	0.26
	PEPSICO INC	5/1/2023	923,168.50	935,711.50	0.27
	PEPSICO INC	10/7/2023	524,700.75	526,811.25	0.28
	PFIZER INC	9/15/2021	1,872,468.75	1,915,800.00	0.25
	PFIZER INC	3/11/2022	424,974.50	438,523.50	0.31
	CHARLES SCHWAB CORP	5/21/2021	2,169,934.90	2,195,345.60	0.26
	3M CO	9/14/2021	823,308.75	840,724.50	0.29
	3M CO	3/1/2022	1,154,457.15	1,188,887.70	0.24
	TOYOTA MOTOR CREDIT CORP	1/11/2022	3,686,662.50	3,844,087.50	0.34
	UNILEVER CAPITAL CORP	3/7/2022	1,990,320.00	2,068,220.00	0.31
	U.S. BANCORP	3/15/2022	509,935.00	516,435.00	0.27
	WELLS FARGO & CO	4/1/2021	1,619,820.00	1,521,180.00	0.39
	AMERICAN HONDA FINANCE CORP	11/16/2022	2,021,300.00	2,087,060.00	0.37
	AMERICAN HONDA FINANCE CORP	1/12/2024	1,585,215.00	1,632,135.00	0.69
	APPLE INC	5/3/2023	1,977,040.00	2,099,600.00	0.34
	APPLE INC	2/23/2023	2,949,060.00	3,156,780.00	0.31
	BANK OF AMERICA CORP	1/11/2023	3,034,740.00	3,181,320.00	0.42
	BANK OF NEW YORK MELLON CORP	1/29/2023	2,944,320.00	3,161,640.00	0.35
	BERKSHIRE HATHAWAY INC	3/15/2023	2,924,460.00	3,153,870.00	0.33
	BERKSHIRE HATHAWAY INC	3/15/2023	2,014,300.00	2,102,580.00	0.33
	DEERE & CO	6/8/2022	1,466,700.00	1,542,975.00	0.34
	JOHN DEERE CAPITAL CORP	3/4/2021	1,344,769.75	1,363,888.80	0.28
	GENERAL DYNAMICS CORP	5/11/2021	3,985,000.00	4,051,320.00	0.13
	ORACLE CORP	5/15/2022	3,897,640.00	4,112,120.00	0.32
	PACCAR FINANCIAL CORP	9/26/2022	1,498,170.00	1,547,580.00	0.25
	PACCAR FINANCIAL CORP	2/7/2023	2,274,886.25	2,350,962.25	0.37
	LINDE INC	9/1/2021	2,338,645.05	2,392,744.20	0.29
	LINDE INC	9/1/2021	1,394,750.00	1,428,504.00	0.29
	CHARLES SCHWAB CORP	5/21/2021	1,554,953.35	1,573,162.40	0.26
	TOYOTA MOTOR CREDIT CORP	4/13/2021	2,488,525.00	2,524,500.00	0.29
	U.S. BANCORP	2/5/2024	2,107,940.00	2,168,740.00	0.62
	VISA INC	12/14/2022	1,962,480.00	2,097,720.00	0.18
	WALMART INC	6/26/2023	3,083,010.00	3,227,580.00	0.34
	WALMART INC	6/26/2023	2,056,460.00	2,151,720.00	0.34
	WELLS FARGO & CO	12/7/2020	3,023,370.00	3,000,960.00	0.89
	ADOBE INC	2/1/2023	1,103,486.15	1,139,531.25	0.25
	AMERICAN EXPRESS CO	5/20/2022	1,558,128.00	1,610,887.20	0.39
	AMERIPRISE FINANCIAL INC	3/22/2022	1,535,888.20	1,593,160.80	0.36
	AMERIPRISE FINANCIAL INC	3/22/2022	119,877.60	124,142.40	0.36
	APPLE INC	1/13/2023	647,825.00	651,962.50	0.27
	APPLE INC	9/11/2022	1,874,681.25	1,923,862.50	0.23
	APPLE INC	5/11/2023	1,441,069.60	1,462,397.80	0.26
	TRUIST FINANCIAL CORP	6/20/2022	2,048,120.00	2,079,020.00	0.36
	TRUIST FINANCIAL CORP	3/16/2023	1,943,560.70	2,020,582.70	0.43
	BANK OF AMERICA CORP	1/23/2022	1,415,000.00	1,419,867.60	0.40
	BANK OF AMERICA CORP	5/17/2022	1,075,000.00	1,090,340.25	0.42
	BANK OF NEW YORK MELLON CORP	4/28/2023	1,352,323.95	1,396,425.00	0.37
	BANK OF NEW YORK MELLON CORP	1/27/2023	2,228,439.00	2,300,066.60	0.33
	BRISTOL-MYERS SQUIBB CO	11/13/2023	880,000.00	881,425.60	0.37
	CATERPILLAR FINANCIAL SERVICES CORP	11/29/2022	859,078.00	886,626.50	0.38
	CATERPILLAR FINANCIAL SERVICES CORP	9/7/2021	1,713,679.45	1,752,541.35	0.30
	CATERPILLAR FINANCIAL SERVICES CORP	9/6/2022	1,353,116.55	1,393,265.20	0.30
	CATERPILLAR FINANCIAL SERVICES CORP	11/18/2022	1,469,323.80	1,515,555.30	0.37
	CHEVRON CORP	5/11/2023	455,000.00	464,150.05	0.32
	CISCO SYSTEMS INC	9/20/2021	1,894,243.00	1,921,888.00	0.25
	CITIGROUP INC	12/8/2021	1,012,830.00	1,023,630.00	0.38
	CITIZENS BANK NA	5/13/2021	1,493,725.00	1,501,949.80	0.38
	COMERICA INC	7/31/2023	2,120,020.00	2,162,540.00	0.53
	JOHN DEERE CAPITAL CORP	9/10/2021	1,154,641.95	1,181,056.80	0.22
	JOHN DEERE CAPITAL CORP	6/13/2022	1,438,142.40	1,477,728.00	0.24

