ATTACHMENT A

2019

Comprehensive Annual Financial Report

For fiscal year ended June 30, 2019

Orange County Transportation Authority
Orange County, California

Comprehensive Annual Financial Report

For fiscal year ended June 30, 2019

Submitted by:

Darrell E. Johnson
Chief Executive Officer

Finance and Administration Division

Andrew Oftelie
Chief Financial Officer

Orange County Transportation Authority
Orange County, California

ORANGE COUNTY TRANSPORTATION AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June, 30 2019

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STATISTICAL SECTION (Continued)

Freeway

Streets &Roads

November 25, 2019

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Transportation Authority (OCTA) for the fiscal year (FY) ended June 30, 2019. The financial statements are presented in conformity with generally accepted accounting principles and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Responsibility for complete and fair presentation of financial information, including all disclosures, rests with OCTA's management. A comprehensive framework of internal controls has been designed and implemented to ensure that the assets of OCTA are protected from loss, theft, or misuse, and to ensure that financial information is accurate and complete. Because the cost of internal controls should not outweigh the benefits, OCTA's system of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Crowe, LLP, has audited OCTA's financial statements and issued an unmodified ("clean") opinion thereon for the FY ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

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

Profile of OCTA

OCTA was established by state law and began serving the public on June 20, 1991. An 18-member Board of Directors (Board) governs OCTA and consists of five members of the Orange County Board of Supervisors, ten city representatives selected by all of the cities within the County, two public members selected by these 15 Board Members, and a representative appointed by the Governor of California serving in a non-voting capacity. A Chief Executive Officer manages OCTA and acts in accordance with the directions, goals, and policies approved by the Board.

OCTA serves Orange County residents and commuters by providing countywide bus and paratransit service, Metrolink commuter rail service, freeway improvements, street and road improvements, 91 Express Lanes, motorist aid services, and taxi program regulation. In addition, OCTA is the managing agency for the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency.

Annually, OCTA develops a balanced budget for the upcoming FY. The budget details the expected sources and uses of funds. The Board adopts the budget before the beginning of each FY. On June 10, 2019, the Board approved the FY 2019-20 budget. During the FY, all major budget revisions are presented to the Board for consideration and adoption. On a quarterly basis, financial results are provided to the Board, including all significant variances between actual performance and budget in the areas of revenue, staffing, operating expenditures, and capital expenditures.

Orange County Economy

Orange County's economy continued to grow during the FY ending June 2019. The unemployment rate in Orange County was 3 percent in June 2019, a decrease of 0.2 percent from June 2018. Statewide unemployment was 4.2 percent and national unemployment dropped to 3.7 percent as of June 2019. Orange County continues to have unemployment levels below the state and national levels.

Orange County added 24,100 jobs from June 2018 to June 2019, representing a 1.5 percent increase. Most of this job growth was related to leisure and hospitality, professional and business services, and construction sectors. The financial activities sector reported a year-over-year decrease. The moderate growth in real gross domestic product combined with low population growth will lead to a decline in payroll job growth. With the declining population growth rate, the number of jobs and taxable sales growth will be negatively impacted.

The Orange County real estate market report shows that there were over 7,300 homes for sale on the market in June 2019, with an average of 3.8 months to sell the inventory during the second quarter of this year. The median single-family home price is expected to increase to $825,000 by the end of 2019 in Orange County, which is a 63 percent increase in the median home prices since 2009. Rent for a two-bedroom apartment has increased by 32.5 percent from $1,836 in the first quarter of 2011 to $2,433 per month in the first quarter of 2019.

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

Sales tax growth for OCTA's Local Transportation Fund (LTF) is estimated to be 5.3 percent in FY 2019-20.

Long-Term Financial Planning

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

Relevant Financial Policies

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

A brief description of the major financial policies follows:

Budget Policy

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

Position Control Policy

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

Orange County Transit District (OCTD) 45-Day Working Capital Policy

The CBP requires a 45-day working capital reserve fund for bus operations. This reserve fund is in place to accommodate normal fluctuations in revenues and expenditures and protects against significant changes in funding or major expense items.

OCTD Capital Asset Reserve Policy

Each year, OCTA sets aside funds for future capital expenditures to support the transit system. The process of establishing the set-aside involves analyzing available revenues and capital requirements over the next 20 years to determine the amount that needs to be set-aside in the upcoming budget year.

91 Express Lanes Financial Policies

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

Major Initiatives

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

Since M2 approval, the OCTA Board has continued to advance implementation of M2 through the adoption of a series of early delivery plans. These early delivery plans are designed to ensure the delivery of projects and programs through 2041 as promised to the voters, bring transportation improvements earlier to residents and commuters of Orange County, and as appropriate, address slower growth in sales tax revenue projections through strategic financing and successfully capturing and augmenting the program with external revenues. To date, there have been three early delivery plans. The most recent is the Next 10 Plan which was initially approved by the Board in 2016 and expected to be updated in the fall of 2019.

