

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

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

Year Ended June 30, 2022

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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

Year Ended June 30, 2022

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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 21, 2022

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2022

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, 2022 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, 2022 amounts (Column B) by adding the prior year's Period from Inception through June 30, 2021 amounts with year to date June 30, 2022 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, 2022 (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, 2021 (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, 2022 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, 2022 (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, 2022 (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, 2022 (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, 2022 (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, 2022. 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, 2022

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, 2022 (Column K) to Schedule 1, Column B. Agreed Oversight and Annual Audits line item to summary of Measure M2 administrative costs through June 30, 2022.
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, 2022 (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, 2022 (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: Procedure C.4. Identified an over accrual of \$1,317,605 related to one expenditure selection, by comparison of the invoice to supporting documentation. No other exceptions were found as a result of these procedures.

Measure M2
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2022
(Unaudited)

(\$ in thousands)	Quarter Ended June 30, 2022	Year to Date June 30, 2022 (A)	Period from Inception to June 30, 2022 (B)
Revenues:			
Sales taxes	\$ 109,177	\$ 424,897	\$ 3,501,935
Other agencies' share of Measure M2 costs:			
Project related	3,889	17,743	790,562
Non-project related	-	-	454
Interest:			
Operating:			
Project related	(1,855)	(2,617)	3,499
Non-project related	(24,901)	(18,813)	70,071
Bond proceeds	-	3,574	87,218
Debt service	20	23	1,087
Commercial paper	-	-	393
Capital grants	-	-	-
Right-of-way leases			
Project related	(108)	97	1,466
Non-project related	-	9	17
Proceeds on sale of assets held for resale	1,216	1,227	13,428
Donated assets held for resale			
Project related	-	-	2,071
Non-project related	-	-	-
Miscellaneous:			
Project related	-	-	331
Non-project related	-	29	129
Total revenues	<u>87,438</u>	<u>426,169</u>	<u>4,472,661</u>
Expenditures:			
Supplies and services:			
Sales tax administration fees	527	3,020	35,381
Professional services:			
Project related	21,390	42,008	487,822
Non-project related	836	1,770	36,046
Administration costs:			
Project related	2,811	11,242	105,246
Non-project related:			
Salaries and Benefits	1,068	4,273	35,929
Other	1,663	6,651	60,600
Other:			
Project related	51	292	5,841
Non-project related	58	105	5,290
Payments to local agencies:			
Project related	35,548	96,735	1,233,448
Capital outlay:			
Project related	183,732	357,620	1,977,250
Non-project related	-	-	31
Debt service:			
Principal payments on long-term debt	-	8,455	75,550
Interest on long-term debt and commercial paper	-	35,371	284,626
Total expenditures	<u>247,684</u>	<u>567,542</u>	<u>4,343,060</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(160,246)</u>	<u>(141,373)</u>	<u>129,601</u>
Other financing sources (uses):			
Transfers out:			
Project related	(4,873)	(127,892)	(445,917)
Transfers in:			
Project related	139,268	146,767	336,669
Non-project related	-	-	-
Bond proceeds	-	-	804,625
Payment to refunded bond escrow agent	-	-	(45,062)
Total other financing sources (uses)	<u>134,395</u>	<u>18,875</u>	<u>650,315</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ (25,851)</u>	<u>\$ (122,498)</u>	<u>\$ 779,916</u>

Measure M2
Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2022
(Unaudited)