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DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
JOHN DEERE CAPITAL CORP	4/6/2023	519,875.20	531,133.20	0.29
DUKE ENERGY CAROLINAS LLC	3/15/2023	2,502,051.75	2,591,943.75	0.27
ERP OPERATING LP	4/15/2023	1,933,786.40	1,937,505.22	0.52
ENTERGY LOUISIANA LLC	11/17/2023	759,863.20	761,451.60	0.42
ENTERGY LOUISIANA LLC	11/17/2023	740,355.20	741,413.40	0.42
EXXON MOBIL CORP	4/15/2023	2,065,000.00	2,123,707.95	0.37
FIFTH THIRD BANK NA (OHIO)	1/30/2023	1,473,761.00	1,518,055.25	0.39
HONEYWELL INTERNATIONAL INC	8/8/2022	1,018,969.80	1,051,232.40	0.24
HUNTINGTON NATIONAL BANK	2/3/2023	1,568,681.20	1,616,189.40	0.39
KEYBANK NA	3/7/2023	694,840.24	713,130.08	0.38
KEYBANK NA	3/7/2023	311,595.00	320,268.00	0.38
KEYBANK NA	3/7/2023	150,524.50	154,796.20	0.38
KEYBANK NA	3/7/2023	821,620.13	840,169.72	0.38
MORGAN STANLEY	5/19/2022	1,912,255.00	1,964,999.00	0.41
MORGAN STANLEY	11/17/2021	2,009,680.00	2,043,140.00	0.38
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	4/25/2022	1,208,052.00	1,233,180.00	0.30
NIKE INC	3/27/2025	134,816.40	145,071.00	0.62
ORACLE CORP	4/1/2025	449,833.50	482,638.50	0.76
PNC BANK NA	7/22/2022	1,925,000.00	1,948,716.00	0.32
PNC BANK NA	2/24/2023	1,115,000.00	1,135,003.10	0.28
PACCAR FINANCIAL CORP	9/26/2022	714,127.70	737,679.80	0.25
PACCAR FINANCIAL CORP	2/7/2023	1,999,900.00	2,066,780.00	0.37
PRECISION CASTPARTS CORP	1/15/2023	1,965,015.00	2,025,913.50	0.41
TRUIST BANK	5/17/2022	1,978,990.20	2,049,874.20	0.24
US BANK NA	1/21/2022	804,718.25	819,047.25	0.15
WALMART INC	12/15/2022	1,323,622.40	1,333,107.20	0.23
WELLS FARGO BANK NA	10/22/2021	1,789,803.10	1,838,419.50	0.27
AMERICAN EXPRESS CO	8/1/2022	3,103,260.00	3,102,360.00	0.34
ASSOCIATION OF AMERICAN MEDICAL COLLEGES	10/1/2022	2,990,000.00	3,023,218.90	1.31
TRUIST FINANCIAL CORP	6/20/2022	2,339,167.50	2,338,897.50	0.36
TRUIST FINANCIAL CORP	3/16/2023	2,947,817.00	3,064,637.00	0.43
BAYCARE HEALTH SYSTEM INC	11/15/2022	1,456,344.00	1,499,169.60	0.50
CATERPILLAR FINANCIAL SERVICES CORP	7/7/2023	3,053,289.20	3,076,262.80	0.38
GEORGIA-PACIFIC LLC	5/15/2024	3,064,049.85	3,067,206.80	0.60
HONEYWELL INTERNATIONAL INC	8/19/2022	4,015,000.00	4,021,464.15	0.26
HUNTINGTON NATIONAL BANK	8/7/2022	2,024,431.10	2,037,354.30	0.36
KEYBANK NA	11/22/2021	1,785,864.60	1,868,142.88	0.25
KEYBANK NA	11/22/2021	1,953,600.00	2,043,920.00	0.25
MASSMUTUAL GLOBAL FUNDING II	6/9/2023	3,982,648.85	4,029,632.00	0.40
NATIONAL SECURITIES CLEARING CORP	4/23/2023	3,162,024.90	3,225,388.20	0.40
NEW YORK LIFE GLOBAL FUNDING	5/5/2023	2,084,562.15	2,120,903.70	0.39
PACIFIC LIFE GLOBAL FUNDING II	9/23/2023	2,022,468.75	2,025,060.75	0.50
PROTECTIVE LIFE GLOBAL FUNDING	6/9/2023	3,500,000.00	3,557,015.00	0.43
VIRGINIA ELECTRIC AND POWER CO	3/15/2023	2,087,580.00	2,097,500.00	0.35
WELLS FARGO & CO	7/22/2022	1,551,524.80	1,574,841.60	0.42
WELLS FARGO & CO	7/22/2022	3,959,048.10	4,025,170.80	0.42
SUB-TOTAL		243,486,848.87	249,574,194.70	
<u>MORTGAGE AND ASSET-BACK SECURITIES</u>				
ALLYA 2019-1 A3	9/15/2023	1,253,558.54	1,275,486.93	0.76
BMWLT 2018-1 A3	7/20/2021	179,156.15	179,636.17	0.10
COMET 2019-2 A	9/15/2022	2,749,307.55	2,810,747.50	0.48
COPAR 2019-1 A3	11/15/2023	899,817.66	916,371.00	0.72
CARMX 2020-4 A3	8/15/2025	474,895.45	476,258.75	0.40
DCENT 2019-3 A	10/15/2024	999,785.20	1,030,780.00	0.25
FNA 2012-M5 A2	2/25/2022	989,784.45	1,012,544.32	0.55
FNA 2013-M1 A2	8/25/2022	1,034,266.22	1,047,028.79	0.58
FNA 2013-M7 A2	12/25/2022	724,154.30	734,975.50	0.30
FHMS K-018 A2	1/25/2022	3,399,890.25	3,490,157.21	0.36
FHMS K-019 A2	3/25/2022	2,362,519.78	2,443,951.62	0.35
FHMS K-020 A1	1/25/2022	165,377.79	169,848.67	0.44
FHMS K-022 A2	7/25/2022	1,204,406.25	1,233,852.00	0.43
FHMS K-023 A1	4/25/2022	425,153.21	438,675.90	0.48
FHMS K-023 A2	8/25/2022	1,775,839.84	1,799,752.50	0.49
FHMS K-026 A2	11/25/2022	3,462,687.50	3,517,674.00	0.57
FHMS K-026 A2	11/25/2022	510,800.78	517,305.00	0.57
FHMS K-029 A1	10/25/2022	294,649.69	299,899.09	0.26
FHMS K-029 A1	10/25/2022	538,295.76	548,573.19	0.26
FHMS K-034 A1	2/25/2023	870,591.52	896,088.57	0.33
FHMS K-035 A1	3/25/2023	774,071.03	795,154.83	0.46
FHMS K-715 A2	1/25/2021	912,180.21	866,846.83	0.67
FHMS K-717 A2	9/25/2021	786,608.35	797,579.84	0.44
FHMS K-720 A2	6/25/2022	2,196,304.69	2,255,858.00	0.68
FHMS K-720 A2	6/25/2022	1,005,312.50	1,025,390.00	0.68
FHMS K-P05 A	7/25/2023	460,486.45	475,610.25	0.98
FHMS K-J27 A1	7/25/2024	1,031,752.76	1,066,878.59	0.52
FITAT 2019-1 A3	12/15/2023	599,868.12	610,260.00	0.83
FORDL 2019-A A3	5/15/2022	606,417.54	610,570.74	-0.24
GMCAR 2019-1 A3	11/16/2023	1,808,021.87	1,839,847.85	0.18
GMCAR 2020-3 A3	4/16/2025	899,794.08	902,970.00	0.31
GMCAR 2020-4 A3	8/18/2025	424,909.18	425,357.00	0.35
GMALT 2019-3 A3	6/20/2022	699,922.79	706,174.00	0.34
HDMOT 2020-A A3	10/15/2024	874,809.16	889,446.25	0.76
HAROT 2018-4 A3	1/15/2023	830,317.49	843,770.23	0.67
HAROT 2018-3 A3	8/22/2022	816,222.95	826,081.99	0.45
HART 2019-A A3	6/15/2023	449,940.78	457,312.50	0.58
MBALT 2020-B A3	11/15/2023	259,986.82	260,345.80	0.32
MBALT 2018-B A3	9/15/2021	716,118.87	718,226.02	-0.17
MBART 2020-1 A3	2/18/2025	624,951.19	628,343.75	0.30
MBART 2018-1 A3	1/15/2023	855,130.16	865,536.13	0.46
MBALT 2019-A A3	11/15/2021	646,937.43	650,268.81	-0.12
NALT 2018-A A3	9/15/2021	182,483.24	182,906.16	0.35
NALT 2019-B A3	7/15/2022	554,968.48	560,328.00	0.25
NAROT 2018-C A3	6/15/2023	792,137.68	806,978.53	0.80
NAROT 2020-B A3	7/15/2024	1,149,968.49	1,154,485.00	0.23
NAROT 2018-B A3	3/15/2023	1,055,223.43	1,070,812.12	0.81
NAROT 2019-C A3	7/15/2024	899,952.48	918,954.00	0.63
NAROT 2019-A A3	10/16/2023	2,419,350.97	2,465,958.36	0.71
NALT 2019-A A3	3/15/2022	242,399.41	243,985.44	0.44
TAOT 2018-D A3	3/15/2023	870,184.64	885,491.28	0.45
TAOT 2018-B A3	9/15/2022	769,342.98	777,348.04	0.70
TAOT 2019-C A3	9/15/2023	1,099,990.98	1,118,546.00	0.44
VZOT 2020-B A	2/20/2025	799,832.00	802,032.00	0.35
VZOT 2019-C A1A	4/22/2024	1,424,890.13	1,456,535.25	0.30
VZOT 2020-A A1A	7/22/2024	999,882.90	1,024,510.00	0.14
VWALT 2019-A A3	11/21/2022	899,985.78	914,085.00	0.12
VALET 2018-2 A3	4/20/2023	1,814,532.46	1,848,741.46	-0.08
WOART 2020-B A3	5/15/2025	999,921.60	1,004,890.00	0.42
FHMS K-J22 A1	5/25/2023	41,908.83	42,059.58	-0.55