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

- Conducted the fourth M2 Performance Assessment Report as required by Ordinance No. 3 for FYs 2015-16 through FY 2017-18. The independent consultant final report was completed and presented to the Board in March 2019. The report was highly complimentary, commending OCTA's commitment to effective and efficient management and delivery of the M2 program. The report included eight minor recommendations for enhancements, which staff is committed to implementing as appropriate by the end of the calendar year.

- In September 2018, updated the Next 10 Delivery Plan to address M2 sales tax revenue projection. The Next 10 Delivery Plan is a project delivery framework for the next ten years with the overarching goal of successfully delivering the M2 Program by 2041, as promised.

- The Measure M Taxpayers Oversight Committee determined that OCTA is delivering Measure M projects and programs as promised to Orange County voters for the 28th consecutive year.

- In FY 2018-19, more than $376 million from a variety of federal, state, and local sources was made available for OCTA projects. Of these, more than $226 million was pursued through competitive grant programs.

- The construction contract was approved for the Interstate 5 (I-5) between State Route 55 (SR-55) and State Route 57 (SR-57) Project in December 2018. Construction started in February 2019 and is expected to be completed in early 2021.

- A groundbreaking event took place in June 2019 for the I-5 between State Route 73 (SR-73) and El Toro Road Project.

- The 100 percent design for the I-5 between Alicia Parkway and El Toro Road was submitted to the California Department of Transportation (Caltrans) in May 2019. Construction is anticipated to start in mid-2020.

- The construction contract was approved for the I-5 between Oso Parkway and Alicia Parkway Project in April 2019. Construction started in May 2019 and is expected to be completed at the end of 2023. This is the middle segment of three segments that are part of the I-5 between SR-73 and El Toro Road Project.

- Final design was completed for the I-5 between SR-73 and Oso Parkway/Avery Parkway Interchange Project in August 2018. The project obtained right-of-way certification and ready-to-list status in May 2019. Construction is anticipated to start in early 2020.

- Design continued for the SR-55 between I-405 and I-5 with 95 percent design submitted to Caltrans in July 2019. Final design is anticipated to be approved in early 2020.

- The final environmental document and project report was approved in March 2019 for the SR-57 Northbound between Orangewood Avenue and Katella Avenue Project. This project is scheduled to move into design beyond 2026; however, projects that compete best for external funding are those that are already environmentally cleared.

- Construction on the $1.9 billion I-405 Improvement Project continued with nine bridges now under construction. The Slater Avenue bridge was the first new bridge completed and opened to traffic in September 2019.

- Held a successful bond offering for approximately $400 million in revenue to support the continued costs of the I-405 Improvement Projects.

- The final environmental document and project report was approved in October 2018 for the Interstate 605/Katella Avenue Interchange Improvements Project. This project is shelf-ready and will be considered for external funding to move into design.

- The 91 Express Lanes increased the number of accounts to 148,054, rising 5.2 percent from the previous year.

- In November 2018, the Full Funding Grant Agreement (FFGA) was executed for the OC Streetcar Project. The FFGA secured $149 million in federal New Starts discretionary funding for this project.

- The OC Streetcar Project construction contract was issued a full Notice to Proceed in March 2019, when possession of all property rights was acquired.

- As part of the 2019 Regional Traffic Signal Synchronization Program (RTSSP) Call for Projects, approved funding for five projects totaling $7.695 million. To date, OCTA and local agencies have synchronized more than 2,000 intersections (exceeding the M2 target) along more than 702 miles of streets through 78 corridors totaling $106 million, including $13.6 million in external funding.

- In January 2019, the construction contract was awarded for the San Juan Capistrano Rail Passing Siding Project. This project will add approximately 1.8 miles of new passing siding railroad track adjacent to the existing mainline track, which will enhance operational efficiency of passenger services.

- Construction of the Orange Transportation Center Metrolink Parking Structure was completed and commemorated with a dedication ceremony in February 2019. The new, five-level shared-use parking structure houses 608 parking spaces.

- Construction of the Fullerton Transportation Center Elevator Upgrades Project was completed in May 2019. The project modified the existing pedestrian bridge to add two new traction elevators, one on each side.

- With 43 Safe Transit Stops improvements completed, the Board approved $0.872 million in funding for 36 additional locations in seven eligible local jurisdictions and OCTA. Stop improvements are designed to ease transfers between bus lines.

- Approved Environmental Cleanup Program allocations of up to approximately $2.2 million for 12 projects selected through the 2018 Tier 1 call for projects.

- The final two resource management plans (RMPs) for the seven Environmental Mitigation Program Preserves were completed in September 2018. The RMPs guide the management of the preserves as outlined within the M2 OCTA Natural Community Conservation Plan/Habitation Conservation Plan.

- In the fall of 2018, began a one-year pilot program for OC Flex, an on-demand curb-to-curb shared ride service in two geographic zones.

- Launched programs in collaboration with Golden West College and Fullerton College that allow students to ride OC Bus fixed-routes using student IDs. This three-year program is supported by state cap-and-trade funds available through the Low Carbon Transit Operations Program (LCTOP).