<i>(\$ in thousands)</i>	Quarter Ended June 30, 2022 (actual)	Year to Date June 30, 2022 (actual)	Period from Inception through June 30, 2022 (actual)	Period from July 1, 2022 through March 31, 2041 (forecast)	Total
	(C.1)	(C.1)	(D.1)	(E.1)	(F.1)
Revenues:					
Sales taxes	\$ 109,177	\$ 424,897	\$ 3,501,935	\$ 9,714,764	\$ 13,216,699
Operating interest	(24,901)	(18,813)	70,071	137,263	207,334
Subtotal	<u>84,276</u>	<u>406,084</u>	<u>3,572,006</u>	<u>9,852,027</u>	<u>13,424,033</u>
Other agencies share of M2 costs	-	-	454	-	454
Miscellaneous	-	29	129	-	129
Total revenues	<u>84,276</u>	<u>406,113</u>	<u>3,572,589</u>	<u>9,852,027</u>	<u>13,424,616</u>
Administrative expenditures:					
Sales tax administration fees	527	3,020	35,381	94,577	129,958
Professional services	836	1,770	32,271	90,013	122,284
Administration costs:					
Salaries and Benefits	1,068	4,273	35,929	98,515	134,444
Other	1,663	6,651	60,600	167,640	228,240
Other	58	105	2,270	6,328	8,598
Capital outlay	-	-	31	-	31
Environmental cleanup	535	1,938	47,958	194,264	242,222
Total expenditures	<u>4,687</u>	<u>17,757</u>	<u>214,440</u>	<u>651,337</u>	<u>865,777</u>
Net revenues	<u>\$ 79,589</u>	<u>\$ 388,356</u>	<u>\$ 3,358,149</u>	<u>\$ 9,200,690</u>	<u>\$ 12,558,839</u>
<hr/>					
Bond revenues:					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 804,625	\$ 199,300	\$ 1,003,925
Interest revenue from bond proceeds	-	3,574	87,218	67,620	154,838
Interest revenue from debt service funds	20	23	1,087	3,280	4,367
Interest revenue from commercial paper	-	-	393	-	393
Total bond revenues	<u>20</u>	<u>3,597</u>	<u>893,323</u>	<u>270,200</u>	<u>1,163,523</u>
Financing expenditures and uses:					
Professional services	-	-	3,775	698	4,473
Payment to refunded bond escrow	-	-	45,062	-	45,062
Bond debt principal	-	8,455	75,550	809,470	885,020
Bond debt and other interest expense	-	35,371	284,626	468,131	752,757
Other	-	-	3,020	-	3,020
Total financing expenditures and uses	<u>-</u>	<u>43,826</u>	<u>412,033</u>	<u>1,278,299</u>	<u>1,690,332</u>
Net bond revenues (debt service)	<u>\$ 20</u>	<u>\$ (40,229)</u>	<u>\$ 481,290</u>	<u>\$ (1,008,099)</u>	<u>\$ (526,809)</u>

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2022
(Unaudited)

Project	Description	Net Revenues through June 30, 2022	Total Net Revenues	Expenditures through June 30, 2022	Reimbursements through June 30, 2022	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	(L)
(\$ in thousands)						
Freeways (43% of Net Revenues)						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 132,362	\$ 495,008	\$ 10,904	\$ 8,786	\$ 2,118
B	I-5 Santa Ana/SR-55 to El Toro	84,543	316,173	17,915	10,751	7,164
C	I-5 San Diego/South of El Toro	176,576	660,362	297,046	50,391	246,655
D	I-5 Santa Ana/San Diego Interchange Upgrades	72,658	271,728	2,752	527	2,225
E	SR-22 Garden Grove Freeway Access Improvements	33,795	126,385	5	-	5
F	SR-55 Costa Mesa Freeway Improvements	103,073	385,474	74,143	24,166	49,977
G	SR-57 Orange Freeway Improvements	72,855	272,465	52,091	12,434	39,657
H	SR-91 Improvements from I-5 to SR-57	39,427	147,449	34,959	824	34,135
I	SR-91 Improvements from SR-57 to SR-55	117,295	438,662	45,226	42,489	2,737
J	SR-91 Improvements from SR-55 to County Line	99,187	370,940	18,213	16,730	1,483
K	I-405 Improvements between I-605 to SR-55	302,125	1,129,883	1,286,693	284,497	1,002,196
L	I-405 Improvements between SR-55 to I-5	90,034	336,711	9,204	6,954	2,250
M	I-605 Freeway Access Improvements	5,632	21,064	4,688	16	4,672
N	All Freeway Service Patrol	42,243	157,981	6,219	-	6,219
	Freeway Mitigation	72,200	270,015	58,858	4,345	54,513
	Subtotal Projects	1,444,005	5,400,300	1,918,916	462,910	1,456,006
	Net (Bond Revenue)/Debt Service	-	-	139,150	-	139,150
	Total Freeways	\$ 1,444,005	\$ 5,400,300	\$ 2,058,066	\$ 462,910	\$ 1,595,156
	%					48.9%