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DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
HAROT 2017-2 A3	8/16/2021	4,168.33	4,171.19	0.24
HAROT 2020-1 A3	4/22/2024	2,939,423.76	3,001,475.40	0.45
HAROT 2019-1 A2	9/20/2021	39,021.06	39,069.62	0.39
HAROT 2019-3 A3	8/15/2023	2,764,977.05	2,812,613.30	0.41
JDOT 2019-B A3	12/15/2023	1,424,697.47	1,453,713.75	0.37
JDOT 2020 A3	8/15/2024	2,124,870.16	2,151,923.75	0.39
MBALT 2020-A A3	12/15/2022	1,409,814.16	1,430,811.60	0.17
NAROT 2019-C A3	7/15/2024	2,954,843.98	3,017,232.30	0.63
TAOT 2020-D A3	1/15/2025	1,689,685.15	1,692,213.90	0.29
BMWLT 2018-1 A3	7/20/2021	144,255.60	144,642.11	0.10
BMWLT 2018-1 A4	3/21/2022	629,994.39	633,887.10	0.15
COPAR 2020-1 A3	11/15/2024	2,129,547.16	2,173,622.40	0.55
DRIVE 2020-2 A3	5/15/2024	629,975.93	633,175.20	0.43
FNA 2011-M5 A2	7/25/2021	316,502.65	314,833.34	-0.10
FHMS K-020 A2	5/25/2022	2,714,871.09	2,766,501.00	0.40
FHMS K-SMC A2	1/25/2023	1,483,888.67	1,560,030.00	-19.02
FHMS K-SMC A2	1/25/2023	2,030,198.44	2,135,880.00	-19.02
FHMS K-SMC A2	1/25/2023	410,500.00	418,800.00	-19.02
FHMS K-717 A2	9/25/2021	1,638,084.25	1,645,008.43	0.44
FHMS K-724 A1	3/25/2023	946,602.90	970,388.72	0.86
FHMS K-J23 A2	12/25/2022	1,442,481.06	1,464,558.28	1.01
FHMS K-J30 A1	1/25/2025	1,604,372.11	1,604,851.84	0.51
HDMOT 2019-A A3	2/15/2024	4,299,667.18	4,363,253.00	0.68
HAROT 2017-2 A3	8/16/2021	2,917.83	2,919.83	0.24
HAROT 2017-3 A3	9/18/2021	47,028.15	47,068.99	0.27
HAROT 2017-3 A3	9/18/2021	9,051.54	9,209.15	0.27
HAROT 2019-3 A3	8/15/2023	1,809,984.98	1,841,168.20	0.41
JDOT 2019 A3	7/17/2023	1,806,688.07	1,840,247.63	0.70
JDOT 2020 A3	8/15/2024	2,799,828.92	2,835,476.00	0.39
MBALT 2020-A A3	12/15/2022	1,029,864.25	1,045,202.80	0.17
NALT 2018-A A3	9/15/2021	250,797.48	251,378.73	0.35
SDART 2020-2 A3	4/15/2024	859,901.01	862,236.00	0.44
SDART 2020-3	7/15/2024	2,469,763.87	2,475,532.80	0.36
SDART 2020-4 A3	7/15/2024	2,099,691.09	2,101,302.00	0.44
TAOT 2020-C A3	10/15/2024	2,129,835.99	2,136,517.80	0.29
TAOT 2018-A A3	5/16/2022	0.00	0.00	0.34
TAOT 2019-C A3	9/15/2023	1,829,984.99	1,860,853.80	0.44
VZOT 2019-C A1A	4/22/2024	1,999,845.80	2,044,260.00	0.30
VWALT 2019-A A3	11/21/2022	849,986.57	863,302.50	0.12
FHMS K-J22 A1	5/25/2023	53,643.30	53,836.26	-0.55
BACCT 2018-2 A	9/15/2023	3,056,678.52	3,041,213.70	0.23
BACCT 2018-2 A	9/15/2023	1,086,593.36	1,081,095.90	0.23
BMWLT 2019-1 A4	8/22/2022	4,789,968.75	4,785,338.25	0.16
CNH 2020-A A2	7/17/2023	1,204,934.57	1,209,458.50	0.42
CARMX 2019-3 A2A	12/15/2022	853,080.69	857,742.90	0.54
CARMX 2020-1 A3	12/16/2024	1,024,798.90	1,050,133.00	0.70
CCCIT 2014-A1 A1	1/23/2023	1,991,259.38	2,002,521.15	0.22
FH G12952	12/1/2022	138,767.95	138,348.09	0.67
FH G18303	3/1/2024	370,544.88	377,391.17	-0.45
FNR 2012-50 VA	7/25/2023	255,541.21	252,425.73	0.32
FNA 2012-M9 A2	4/25/2022	366,580.68	370,188.92	0.72
FNA 2012-M9 A2	4/25/2022	75,534.90	76,281.35	0.72
FNA 2012-M17 A2	11/25/2022	391,318.90	414,997.84	0.59
FNR 2013-136 CV	6/25/2023	326,445.08	324,896.06	0.88
FHMS K-015 A2	7/25/2021	600,038.16	606,646.58	0.52
FHMS K-015 A2	7/25/2021	164,112.50	163,327.93	0.52
FHMS 2011-K016 A2	10/25/2021	2,086,041.02	2,127,357.31	0.48
FHMS 2011-K016 A2	10/25/2021	602,140.86	602,519.50	0.48
FHMS K-020 A2	5/25/2022	487,851.56	512,315.00	0.40
FHMS K-020 A2	5/25/2022	97,562.50	102,463.00	0.40
FHMS K-020 A2	5/25/2022	194,437.50	204,926.00	0.40
FHMS K-021 A2	6/25/2022	979,257.81	1,027,480.00	0.37
FHMS K-023 A1	4/25/2022	42,336.67	43,867.59	0.48
FHMS K-023 A1	4/25/2022	207,041.01	211,661.12	0.48
FHMS K-025 A1	4/25/2022	158,763.96	161,193.53	0.59
FHMS K-025 A2	10/25/2022	500,603.91	507,448.90	0.59
FHMS K-025 A2	10/25/2022	3,611,499.61	3,660,881.35	0.59
FHMS K-S01 A2	1/25/2023	221,957.15	234,334.94	0.47
FHMS K-027 A1	9/25/2022	42,549.15	44,118.18	0.47
FHMS K-027 A2	1/25/2023	2,101,558.59	2,189,607.00	0.41
FHMS K-027 A2	1/25/2023	1,875,366.21	1,955,006.25	0.41
FHR 4285 BA	12/15/2023	629,692.83	628,344.50	0.93
FHMS K-041 A1	8/25/2024	2,123,343.78	2,113,890.89	0.50
FHMS K-046 A1	1/25/2025	710,326.11	708,278.77	0.56
FHMS K-047 A1	12/25/2024	796,407.74	814,835.21	0.39
FN AM0359	8/1/2022	2,680,872.17	2,713,244.44	1.00
FN AM1568	12/1/2022	1,383,236.06	1,418,776.47	2.46
FN AM1568	12/1/2022	1,411,411.05	1,418,776.47	2.46
FN AM1999	7/1/2021	2,190,125.50	2,255,881.32	1.34
FNR 0338C MP	5/25/2023	233,868.05	234,391.15	0.95
FNR 0338C MP	5/25/2023	257,424.41	257,380.84	0.95
FNR 0333J LB	5/25/2023	146,022.62	146,194.43	1.37
FNR 0364L HQ	7/25/2023	153,382.84	154,421.31	1.00
FHR 2666 OD	8/15/2023	143,928.96	145,164.35	1.03
FHR 2666 OD	8/15/2023	149,748.15	150,783.61	1.03
FHR 2756 KA	2/15/2024	567,658.12	563,578.72	1.37
FNR 2008-45 DB	6/25/2023	276,192.62	276,835.28	0.86
FN BM6007	5/1/2023	741,474.81	733,296.51	1.05
FN 961991	3/1/2023	441,000.94	453,245.45	-1.52
GMALT 2020-2 B	7/22/2024	4,078,992.65	4,154,133.60	0.64
HAROT 2017-3 A3	9/18/2021	7,744.31	7,751.03	0.27
JDOT 2019-B A2	5/16/2022	470,019.01	471,459.06	0.39
JDOT 2019-B A2	5/16/2022	85,618.56	85,719.83	0.39
KCOT 2020-1 A1	5/17/2021	25,293.31	25,304.19	0.47
MMAF 20B A3	8/14/2025	3,469,950.38	3,468,230.30	0.51
MMAF 20A A2	4/9/2024	1,669,844.69	1,675,327.30	0.41
NAROT 2017-C A3	4/18/2022	22,921.62	23,000.69	0.48
NAROT 2017-C A3	4/18/2022	14,361.57	14,636.80	0.48
NALT 2019-B A2A	10/15/2021	375,980.41	376,675.09	0.13
PFSFC 20B A	6/17/2024	1,564,789.51	1,579,085.00	0.62
SCART 20A A	10/15/2024	2,242,180.85	2,262,007.12	0.00
TFET 191 A3	4/24/2023	1,974,661.88	2,004,190.50	0.58
SUB-TOTAL		176,376,866.62	179,011,278.04	
Municipal Debt				
CALIFORNIA EARTHQUAKE AUTH REV	7/1/2022	815,000.00	816,850.05	1.18
CALIFORNIA ST DEPT WTR RES CENT VY PROJ REV	12/1/2022	625,000.00	625,925.00	0.28
CALIFORNIA ST DEPT WTR RES CENT VY PROJ REV	12/1/2023	230,000.00	230,358.80	0.36
CALIFORNIA ST UNIV REV	11/1/2023	1,000,000.00	999,660.00	0.49