- Implemented a new Bravo! 529 route at the February 2019 service change that travels from the Fullerton Park and Ride to the Golden West Transportation Center.

- Launched two new iShuttle routes to provide service to Irvine businesses from the Irvine and Tustin Metrolink stations.

- Completed the acceptance process for ten hydrogen fuel cell vehicles and commissioned a new hydrogen fuel station at the Santa Ana base.

- At the close of the FY, the OC Bus Mobile App had 44,321 registered users, up 31 percent from the previous year, representing 12 percent of total fixed-route fare revenue.

- The OC Fair Express recorded more than 83,000 boardings to and from the OC Fair during five weeks of service and helped take thousands of cars off local roads. This was funded by the Mobile Source Air Pollution Reduction Review Committee (MSRC).

- Hosted briefings at seven local police departments on active transportation crash data and relevant laws, reaching more than 300 police officers directly.

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

- Secured two grants totaling $800,000 to develop master plan and educational events related to Safe Routes to Schools efforts countywide.

Awards and Acknowledgments

For the ninth consecutive year, the National Purchasing Institute awarded OCTA the Achievement of Excellence in Procurement® award based on outstanding innovation, professionalism, productivity, e-procurement, and leadership attributes. OCTA is one of only 46 agencies in California and one of only 39 special districts in the United States and Canada to receive the award.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCTA for its CAFR for the FY ended June 30, 2018. This was the 36th consecutive year OCTA or its predecessor agency received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the CAFR for the FY ended June 30, 2019, continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA, expecting it to be eligible for another certificate.

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

Respectfully submitted,

Darrell E. Johnson
Chief Executive Officer

Andrew Oftelie
Chief Financial Officer

ORANGE COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART

Board of Directors

Internal Audit
Janet Sutter
Executive Director

Chief Executive Officer
Darrell E. Johnson

Deputy CEO
Kenneth G. Phipps

Clerk of the Board
Laurena Weinert
Director

Public Information Office
Joel Zlotnik
Manager

Security & Emergency Prep
Katrina Faulkner
Manager

Express Lanes Programs
Kirk Avila
General Manager

Operations
Jennifer Bergener
Chief Operating Officer

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

Finance and Administration
Andrew Oftelie
Chief Financial Officer

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

Planning
Kia Mortazavi
Executive Director

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

External Affairs
Lance Larson
Executive Director

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

Capital Programs
James Beil
Executive Director

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

Human Resources & Organizational Development
Maggie McJilton
Executive Director

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

2019 BOARD OF DIRECTORS

Tim Shaw
Chairman
City Member, 4th District

Steve Jones
Vice Chairman
City Member, 1st District

Lisa A. Bartlett
Director
Supervisor, 5th District

Doug Chaffee
Director
Supervisor, 4th District

Laurie Davies
Director
City Member, 5th District

Barbara Delgleize
Director
City Member, 2nd District

Andrew Do
Director
Supervisor, 1st District

Michael Hennessey
Director
Public Member

Gene Hernandez
Director
City Member, 3rd District

Jose F. Moreno
Director
City Member, 4th District

Joe Muller
Director
City Member, 5th District

Mark A. Murphy
Director
City Member, 3rd District

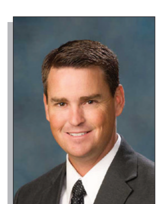
Richard Murphy
Director
City Member, 2nd District

Miguel Pulido
Director
City Member, 1st District

Michelle Steel
Director
Supervisor, 2nd District

Gregory T. Winterbottom
Director
Public Member

Donald P. Wagner
Director
Supervisor, 3rd District



Ryan Chamberlain
Governor's Ex-Officio Member
Caltrans District 12
District Director

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT STAFF

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

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

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Bus

Rail

Crowe LLP
Independent Member Crowe Global

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements 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, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal 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, budgetary comparison information for the General Fund, Local Transportation Authority Special Revenue Fund, and Local Transportation Special Revenue Fund, and supplemental pension plan trend data and other postemployment benefit data, 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 OCTA's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of OCTA's internal control over financial reporting and our on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Costa Mesa, California
October 31, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)
For the Fiscal Year Ended June 30, 2019

As management of the Orange County Transportation Authority (OCTA), we offer readers of OCTA's financial statements this narrative overview and analysis of OCTA's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-xii and OCTA's financial statements that begin on page 18. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- As of June 30, 2019, OCTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $1,751,910 (net position). Of this amount, $583,197 or 33% represents net investment in capital assets; $696,163 or 40% is restricted for specific purposes; and the remaining portion represents unrestricted net position of $472,550 or 27%.

- Net position increased $140,687 during fiscal year 2018-19. The increase in net position from governmental activities of $111,029 was primarily due to an increase in sales tax, capital grants and contributions, and investment earnings while Measure M program expense decreased. The increase in net position from business-type activities of $29,658 was primarily due to toll road revenues in excess of expenses due to an increase in total trips and transfers from the Local Transportation Fund (LTF) and State Transit Assistance Fund (STAF) for transit operations.