Street and Roads Projects (32% of Net Revenues)						
O	Regional Capacity Program	\$ 335,819	\$ 1,255,900	\$ 802,234	\$ 507,884	\$ 294,350
P	Regional Traffic Signal Synchronization Program	134,322	502,338	97,488	13,548	83,940
Q	Local Fair Share Program	604,467	2,260,591	589,085	77	589,008
	Subtotal Projects	1,074,608	4,018,829	1,488,807	521,509	967,298
	Net (Bond Revenue)/Debt Service	-	-	40,771	-	40,771
	Total Street and Roads Projects	\$ 1,074,608	\$ 4,018,829	\$ 1,529,578	\$ 521,509	\$ 1,008,069
	%					30.9%

Project	Description	Net Revenues through June 30, 2022	Total Net Revenues	Expenditures through June 30, 2022	Reimbursements through June 30, 2022	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	(L)
(\$ in thousands)						
Transit Projects (25% of Net Revenues)						
R	High Frequency Metrolink Service	\$ 322,337	\$ 1,252,558	\$ 430,883	\$ 98,886	\$ 331,997
S	Transit Extensions to Metrolink	296,447	1,108,655	146,791	2,133	144,658
T	Metrolink Gateways	35,519	64,191	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	110,677	435,480	107,012	88	106,924
V	Community Based Transit/Circulators	67,145	251,110	15,766	1,207	14,559
W	Safe Transit Stops	7,411	27,716	1,171	26	1,145
	Subtotal Projects	839,536	3,139,710	799,843	163,296	636,547
	Net (Bond Revenue)/Debt Service	-	-	22,802	-	22,802
	Total Transit Projects	\$ 839,536	\$ 3,139,710	\$ 822,645	\$ 163,296	\$ 659,349
	%					20.2%

Measure M2 Program **\$ 3,358,149** **\$ 12,558,839** **\$ 4,410,289** **\$ 1,147,715** **\$ 3,262,574**

Project	Description	Revenues through June 30, 2022	Total Revenues	Expenditures through June 30, 2022	Reimbursements through June 30, 2022	Net M2 Cost
(G)	(H.1)	(I.1)	(J)	(K)	(L)	(L)
(\$ in thousands)						
Environmental Cleanup (2% of Revenues)						
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 71,440	\$ 268,481	\$ 47,958	\$ 311	\$ 47,647
	Net (Bond Revenue)/Debt Service	-	-	-	-	-
	Total Environmental Cleanup	\$ 71,440	\$ 268,481	\$ 47,958	\$ 311	\$ 47,647
	%					1.3%

Taxpayer Safeguards and Audits						
	Collect Sales Taxes (1.5% of Sales Taxes)	\$ 52,529	\$ 198,250	\$ 35,381	\$ -	\$ 35,381
	%					1.0%
	Oversight and Annual Audits (1% of Revenues)	\$ 35,720	\$ 134,240	\$ 35,929	\$ 209	\$ 35,720
	%					1.0%

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

Year Ended June 30, 2022

Measure M2 Summary

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

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

Demonstrating accountability for the receipt and expenditure of M2 funds is accomplished through the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2022 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

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

Year to Date June 30, 2022 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the fiscal year ended June 30, 2022. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of (\$122,498) agrees with the combined change in fund balances of (\$126,277) in the M2 special revenue fund and \$3,780 in the M2 debt service fund in the trial balance for the year ended June 30, 2022.

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

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

Year Ended June 30, 2022

Period from Inception through June 30, 2022 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the period from inception through June 30, 2022. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$779,916 agrees with the combined ending fund balances of \$755,754 in the M2 special revenue fund and \$24,162 in the M2 debt service fund, as presented in the trial balance for the year ended June 30, 2022.