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CONNECTICUT ST	7/1/2023	226,343.25	233,059.50	0.60
FLORIDA ST BRD ADMIN FIN CORP REV	7/1/2025	1,025,000.00	1,045,233.50	0.82
LOS ANGELES CALIF CMNTY COLLEGE DIST	8/1/2023	760,000.00	761,018.40	0.39
MARYLAND ST	8/1/2023	2,125,000.00	2,129,313.75	0.33
MISSISSIPPI ST	11/1/2023	925,000.00	925,675.25	0.40
PORT AUTH N Y & N J	7/1/2023	1,125,000.00	1,137,847.50	0.64
PORT AUTH N Y & N J	7/1/2023	1,101,416.70	1,107,504.90	0.64
NEW YORK ST	2/15/2024	3,000,000.00	3,110,250.00	0.85
ALAMEDA CNTY CALIF JT PWRS AUTH LEASE REV	6/1/2022	1,275,187.50	1,296,287.50	0.52
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2023	3,700,000.00	3,845,262.00	0.49
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2022	1,534,485.00	1,533,675.00	0.44
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2023	790,000.00	820,430.80	0.57
CALIFORNIA EARTHQUAKE AUTH REV	7/1/2023	365,000.00	366,919.90	1.27
CALIFORNIA ST	3/1/2022	1,802,064.00	1,727,352.00	0.40
CALIFORNIA ST	4/1/2021	3,000,120.00	3,025,110.00	0.31
CALIFORNIA ST PUB WKS BRD LEASE REV	12/1/2021	1,160,759.47	1,116,917.01	3.01
CALIFORNIA ST PUB WKS BRD LEASE REV	12/1/2021	649,022.65	647,811.76	3.01
CALIFORNIA ST UNIV REV	11/1/2023	1,090,000.00	1,089,629.40	0.49
CONNECTICUT ST	7/1/2023	875,193.90	901,163.40	0.60
CONTRA COSTA CALIF CMNTY COLLEGE DIST	8/1/2021	1,000,000.00	1,009,020.00	0.35
HAWAII ST	10/1/2024	1,190,000.00	1,204,553.70	0.48
LOS ALTOS CALIF SCH DIST	8/1/2023	2,790,000.00	2,791,060.20	1.64
LOS ANGELES CALIF CMNTY COLLEGE DIST	8/1/2024	1,290,000.00	1,294,515.00	0.58
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2022	1,019,560.00	1,047,080.00	0.52
MASSACHUSETTS (COMMONWEALTH OF)	5/1/2022	1,186,968.00	1,177,836.60	0.29
OAKLAND-ALAMEDA CNTY CALIF COLISEUM AUTH LEASE REV	2/1/2023	1,058,440.00	1,047,140.00	1.14
PALM DESERT CALIF REDEV AGY SUCCESSOR AGY TAX ALLO	10/1/2022	1,114,074.90	1,129,284.45	1.02
RANCHO SANTIAGO CALIF CMNTY COLLEGE DIST	9/1/2024	1,410,000.00	1,413,186.60	0.57
RIVERSIDE CALIF UNI SCH DIST	2/1/2022	750,000.00	760,897.50	0.56
RIVERSIDE CNTY CALIF PENSION OBLIG	2/15/2023	1,375,000.00	1,426,040.00	0.67
SACRAMENTO CNTY CALIF SANTN DIST FING AUTH REV	12/1/2023	1,500,000.00	1,507,890.00	0.58
SAN BERNARDINO CALIF CMNTY COLLEGE DIST	8/1/2024	890,000.00	903,732.70	0.52
SAN DIEGO CALIF CMNTY COLLEGE DIST	8/1/2021	1,285,000.00	1,299,250.65	0.28
SAN DIEGO CALIF PUB FACS FING AUTH LEASE REV	10/15/2021	1,325,000.00	1,354,454.75	0.45
SAN DIEGO CALIF PUB FACS FING AUTH WTR REV	8/1/2023	620,000.00	632,834.00	0.55
SAN FRANCISCO CALIF CITY & CNTY PUB UTILS COMMN WT	11/1/2022	630,000.00	648,805.50	0.39
SAN FRANCISCO CALIF CITY & CNTY ARPTS COMMN INTL A	5/1/2021	2,800,000.00	2,822,904.00	0.97
SAN FRANCISCO CALIF CITY & CNTY ARPTS COMMN INTL A	5/1/2022	2,350,000.00	2,416,105.50	1.04
SANTA BARBARA CNTY CALIF SOLID WASTE SYS REV CTF5	12/1/2021	375,000.00	385,455.00	0.51
SEMITROPIC IMPT DIST SEMITROPIC WTR STORAGE DIST C	12/1/2022	1,637,622.60	1,632,029.40	0.51
SOUTHERN CALIF PUB PWR AUTH PWR PROJ REV	7/1/2023	2,735,000.00	2,736,258.10	0.51
UNIV CALIF REGTS MED CTR POOLED REV	5/15/2022	1,577,512.50	1,579,093.50	0.59
UNIVERSITY CALIF REVS	5/15/2021	860,000.00	866,914.40	0.36
UNIVERSITY CALIF REVS	5/15/2022	1,926,739.20	1,999,603.20	0.43
UNIVERSITY CALIF REVS	5/15/2023	1,670,000.00	1,676,295.90	0.47
UPPER SANTA CLARA VY JT PWRS AUTH CALIF REV	8/1/2022	2,460,000.00	2,462,484.60	0.46
VALLEJO CALIF WTR REV	5/1/2023	840,000.00	853,986.00	0.77
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2022	2,865,000.00	2,929,319.25	0.44
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2022	1,105,500.00	1,124,695.00	0.44
CALIFORNIA HEALTH FACS FING AUTH REV	6/1/2021	2,140,000.00	2,156,478.00	0.36
CALIFORNIA ST	4/1/2024	3,239,373.40	3,333,836.10	0.56
CALIFORNIA ST DEPT WTR RES CENT VY PROJ REV	12/1/2024	2,120,000.00	2,124,748.80	0.50
CHAFFEY CMNTY COLLEGE DIST CALIF	6/1/2022	715,000.00	726,575.85	0.52