- OCTA's governmental funds reported combined ending fund balances of $1,397,776, an increase of $462,545 or 49% compared to fiscal year 2017-18. Approximately 93% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

- Long-term debt increased by $447,949 or 77%, compared to the prior fiscal year. This was mainly due to the issuance of new sales tax revenue bonds and drawdowns on the Transportation Infrastructure Finance and Innovation (TIFIA) loan to finance eligible project costs for the I-405 Improvement Project.

Overview of the Financial Statements

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

<u>Government-wide Financial Statements</u>

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The combining statements of nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for the LTA Debt Service Fund and nonmajor governmental funds are located in this section. This other supplementary information can be found on pages 92-107 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2019, OCTA's assets and deferred outflows exceeded liabilities and deferred inflows by $1,751,910.

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

OCTA's net investment in capital assets was $583,197, compared to $551,110 in fiscal year 2017-18. OCTA's net position reflects its investment in capital assets (i.e., construction in progress; land; buildings and improvements; machinery, equipment and furniture; transit vehicles; intangible assets; and transponders), less any outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transit services to the residents and business community of Orange County. The increase of $32,087 was primarily due to progress of OC Streetcar construction project.

Restricted net position, representing resources subjected to external restrictions on how they may be used, were 40% and 36% of the total net position at June 30, 2019 and 2018, respectively. The change in restricted net position in fiscal year 2018-19 was $113,734 and was primarily due to an increase in the restricted net position from governmental activities of $112,281 along with an increase of $1,453 for business activities. The increase for governmental activities was contributed by the continued improvement in the economy resulting in increased sales tax revenue in addition to a reduction in expenses related to Measure M program. The increase for business activities was primarily related to the funds restricted for the State of Good Repair program.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. At the end of fiscal year 2018-19, OCTA's unrestricted net position was $472,550, a decrease of $5,134 from the prior fiscal year. The reduction was a combination of a decrease of $52,804 in governmental activities and an increase in business-type activities of $40,296. The decrease in governmental activities was primarily due to the increase in pension expense coupled with a reclassification to restricted net position related to transportation programs. The increase in business-type activities was mainly attributable to transfers from LTF and STAF for operating assistance, and 91 Express Lanes revenues in excess of expenses consistent with the Comprehensive Business Plan (CBP) as well as favorable investment performance.

Table 1
Orange County Transportation Authority
Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$1,531,489	$1,077,623	$899,387	$755,882	$2,430,876	$1,833,505
Restricted assets	9,534	6,242	24,827	24,321	34,361	30,563
Prepaid retirement	10,871	5,477	20,160	10,982	31,031	16,459
Assets held for resale	371	3,598	-	-	371	3,598
Capital assets, net	262,985	211,433	550,002	524,357	812,987	735,790
Total assets	1,815,250	1,304,373	1,494,376	1,315,542	3,309,626	2,619,915
Deferred outflows of resources	26,794	21,767	53,664	48,388	80,458	70,155
Current liabilities	105,326	105,734	78,179	68,992	183,505	174,726
Long-term liabilities	797,297	382,748	619,759	456,975	1,417,056	839,723
Total liabilities	902,623	488,482	697,938	525,967	1,600,561	1,014,449
Deferred inflows of resources	13,359	22,625	24,254	41,773	37,613	64,398
Net position:						
Net investment in capital assets	262,985	211,433	320,212	339,677	583,197	551,110
Restricted	677,934	565,653	18,229	16,776	696,163	582,429
Unrestricted	(14,857)	37,947	487,407	439,737	472,550	477,684
Total net position	$ 926,062	$ 815,033	$ 825,848	$ 796,190	$1,751,910	$1,611,223

OCTA's total revenues increased by 11%, while the total costs of all programs decreased by 2%. Major contributing factors for the increase of $94,208 in total revenues are increase of $57,680 in investment earnings and increase of $32,413 in sales tax revenue due to the continued improvement in the economy and favorable financial market.

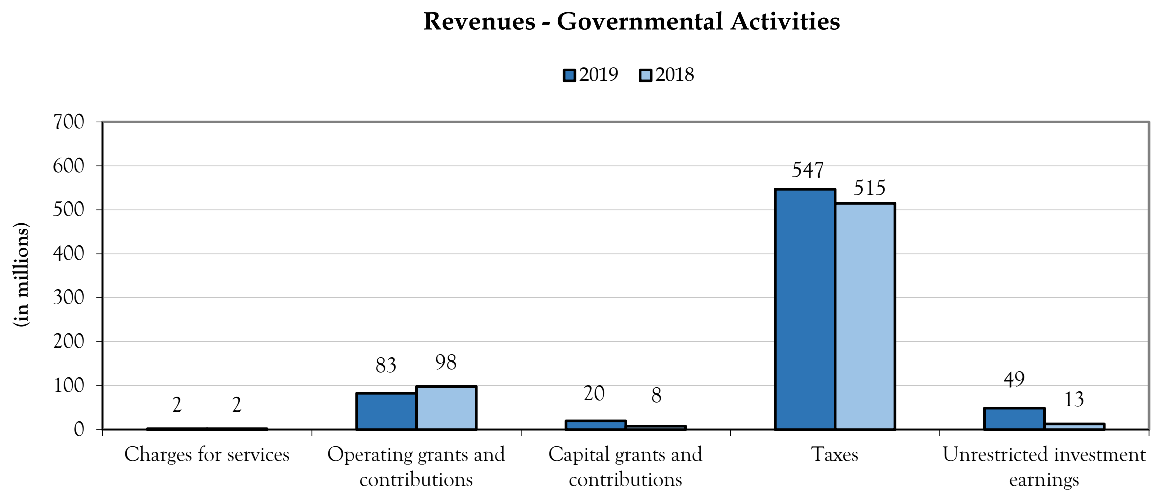
During fiscal year 2018-19, OCTA's total expenses decreased $15,074, which resulted mainly from costs related to freeway projects including the I-405 Improvement Project. Approximately 38% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

