



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

VALUE THE *difference*

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) for the year ended June 30, 2018, and have issued our reports thereon dated as indicated below:

| <u>Report</u>  | <u>Audit Report Date</u> |
|--|--------------------------|
| Comprehensive Annual Financial Report (CAFR)         | October 31, 2018         |
| 91 Express Lanes Fund                                | October 31, 2018         |
| Local Transportation Fund (LTF)                      | October 31, 2018         |
| State Transit Assistance Fund (STAF)                 | October 31, 2018         |
| Orange County Local Transportation Authority (OCLTA) | October 31, 2018         |

We are currently performing the compliance audit of OCTA's federal award programs (the Single Audit) and plan to issue our reports thereon prior to January 31, 2019.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by OCTA are described in Note 1 to the financial statements. As described in Notes 12 and 19, OCTA adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 16 of the financial statements. We noted no transactions entered into by OCTA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting OCTA's financial statements were:

Management's estimates used in: establishing allowances and recognizing toll road violations, risk management claims, fair value of investments, depreciation expense and the value of capital assets, amortization of intangible assets, net pension liabilities and related deferred inflows/outflows of resources and pension expense, and total other postemployment benefit (OPEB) liability and related deferred inflows/outflows and OPEB expense. We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of OCTA's defined benefit pension plans, net pension liabilities and related deferred inflows of resources and deferred outflows of resources in Note 11 to the financial statements. The valuation of the net pension liabilities and related deferred outflows (inflows) of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate, and the proportionate share of the Plan's collective net pension liability. As disclosed in Note 11, a 1% increase or decrease in the discount rate has a significant effect on OCTA's net pension liabilities.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letters, dated as follows:

|  |                  |
|--|------------------|
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| Orange County Local Transportation Authority (OCLTA) | October 31, 2018 |

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to OCTA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as OCTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, supplemental pension plan trend data and other post employment benefit schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### *Other Information in Documents Containing Audited Financial Statements*

OCTA plans to include the audited financial statements in the annual report for the 91 Express Lanes Fund. Our responsibility for other information in such documents does not extend beyond the financial information identified in our report. We do not have any obligation to perform any procedures to corroborate other information contained in these documents. Our procedures are limited to reading the information and comparing such information to the audited financial statements.

## Restriction on Use

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



Laguna Hills, California  
October 31, 2018