CONTRA COSTA CALIF CMNTY COLLEGE DIST	8/1/2022	1,000,000.00	1,020,510.00	0.42
EL DORADO CALIF IRR DIST REV	3/1/2023	720,000.00	725,572.80	0.53
EL DORADO CALIF IRR DIST REV	3/1/2024	720,000.00	730,000.80	0.65
HAWAII ST ARPTS SYS CUSTOMER FAC CHARGE REV	7/1/2022	715,000.00	722,900.75	1.11
HAWAII ST ARPTS SYS CUSTOMER FAC CHARGE REV	7/1/2024	715,000.00	732,903.60	1.29
LOS ANGELES CALIF DEPT ARPTS ARPT REV	5/15/2021	1,006,380.00	1,008,400.00	0.46
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2022	900,000.00	900,054.00	0.51
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2023	720,000.00	716,752.80	0.81
LOS ANGELES CNTY CALIF PUB WKS FING AUTH LEASE REV	12/1/2021	1,537,050.00	1,541,250.00	0.43
MASSACHUSETTS ST SCH BLDG AUTH DEDICATED SALES TAX	10/15/2022	1,800,000.00	1,838,070.00	0.82
MASSACHUSETTS ST WTR RES AUTH IAM COML PAPER NTS 3	8/1/2023	2,365,000.00	2,452,599.60	0.38
MISSISSIPPI ST	11/1/2023	4,540,000.00	4,543,314.20	0.40
OHIO ST SPL OBLIG	10/1/2023	1,180,000.00	1,185,038.60	0.41
OHLINE CALIF CMNTY COLLEGE DIST	8/1/2022	800,000.00	817,784.00	0.36
PASADENA CALIF PUB FING AUTH LEASE REV	12/1/2020	275,000.00	275,000.00	3.06
PASADENA CALIF PUB FING AUTH LEASE REV	12/1/2021	400,000.00	411,056.00	0.47
PENNSYLVANIA ST TPK COMMN TPK REV	12/1/2021	876,767.50	884,336.25	1.20
RANCHO SANTIAGO CALIF CMNTY COLLEGE DIST	9/1/2023	865,000.00	866,591.60	0.35
RHODE IS ST TPK & BRDG AUTH TOLL REV	12/1/2021	480,000.00	483,888.00	1.31
RHODE IS ST TPK & BRDG AUTH TOLL REV	12/1/2022	400,000.00	407,520.00	1.21
RIVERSIDE CNTY CALIF PENSION OBLIG	2/15/2022	2,420,000.00	2,467,601.40	0.63
SAN DIEGO CALIF CMNTY COLLEGE DIST	8/1/2022	1,500,000.00	1,540,350.00	0.32
SAN DIEGO CNTY CALIF WTR AUTH WTR REV	5/1/2024	1,440,000.00	1,445,112.00	0.49
SAN FRANCISCO CALIF BAY AREA RAPID TRAN DIST SALES	7/1/2022	1,484,761.60	1,505,318.40	0.57
SAN FRANCISCO CALIF CITY & CNTY ARPTS COMMN INTL A	5/1/2022	2,138,837.50	2,177,498.20	1.04
SAN FRANCISCO CALIF CITY & CNTY ARPTS COMMN INTL A	5/1/2023	1,635,140.00	1,683,515.65	1.14
SAN FRANCISCO CALIF CITY & CNTY REDEV FING AUTH TA	2/1/2021	1,910,798.40	1,702,881.60	0.56
SAN JOSE EVERGREEN CALIF CMNTY COLLEGE DIST	9/1/2021	290,000.00	290,698.90	0.28
SAN JOSE EVERGREEN CALIF CMNTY COLLEGE DIST	9/1/2022	430,000.00	432,855.20	0.32
SAN JOSE EVERGREEN CALIF CMNTY COLLEGE DIST	9/1/2023	430,000.00	430,623.50	0.45
TEXAS ST	10/1/2022	2,335,000.00	2,393,164.85	0.25
UNIV CALIF REGTS MED CTR POOLED REV	5/15/2021	1,201,003.20	1,220,856.30	0.57
UPPER SANTA CLARA VY JT PWRS AUTH CALIF REV	8/1/2023	2,590,000.00	2,593,859.10	0.62
UPPER SANTA CLARA VY JT PWRS AUTH CALIF REV	8/1/2024	2,625,000.00	2,630,748.75	0.77
UTAH HSG CORP SINGLE FAMILY MTG REV	1/1/2022	1,535,000.00	1,548,508.00	1.28
UTAH HSG CORP SINGLE FAMILY MTG REV	7/1/2022	640,000.00	649,068.80	1.25
VENTURA CNTY CALIF PUB FING AUTH LEASE REV	11/1/2022	560,000.00	563,578.40	0.51
VENTURA CNTY CALIF PUB FING AUTH LEASE REV	11/1/2023	720,000.00	729,367.20	0.60
VENTURA CNTY CALIF PUB FING AUTH LEASE REV	11/1/2023	722,793.60	729,367.20	0.60
SUB-TOTAL		129,673,914.87	130,966,136.13	
Variable & Floating Rate				
BANK OF AMERICA CORP	3/5/2024	1,064,260.00	1,065,120.00	0.65
BANK OF AMERICA CORP	5/19/2024	1,425,000.00	1,455,081.75	0.96
CARMX 2020-3 A3	3/17/2025	774,867.17	779,285.75	0.37
CITIGROUP INC	10/30/2024	2,500,000.00	2,507,175.00	0.70
CITIGROUP INC	11/4/2022	600,000.00	610,308.00	0.45
GMALT 2020-3 A3	8/21/2023	624,940.13	626,200.00	0.32
GOLDMAN SACHS GROUP INC	11/17/2023	1,675,000.00	1,679,304.75	0.54
JPMORGAN CHASE & CO	6/1/2024	1,575,000.00	1,613,256.75	0.82
JPMORGAN CHASE & CO	9/16/2024	300,000.00	301,326.00	0.63
NALT 2020-B A3	10/16/2023	424,956.27	425,769.25	0.32
BANK OF AMERICA CORP	10/24/2024	2,155,000.00	2,163,749.30	0.78
CITIGROUP INC	10/30/2024	2,065,000.00	2,070,926.55	0.70
CITIBANK NA	5/20/2022	298,510.50	298,478.05	0.34
CITIBANK NA	5/20/2022	1,319,576.85	1,320,385.95	0.34
FNA 2014-M8 A2	6/25/2024	2,080,764.27	2,064,787.64	0.45