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

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

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

Calculation of Net Revenues

Year Ended June 30, 2022 (actual) (Column C.1)

This column presents net revenues, consisting of total revenues less total administrative expenditures, capital outlay, and environmental cleanup, for year ended June 30, 2022. Revenues, administrative expenditures, and capital outlay for the year ended June 30, 2022 were obtained from Column A in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, and other agencies’ share of M2 costs. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

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

Year Ended June 30, 2022

Period from Inception through June 30, 2022 (actual) (Column D.1)

This column presents net revenues, consisting of total cumulative revenues less total cumulative administrative expenditures, capital outlay, and environmental cleanup, for the period from inception through June 30, 2022. Revenues, administrative expenditures, and capital outlay for the period from inception through June 30, 2022 were obtained from Column B in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Total net revenues for the period from inception through June 30, 2022 are presented in Schedule 3 as "Net Revenues through June 30, 2022" (Column H). Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, other agencies' share of M2 costs, and miscellaneous revenue. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2022 through March 31, 2041 (forecast) (Column E.1)

This column presents net revenues, consisting of total projected revenues less total projected administrative expenditures and environmental cleanup expenditures, for subsequent years from July 1, 2022 through March 31, 2041. Revenues and administrative expenditures for subsequent years from July 1, 2022 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model, which is updated quarterly. Revenues and administrative expenditures utilized in the calculation of net revenues for subsequent years from July 1, 2022 through March 31, 2041 are non-project and non-financing related. Revenues consist of projected sales taxes and operating interest. Administrative expenditures consist of projected sales tax administration fees, professional services, administration costs, and other expenditures.

Total (Column F.1)

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

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2022 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2022. Bond revenues and financing expenditures and uses for the year ended June 30, 2022 were obtained from Column A in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of interest revenue from bond proceeds and debt service funds.

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

Year Ended June 30, 2022

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

Period from Inception through June 30, 2022 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2022. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2022 were obtained from Column B in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds, debt service funds, and commercial paper. Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2021 through March 31, 2041 (forecast) (Column E.2)

This column presents bond revenues (debt service), consisting of total projected bond revenues less total projected financing expenditures and uses, for subsequent years from July 1, 2022 through March 31, 2041. Bond revenues and financing expenditures and uses for subsequent years from July 1, 2022 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds and debt service funds. Financing expenditures and uses consist of bond debt principal and bond debt and other interest expense.

Total (Column F.2)

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

Schedule 3—Schedule of Revenues and Expenditures Summary

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

Project Description (Column G)

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

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

Year Ended June 30, 2022

Net Revenues through June 30, 2022 (Column H)

This column presents total M2 program net revenues for the period from inception through June 30, 2022, which agrees with net revenues in Column D.1 in Schedule 2. Such net revenues are allocated to each of the three modes based on the allocation percentages specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Total Net Revenues (Column I)

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

Expenditures through June 30, 2022 (Column J)

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

Reimbursements through June 30, 2022 (Column K)

This column presents total reimbursements for the period from inception through June 30, 2022, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M2 costs, right-of-way leases, proceeds on sale of assets held for resale, donated assets held for resale, transfers in and miscellaneous revenue. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger. Reimbursements for oversight and annual audits agree with the principal balance of the amount advanced from the Orange County Unified Transportation Trust (OCUTT) to cover administrative costs for salaries and benefits exceeding more than one percent of revenues.

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

Year Ended June 30, 2022

Net M2 Cost (Column N)

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

Revenues through June 30, 2022 (Column H.1)

The total environmental cleanup revenue for the period from inception through June 30, 2022, represents two percent (2%) of revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total oversight and annual audits revenues for the period from inception through June 30, 2022, represent one percent (1%) of the revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total collect sales taxes revenue for the period from inception through June 30, 2022, represents one and one-half percent (1.5%) of the sales tax revenues in Column D.1 in Schedule 2.

Total Revenues (Column I.1)

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



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Chief Executive Officer

December 21, 2022

Members of the Board of Directors
Orange County Transportation Authority
550 S. Main Street
P.O. Box 14184
Orange, CA 92863-1584

The following response is being submitted to address results from the agreed-upon procedures performed on the Measure M2 Status Report as of, and for, fiscal year ended June 30, 2022.

Procedure C.4 – Accrual of Expenditures

Crowe 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.

Exception: Procedure C.4. Identified an over accrual of \$1,317,605 related to one expenditure selection, by comparison of the invoice to supporting documentation. No other exceptions were found as a result of these procedures.

Management’s Response: Management concurs and has strengthened internal controls over expenditure accruals. In addition, the Accounting department will add an additional level of review to ensure expenditure accruals are tracked in comparison to actual invoices received, and adjusted or reported accordingly for the fiscal year.

Andrew Oftelie
Chief Financial Officer,
Finance and Administration

Rima Tan,
Department Manager,
Accounting and Financial Reporting