Table 2
Orange County Transportation Authority
Changes in Net Position

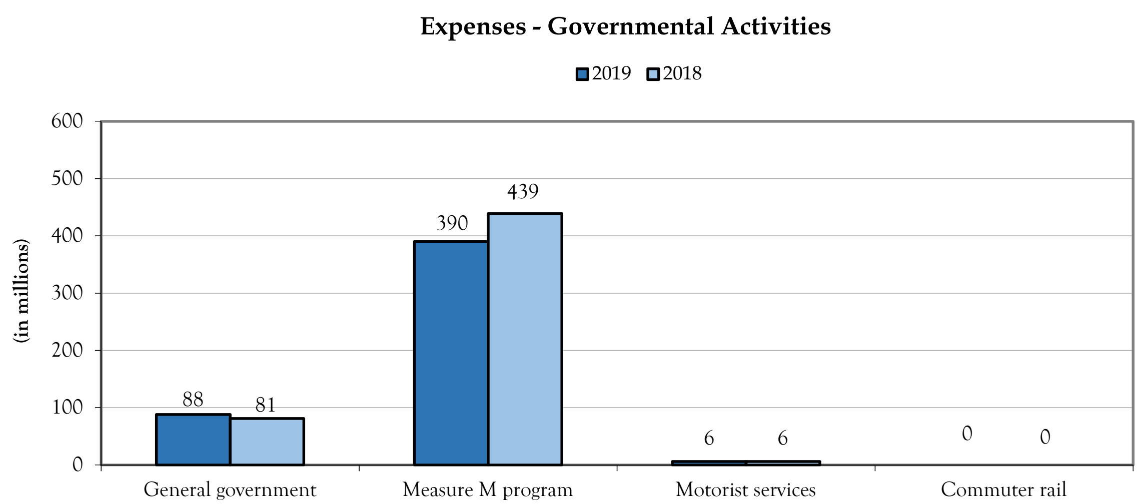
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 1,823	$ 2,386	$ 107,211	$ 106,716	$ 109,034	$ 109,102
Operating grants and contributions	83,458	98,233	87,667	74,236	171,125	172,469
Capital grants and contributions	19,994	7,679	11,172	17,849	31,166	25,528
General revenues:						
Taxes	546,912	515,475	16,971	15,995	563,883	531,470
Unrestricted investment earnings	48,527	12,609	24,654	2,892	73,181	15,501
Other miscellaneous revenue	233	133	5,393	5,604	5,626	5,737
Total revenues	700,947	636,515	253,068	223,292	954,015	859,807
Expenses:						
General government	88,394	80,877	-	-	88,394	80,877
Measure M program	390,253	439,279	-	-	390,253	439,279
Motorist services	6,359	5,725	-	-	6,359	5,725
Commuter rail	117	414	-	-	117	414
Fixed route	-	-	230,256	208,167	230,256	208,167
Paratransit	-	-	71,104	67,883	71,104	67,883
Toll road	-	-	26,491	25,672	26,491	25,672
Taxicab administration	-	-	348	385	348	385
Fixed Guideway	-	-	6	-	6	-
Total expenses	485,123	526,295	328,205	302,107	813,328	828,402
Indirect expense allocation	(44,411)	(43,163)	44,411	43,163	-	-
Increase (decrease) in net position before transfers	260,235	153,383	(119,548)	(121,978)	140,687	31,405
Transfers	(149,206)	(191,734)	149,206	191,734	-	-
Change in net position	111,029	(38,351)	29,658	69,756	140,687	31,405
Net position—beginning of year	815,033	853,384	796,190	726,434	1,611,223	1,579,818
Net position—end of year	$ 926,062	$ 815,033	$ 825,848	$ 796,190	$1,751,910	$1,611,223

Governmental Activities

Total revenues for OCTA's governmental activities increased $64,432 primarily due to i) an increase in sales tax revenue resulting from the continued improvement in the economy and ii) positive investment earnings as a result of a favorable financial market.