Orange County Transportation Authority
Portfolio Listing
As of November 30, 2020

DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
FNA 2018-M5 A2	9/25/2021	568,037.25	530,154.21	1.01
FHMS K-029 A2	2/25/2023	1,078,080.08	1,091,295.30	0.41
FHMS K-029 A2	2/25/2023	1,716,426.56	1,737,596.40	0.41
FHMS K-029 A2	2/25/2023	820,581.64	837,012.90	0.41
FHMS K-029 A2	2/25/2023	1,797,539.45	1,790,571.90	0.41
FHMS K-031 A2	4/25/2023	3,771,482.81	3,768,684.00	0.44
FHMS K-032 A2	5/25/2023	3,805,596.09	3,985,680.60	0.51
FHMS K-033 A2	7/25/2023	3,809,798.44	3,854,225.10	0.52
FHMS K-105 A	7/25/2024	1,594,930.88	1,596,924.54	0.39
FIRST REPUBLIC BANK	2/12/2024	500,000.00	515,005.00	0.55
GOLDMAN SACHS GROUP INC	10/31/2022	1,573,456.50	1,581,473.25	0.57
JPMORGAN CHASE & CO	9/16/2024	1,160,000.00	1,165,127.20	0.63
KEYBANK NA	11/22/2021	1,570,646.00	1,561,423.50	0.30
MORGAN STANLEY	10/21/2025	615,000.00	617,706.00	0.72
MORGAN STANLEY	11/10/2023	1,160,000.00	1,160,962.80	0.55
PNC BANK NA	12/9/2022	1,640,000.00	1,668,126.00	0.35
PACCAR FINANCIAL CORP	5/10/2021	700,000.00	700,532.00	0.33
WELLS FARGO BANK NA	9/9/2022	1,990,000.00	2,015,909.80	0.40
BANK OF AMERICA CORP	12/20/2023	2,879,411.20	2,877,219.20	0.55
BANK OF AMERICA CORP	10/24/2024	2,256,637.50	2,259,135.00	0.78
BANK OF AMERICA CORP	10/24/2024	802,424.00	803,248.00	0.78
CITIGROUP INC	11/4/2022	3,140,000.00	3,193,945.20	0.45
FNA 2014-M6 A2	5/25/2021	94,023.78	95,730.49	0.96
FN AL3382	3/1/2023	735,958.30	746,598.31	0.99
FN FN0004	12/1/2020	40,084.99	39,483.37	0.27
GOLDMAN SACHS GROUP INC	11/17/2023	3,560,000.00	3,569,149.20	0.54
GOLDMAN SACHS GROUP INC	11/17/2023	3,604,680.00	3,609,252.00	0.54
JPMORGAN CHASE & CO	12/5/2024	964,932.50	963,427.50	0.63
JPMORGAN CHASE & CO	12/5/2024	3,132,832.40	3,127,010.40	0.63
JPMORGAN CHASE & CO	12/5/2024	3,961,872.00	3,963,816.00	0.63
KEYBANK NA	2/1/2022	4,180,000.00	4,206,501.20	0.36
MORGAN STANLEY	11/10/2023	5,725,000.00	5,729,751.75	0.55
MORGAN STANLEY	11/10/2023	1,801,008.00	1,801,494.00	0.55
PNC BANK NA	2/24/2023	4,045,000.00	4,051,188.85	0.43
STATE STREET CORP	3/30/2023	1,750,000.00	1,806,962.50	1.38
SUB-TOTAL		91,428,315.56	92,003,478.21	
Supranationals				
INTER-AMERICAN DEVELOPMENT BANK	5/24/2023	2,599,116.00	2,616,666.00	0.24
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM	11/24/2023	2,644,302.50	2,648,728.00	0.27
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM	11/24/2023	3,043,442.50	3,048,536.00	0.27
INTER-AMERICAN DEVELOPMENT BANK	4/14/2022	1,934,593.40	1,970,780.90	0.21
INTER-AMERICAN DEVELOPMENT BANK	4/14/2022	1,177,726.00	1,199,827.75	0.21
INTER-AMERICAN DEVELOPMENT BANK	4/14/2022	811,863.00	827,115.30	0.21
INTER-AMERICAN DEVELOPMENT BANK	9/14/2022	10,484,250.00	10,784,130.00	0.23
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM	6/19/2023	2,889,102.00	2,968,018.50	0.25
SUB-TOTAL		25,584,395.40	26,063,802.45	
SHORT-TERM PORTFOLIO - TOTAL		1,617,346,023.22	1,635,902,010.18	
BOND PROCEEDS PORTFOLIO				
GUARANTEED INVESTMENT CONTRACT (GIC)				
<u>THE BANK OF NOVA SCOTIA</u>	4/1/2021	83,650,000.00	83,650,000.00	3.01%
BNY MELLON-MONEY MARKET FUND	N/A	131,801,474.52	131,801,474.52	0.12%
BNY MELLON-COMMERCIAL PAPER	12/17/2020	14,991,375.00	14,991,375.00	0.23%
BOND PROCEEDS PORTFOLIO-TOTAL		\$ 230,442,849.52	\$ 230,442,849.52	
DEBT SERVICE RESERVE FUNDS				
DESCRIPTION	MATURITY DATE	BOOK VALUE	REQUIRED AMOUNT	YIELD
<u>91 EXPRESS LANES 2013 BONDS</u>	2030		10,799,437.46	
US BANK COMMERCIAL PAPER	12/9/2020	11,484,273.87		0.06%
FIRST AMERICAN TREAS OBLIGATIONS	N/A	957.11		0.01%
<u>91 EXPRESS LANES 2013 BONDS - OPERATING & MAINTENANCE RESERVES</u>			13,000,000.00	
BANK DEPOSITS	N/A	213,076.50		
OPERATING RESERVE	3/15/2021	3,098,023.75		0.15%
MAINTENANCE RESERVE	3/15/2021	10,493,306.25		0.15%
DEBT SERVICE RESERVE FUNDS - TOTAL		\$ 25,289,637.48		
TOTAL PORTFOLIO				
		Book Value	Market Value	
		\$ 2,052,221,941.59	\$ 2,070,777,928.55	



January 13, 2021

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Extension of Coronavirus-Related Leaves

Overview

Federal law required Emergency Paid Sick Leave and Expanded Family Medical Leave under the Family and Medical Leave Act for coronavirus-related absences through December 31, 2020. This requirement was not continued in the most recent federal funding agreement. In order to address the anticipated need for leaves, Board of Directors' approval is requested to extend the Emergency Paid Sick Leave and Expanded Family Medical Leave for eligible employees, effective January 1, 2021 until March 31, 2021.

Recommendations

- A. Approve the extension of employees' ability to use Emergency Paid Sick Leave to provide compensation relief for coronavirus-related absences.
- B. Authorize the Chief Executive Officer, or designee, to administer continuation of Emergency Paid Sick Leave and Expanded Family Medical Leave for employees, effective January 1, 2021 until March 31, 2021, and allow program extension beyond that date as necessary to accommodate need and with notification to the Board of Directors.

Background

Since March 2020, the coronavirus (COVID-19) pandemic has continued to disrupt the normal operation of schools, businesses, and government. In response to the COVID-19 pandemic, Congress passed, and the President signed, multiple pieces of legislation in March 2020 requiring that employers provide leave for employees with COVID-19 related absences. The Orange County Transportation Authority (OCTA) implemented the statutorily required leave, as indicated below.

Emergency Paid Sick Leave (EPSL)

Eligible full-time employees received a one-time allotment of up to 80 hours (or ten days total, whichever came first) of EPSL as a result of any of the following:

- a) Was subject to a federal, state, or local quarantine or isolation order related to COVID-19.
- b) Was advised by a healthcare provider to self-quarantine related to COVID-19.
- c) Was experiencing COVID-19 symptoms and was seeking a medical diagnosis.
- d) Was caring for an individual subject to an order described in (a) above or self-quarantined as described in (b).
- e) Was caring for his or her child whose school or place of care is closed (or childcare provider was unavailable) due to COVID-19-related reasons.
- f) Was experiencing any other substantially similar condition specified by the United States Department of Health and Human Services.

Under EPSL, employees were paid their regular rate of pay for up to \$511.00 per day, for a total of \$5110.00 for qualifying reasons in sections a-c above. Employees were paid two thirds (2/3) of their regular rate of pay for up to \$200.00 per day, for a total of \$2,000.00 for qualifying reasons in sections d and f above.

The Executive Director of Human Resources and Organizational Development had discretion to compensate an administrative employee's rate of pay above the daily rates and maximums for each reason listed in sections a-f.

Extra help and part-time employees were eligible to take EPSL as determined by the average hours worked during the previous two weeks prior to the EPSL request.

Expanded Family Medical Leave (EFML)

Employees who needed to take time off to care for their child whose school or place of care was closed (or childcare provider was unavailable) due to COVID-19-related reasons, could apply for an expanded protected leave of up to twelve (12) weeks. Those employees were paid for up to twelve (12) combined weeks of EPSL (two weeks) and EFML (ten weeks), paid at two thirds (2/3) of their regular rate of pay up to \$200.00 daily, for a total of \$12,000.00.

Discussion

The recently-enacted federal funding agreement, which will be discussed in detail at the January 21, 2021 meeting of the Legislative and Communications Committee, did not extend the statutorily-required leave, although the bill did make administrative leave an eligible use of federal funds. To ensure that OCTA maximizes the health and safety of its employees and the public they serve, it is in its best interest to voluntarily extend the current employee leave programs until March 31, 2021, utilizing allowable existing Coronavirus Aid, Relief and Economic Security (CARES) Act funds. Orange County saw an unprecedented increase in COVID-19 cases in the month of December 2020 and the rate is predicted to continue to increase in January 2021. OCTA is experiencing similar increases in COVID-19 positive cases amongst staff. Extending the time within which OCTA employees may use both leave programs will allow for more flexibility to use this time during a period when cases are increasing.

Summary

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to administer continuation of EPSL and EFML for employees, effective January 1, 2021 until March 31, 2021, with discretion to extend the program beyond that date as needed.

Attachment

None.

Prepared by:

Karen DeCrescenzo
Department Manager,
Human Resources
714-560-5547

Approved by:

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



January 13, 2021

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2020-21 First Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2020-21 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the first quarter of fiscal year 2020-21.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2020-21 Budget on June 8, 2020. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.428 billion. Sources of funds were comprised of \$1 billion in current FY revenues and \$423.4 million in use of prior year designations. Uses of funds were comprised of \$1.37 billion of current FY expenditures and \$58.8 million of designations.