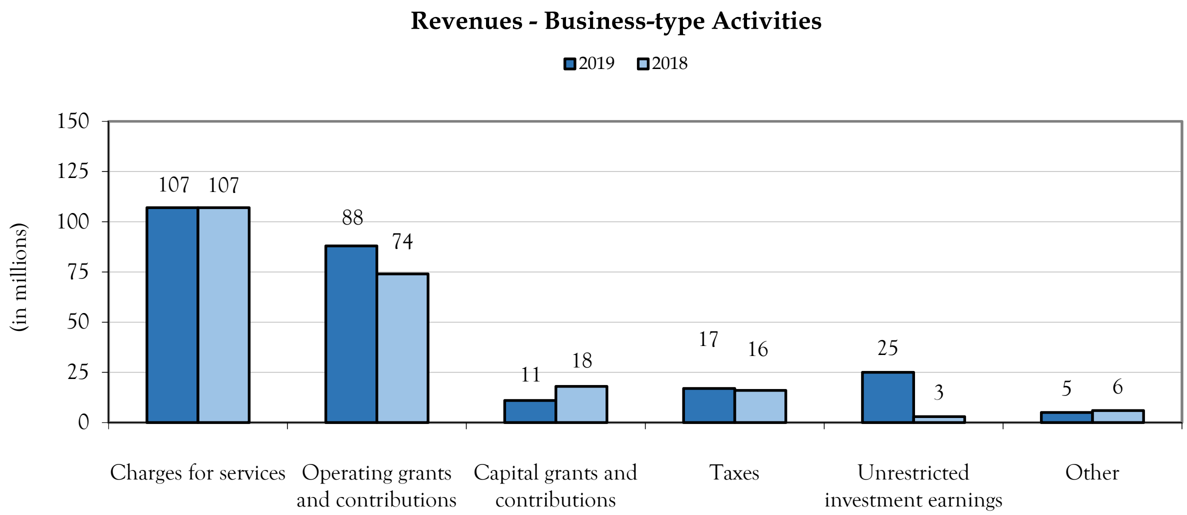


Total expenses for OCTA's governmental activities decreased $41,172 primarily due to a decrease in Measure M program costs related to freeway projects including the I-405 Improvement Project.

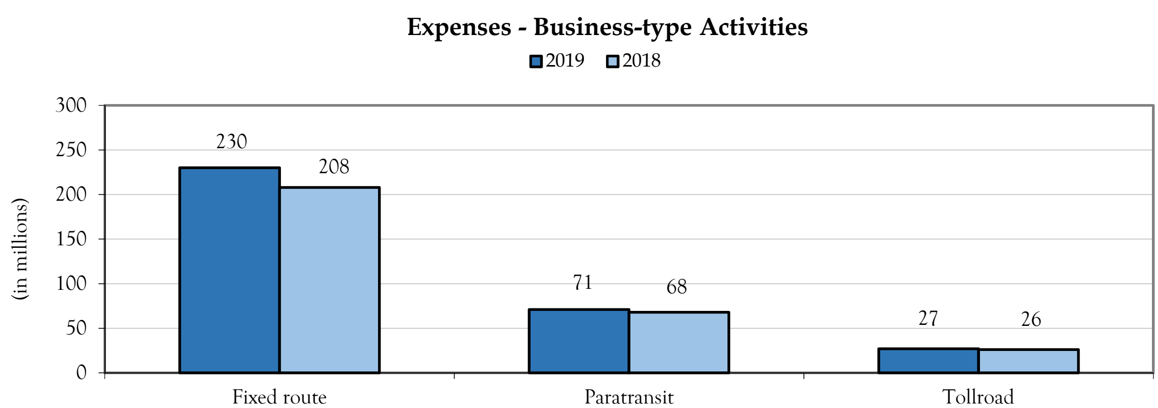


Business-type Activities

Revenues of OCTA's business-type activities increased $29,776 primarily due to an increase in investment earnings resulting from favorable financial market performance. Another contributing factor for the increase was operating grants and contributions primarily for the maintenance of buses, which was offset by decreases in capital grants and contributions related to purchase of transit vehicles.



Total expenses related to business-type activities increased $26,098 primarily due to an increase in operating expenses related to fixed route and paratransit.



Financial Analysis of OCTA's Funds

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

Governmental funds

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

As of June 30, 2019, OCTA's governmental funds reported combined ending fund balances of $1,397,776, an increase of $462,545 compared to the prior fiscal year. Approximately 97% or $1,360,126 of this amount is restricted, the majority of which relates to the Measure M program. $29,489 represents the portion of fund balance that is not in a spendable form, such as notes receivable, prepaid retirement and advances for projects. $11,261 is assigned for rail operations and transportation capital projects. The remainder of fund balance of $(3,100) is unassigned.

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

The General fund increased by $6,040, primarily due to the sale of land held for resale and the continued receipt on the note receivable from the City of Anaheim for the ARTIC.

The LTA fund increased by $444,900, which represents an increase of 54% in comparison to the prior fiscal year. This increase is a result of sales tax revenue bonds issuance as other financing sources to finance eligible project costs for I-405 Improvement Project as well as to refund a portion of existing revenue bonds.