The Board approved one series of amendments through the first quarter, reducing the expense budget by \$28 million. This decreased the budget to \$1.4 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2020	Adopted Budget	\$ 1,427,620
9/14/2020	Anaheim Transit Network - CARES Act ¹	2,355
9/14/2020	Bus Service	(34,120)
9/14/2020	Healthcare	(931)
9/14/2020	LOSSAN Staffing - New Positions ²	533
9/14/2020	Metrolink Service - Operating Subsidy	12,999
9/14/2020	OC Flex Service	(388)
9/14/2020	Designations	(8,438)
	<i>Subtotal Amendments</i>	<i>(27,989)</i>
	Total Working Budget	\$ 1,399,631

¹CARES - Coronavirus Aid, Relief, and Economic Security

*in thousands

²LOSSAN - Los Angeles - San Diego - San Luis Obispo Rail Corridor

Discussion

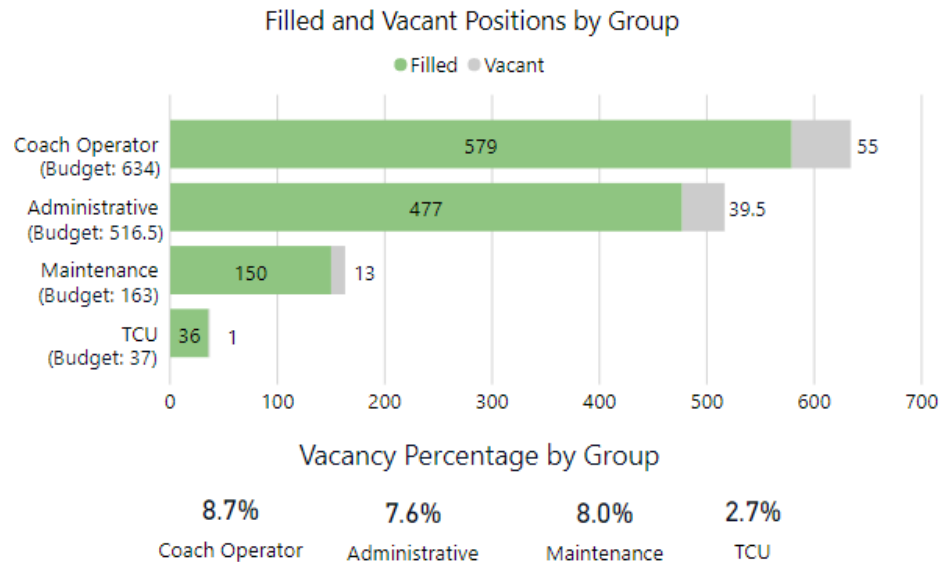
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2). A visual dashboard summary of this report is provided in Attachment A.

Unless indicated on an individual chart, the general color pattern used is outlined below:

- Gray – Budget
- Green – Within budget
- Yellow – Within five percent variance of budget
- Red – Over five percent variance of budget

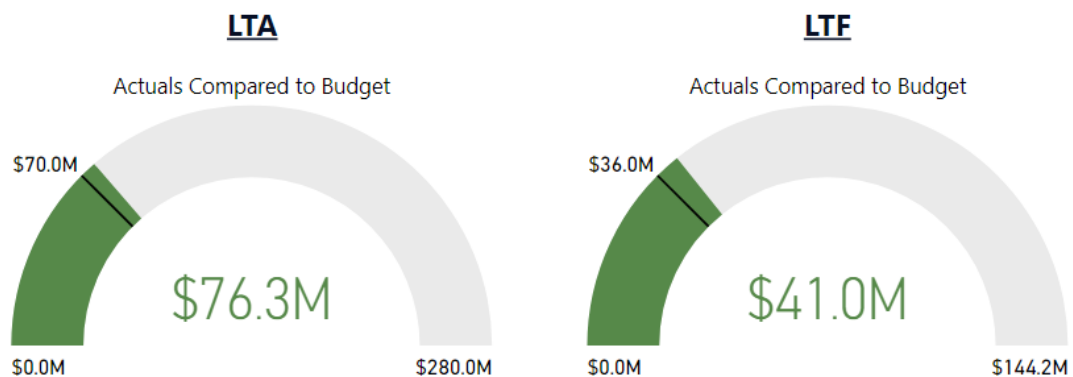
Staffing

Total salaries and benefits underran the budget by \$2.7 million. This is primarily due to vacancies agency-wide, with the largest vacancy percentages in the coach operator (nine percent), and maintenance and administrative (eight percent) groups at the end of the quarter.



Sales Tax Receipts

The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. LTA sales tax receipts of \$76.3 million were \$6.3 million higher than the budget and LTF sales tax receipts of \$41 million were \$5 million higher than the budget. Sales tax figures are outperforming the budget primarily because receipts finished stronger than anticipated in the final quarter of FY 2020 which ended in June.

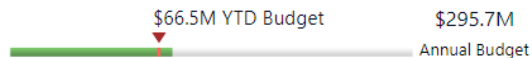


Major Programs

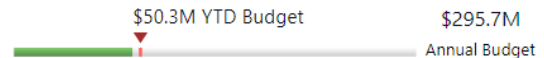
Bus Program



Operating Revenue



Operating Expense



Bus Program operating revenue of \$72.5 million exceeded the budget by \$6 million, primarily due to higher than anticipated LTF sales tax revenue (\$5 million). Bus Program operating expenses of \$47.1 million underran the budget by \$3.2 million, primarily due to vacancies for coach operators, maintenance workers, and bus operations administrative employees totaling \$2.1 million. The remainder of the underrun (\$1.1 million) is the result of as needed items such as shop supplies, maintenance parts, marketing efforts, and on-call consultant services which vary based on the needs at any time during the FY.

Capital Revenue



Capital Expense



Bus Program capital revenue was in line with the budget for the first quarter. Capital expenses of \$2 million exceeded the budget by \$1.8 million, primarily due the timing of the purchase of coach operator relief vehicles. The purchase agreement was executed earlier than anticipated in the FY to take advantage of expiring incentives.

Rail Program



Operating Revenue



Operating Expense



Rail Program operating revenue of \$12.2 million exceeded the budget by \$1.1 million, primarily due to higher than anticipated earnings on investments. Operating expenses of \$10.9 million slightly underran the budget due to lower

as-needed expenses for legal support, on-call engineering services, and right-of-way maintenance.

Capital Revenue

\$0.3M YTD Budget

\$23.6M
Annual Budget**Capital Expense**

\$0.3M YTD Budget

\$23.6M
Annual Budget

Rail Program capital revenue of \$0.3 million was in line with the budget through the first quarter. Capital expenses of \$0.4 million overran the budget due to the timing of a construction contract amendment for the Laguna Niguel to San Juan Capistrano Passing Siding project, which occurred earlier in the FY than anticipated. The variance will be resolved as the FY continues.

91 Express Lanes Program

**Operating Revenue**

\$8.8M YTD Budget

\$74.3M
Annual Budget**Operating Expense**

\$5.1M YTD Budget

\$74.3M
Annual Budget

The 91 Express Lanes Program operating revenue of \$12 million exceeded the budget by \$3.2 million, primarily due to higher than anticipated traffic volumes (\$2.6 million). After budgeting conservatively due to the coronavirus, volumes have rebounded faster than anticipated. The remainder is due to larger than anticipated earnings on investments which benefitted from higher than anticipated performance. Operating expenses of \$3.5 million underran by \$1.6 million, primarily due to as-needed expenses associated with toll road account servicing, legal services, and equipment maintenance.

Capital Revenue

\$0.2M YTD Budget

\$7.7M
Annual Budget**Capital Expense**

\$0.2M YTD Budget

\$7.7M
Annual Budget

Capital revenue for the 91 Express Lanes of \$0.2 million was in line with the budget. Capital expenses slightly underran the budget due to the lack of need for transponders. During the quarter, the 91 Express Lanes Program had enough transponders on hand. The switchable transponder is still available to customers until the transition to new 6C technology sticker transponders is complete, which is anticipated later in the FY.

Motorist Services Program



Operating Revenue



Operating Expense

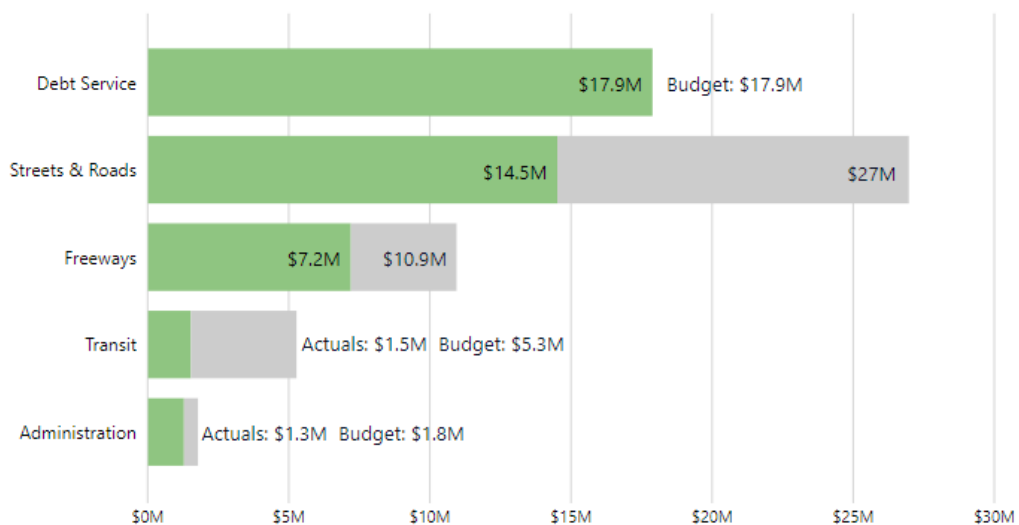


Motorist Services Program revenue slightly underran the budget but is anticipated to be in line with the budget by the end of the FY. Expenses for the program of \$1 million underran the budget by \$0.4 million due to lower fuel cost for contracted tow service for the Freeway Service Patrol Program. Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated.

Measure M2 Program



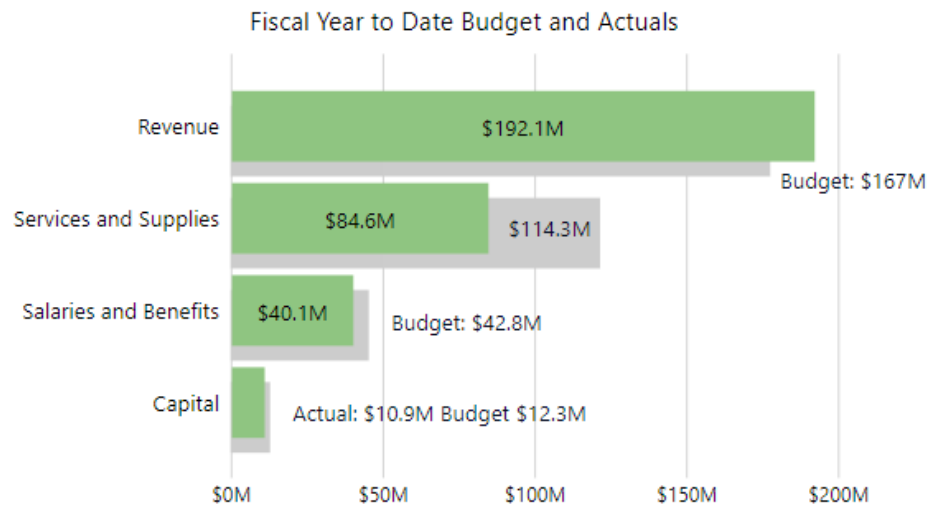
Budget and Actuals by Mode



Total expenses for the M2 Program of \$42.4 million underran the budget by \$20.4 million, primarily due to lower than anticipated project payment requests from the cities for the Regional Capacity Program (\$10.7 million), Community Based Transit/Circulator Program (\$3 million), and Environmental Cleanup Program (\$1.5 million). Additionally, there were less right-of-way expenditures

through the first quarter for the Interstate 405 (I-405) Improvement Project (\$2.5 million).

Summary



Overall, revenue of \$192.1 million exceeded the budget by \$22.1 million, primarily due to interest on investments (\$8 million), LTA sales tax receipts (\$6.3 million), and LTF sales tax receipts (\$5 million).

Services and supplies expenses of \$84.5 million underran the budget by \$29.7 million, primarily due to an underrun in contributions to local agencies based on less project payment requests for competitive M2 programs.

Capital expenses of \$10.9 million underran the budget by \$1.4 million, primarily due to less right-of-way expenses in the first quarter for the I-405 Improvement Project under the M2 Program.

Salaries and benefits of \$40.1 million underran the budget by \$2.7 million, due to vacancies, primarily in the coach operator and administrative groups.

Attachment

A. FY 2020-21 First Quarter Budget Status Summary

Prepared by:



Anthony Baruch
Section Manager,
Financial Planning and Analysis
(714) 560-5332

Approved by:

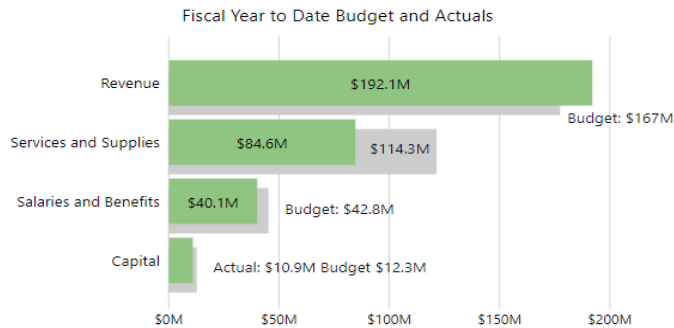
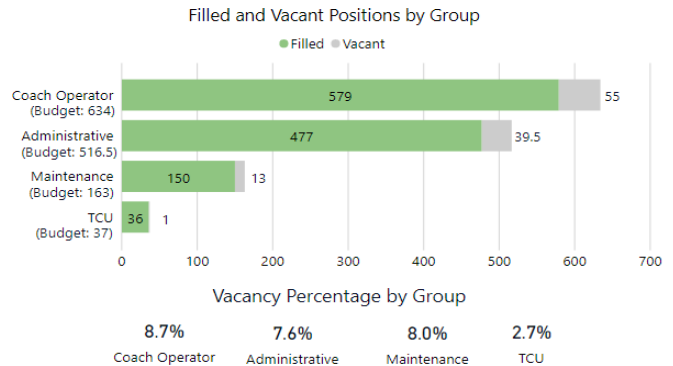
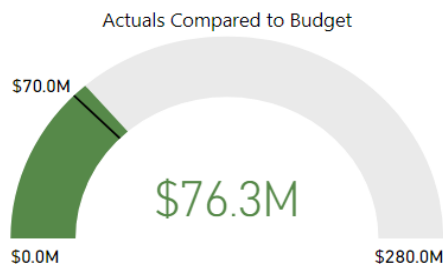
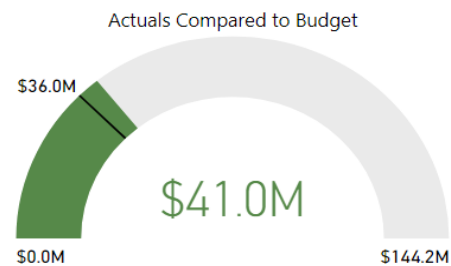
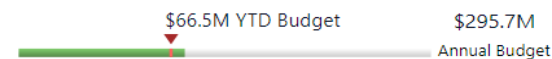
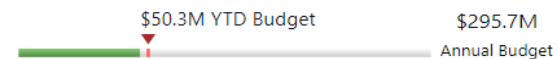


Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



FY 2020-21 First Quarter Budget Status Summary

● Budget ● Within Budget ● Within 5% Variance ● Over 5% Variance

Total Authority**Staffing****Sales Tax Receipts****LTA****LTE****Major Operating Programs****Bus Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****Rail Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****91 Express Lanes Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****Motorist Services Program****Operating Revenue****Operating Expense**