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

Prior to fiscal year 2018-19, the General Capital Project fund was reported as a non-major fund; however, the fund has been reclassified as a major fund as construction of the OC Streetcar project progresses.

Proprietary funds

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

The net position of the enterprise funds totaled $800,850 at June 30, 2019 compared to $772,869 at June 30, 2018. Following are the significant changes in net position of OCTA's major proprietary funds:

The OCTD fund net position at June 30, 2019 was $628,289. During fiscal year 2018-19, the total net position increased $63,601, primarily due to the transfers from LTF and STAF for operating assistance in excess of expenses consistent with the CBP.

The 91 Express Lanes fund net position at June 30, 2019 was $248,907, which increased $42,050 or 20% from the prior fiscal year due mainly to the positive operating activities. Change in total operating revenues was flat whereas total operating expenses decreased by $1,218 or 6% mainly attributable to completion of the pavement rehabilitation project. In addition, investment earnings due to a favorable financial market contributed to the increase in net position.

General Fund Budgetary Highlights

Revenues

The primary sources of revenues for the general fund are from federal, state, and local sources. Actual revenues were $440 less than the final budget of $10,667. This is primarily due to OCTA receiving $1,894 less in contributions from other agencies. These revenues are associated with the LOSSAN Managing Agency and bikeway and pedestrian facilities projects. Revenues for both, the LOSSAN Managing Agency and bikeway and pedestrian facilities projects are reimbursed based on expenditures. During fiscal year 2018-19, the LOSSAN Managing Agency had underruns in staffing expenditures resulting in less revenues reimbursed. Bikeway and pedestrian facilities projects were finalized in the latter part of fiscal year 2018-19, however expenditures are anticipated to be incurred throughout fiscal year 2019-20, once expenditures take place reimbursements will be sought. Capital assistance grants were $1,109 less than the final budget, primarily due to invoice-based pass through grants to external agencies. These underruns are being offset by Miscellaneous revenue in the amount of $2,550. This is primarily due to the sale of the Transit Security and Operations Center land from the OCTA general fund to the OCTD fund.

Expenditures

The fiscal year 2018-19 final general fund budget was $142 less than the original general fund budget of $26,814. This is the result of budget transfers between the general fund and the OCTD fund. The transfers primarily pertained to contract and information systems staffing and information systems services and equipment.

Actual expenditures were $8,753 less than the final budget of $26,672. This is primarily due to a $6,245 associated with the timing of bikeway and pedestrian facilities projects and transportation planning studies, as well as, lower than anticipated recurring services, and prior year adjustments to legal services. Salaries and benefits expenses were $3,393 less than the final budget, primarily due to vacancies. The general fund cost allocation required $2,985 less than budgeted based on general fund expenses throughout the fiscal year. Additionally, capital outlay expenditures were $1,696 less than the final budget. This is primarily due to right-of-way replacement rights for the West County Connectors and State Route-73/Interstate-405 (Connector B) and right-of-way property clearance services at Lincoln Avenue in Anaheim. These projects were not expensed in the fiscal year, right-of-way services have been re-budgeted.

Capital Assets

As of June 30, 2019, OCTA had $812,987, net of accumulated depreciation, invested in a broad range of capital assets including: land, buildings, transit vehicles, toll facility franchise, construction in progress, and machinery, equipment and furniture (Table 3).

During fiscal year 2018-19, OCTA's capital assets increased by $77,197. Capital assets related to governmental activities increased by $51,552. This increase is due primarily to the on-going construction activities on the OC Streetcar project. Capital assets related to business-type activities increased by $25,645, which resulted mainly from construction in progress related to the I-405 Express Lanes project.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 172,236	$ 172,238	$ 57,133	$ 52,402	$ 229,369	$ 224,640
Buildings and improvements	498	992	58,486	65,816	58,984	66,808
Transit vehicles	-	-	140,368	160,352	140,368	160,352
Machinery, equipment and furniture	2,717	3,117	23,787	27,958	26,504	31,075
Toll Facility Franchise	-	-	120,282	122,868	120,282	122,868
Construction in progress	87,534	35,086	149,946	94,961	237,480	130,047
Totals	$ 262,985	$ 211,433	$ 550,002	$ 524,357	$ 812,987	$ 735,790

Major capital asset additions during the fiscal year included:

- $42,766 for the I-405 Express Lanes project
- $18,370 for transit vehicles
- $50,098 for the OC Streetcar project

Major capital asset deletions during the fiscal year included:

- $39,714 for transit vehicles
- $12,233 for communication equipment

OCTA has outstanding capital expenditure commitments, the most significant of which are: $962,478 for the I-405 Improvement Project, $264,235 for the OC Street project, $47,739 for the I-5 freeway widening construction project, $22,018 for the SR91 and I-405 express lane toll collection project, and $16,952 for the Laguna San Juan project.

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

Long-term Debt Administration

As of June 30, 2019, OCTA had $1,027,777 in long-term debt outstanding compared to $579,828 at June 30, 2018, as presented in Table 4. The increase of $447,949 is primarily attributable to the issuance of new sales tax revenue bonds and drawdowns on the TIFIA loan. The proceeds were used to partially finance I-405 Improvement Project during the fiscal year.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Sales tax revenue bonds	$ 635,220	$ 310,235	$ -	$ -	$ 635,220	$ 310,235
Revenue refunding bonds	-	-	97,795	103,605	97,795	103,605
TIFIA loan	-	-	294,762	165,988	294,762	165,988
Totals	$ 635,220	$ 310,235	$ 392,557	$ 269,593	$1,027,777	$ 579,828

OCTA's long-term debt is rated by Standard & Poor's, Moody's, and Fitch. As of June 30, 2019, the ratings are as follows:

	Standard & Poor's	Moody's	Fitch
M2 Sales Tax Revenue Bonds	AA+	Aa2	AA+
Toll Road Revenue Refunding Bonds	AA-	A1	A+
TIFIA Loan	n/a	Baa2	n/a

Additional information on OCTA's long-term debt can be found in note 9 to the financial statements.

Economic and Other Factors

The Board of Directors (Board) adopted the fiscal year 2019-20 budget on June 10, 2019. The $1.5 billion budget was developed in accordance with the goals of the Board and the Chief Executive Officer. This balanced budget is a result of OCTA's ongoing effort to deliver long-term sustainable transportation solutions for the residents of Orange County and is a reflection of OCTA's commitment to the residents of Orange County to be responsible stewards of taxpayer dollars.

Under the M2 Program, funds will continue to improve freeways, streets and roads throughout Orange County, as well as fund multiple transit programs. Included in the proposed budget is $366 million to help fund freeway improvement projects on Interstate 405, Interstate 5, State Route 55, State Route 57, and State Route 91. Approximately $159 million is budgeted to improve streets and roads, including $58 million to fund the Local Fair Share Program, $57 million for the Regional Capacity Program, and $34 million for Regional Traffic Signal Synchronization. In addition, the M2 transit budget consists of $110 million in bus and rail projects, including $49 million to continue the OC Streetcar project.

In fiscal year 2019-20, the budget to support the Bus Program is $605 million. The budget includes efforts to continue OC Bus 360°, which aims to improve bus service and increase efficiency of the transit system. The budget also slightly increases bus service levels to 1.6 million service hours and has no fare increase.

The fiscal year 2019-20 budget demonstrates OCTA's continued commitment to provide an effective, efficient, and innovative multi-modal transportation network to enhance the quality of life and keep the residents and commuters of Orange County moving.

Contacting OCTA's Management

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2019

(amounts expressed in thousands)	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 1,344,048	$ 728,285	$ 2,072,333
Receivables:			
Interest	5,037	3,170	8,207
Operating grants	10,103	93,147	103,250
Capital grants	4,140	7,299	11,439
Other	1,340	27,100	28,440
Internal balances	(22,655)	22,655	-
Due from other governments	149,127	6,181	155,308
Condemnation deposits	9,284	6,707	15,991
Note receivable	22,313	-	22,313
Inventory	-	2,302	2,302
Restricted cash and investments:			
Cash equivalents	-	24,827	24,827
Investments	9,534	-	9,534
Prepaid retirement	10,871	20,160	31,031
Other assets	8,752	2,541	11,293
Assets held for resale	371	-	371
Capital assets, net:			
Nondepreciable	259,770	207,079	466,849
Depreciable and amortizable	3,215	342,923	346,138
Total Assets	**1,815,250**	**1,494,376**	**3,309,626**
Deferred Outflows of Resources			
Deferred charge on refunding	1,499	7,672	9,171
Deferred outflows - pensions	25,004	45,803	70,807
Deferred outflows - OPEB	291	189	480
Total Deferred Outflows of Resources	**26,794**	**53,664**	**80,458**
Liabilities			
Accounts payable	70,098	47,343	117,441
Accrued payroll and related items	1,390	4,457	5,847
Accrued interest payable	12,920	1,815	14,735
Due to other governments	13,540	2,704	16,244
Unearned revenue	7,313	21,547	28,860
Other liabilities	65	313	378
Noncurrent liabilities:			
Due within one year	8,544	16,474	25,018
Due in more than one year	706,990	409,682	1,116,672
Total OPEB liability	919	2,008	2,927
Net pension liability	80,844	191,595	272,439
Total Liabilities	**902,623**	**697,938**	**1,600,561**
Deferred Inflows of Resources			
Deferred inflows - pensions	13,357	24,254	37,611
Deferred inflows - OPEB	2	-	2
Total Deferred Inflows of Resources	**13,359**	**24,254**	**37,613**
Net Position			
Net investment in capital assets	262,985	320,212	583,197
Restricted for:			
Measure M program	580,367	-	580,367
Measure M - Environmental Mitigation Program	9,534	-	9,534
Debt service	36,018	484	36,502
Transportation program	52,015	-	52,015
Capital	-	10,419	10,419
Operating reserve	-	3,126	3,126
State of Good Repair Program	-	4,200	4,200
Unrestricted	(14,857)	487,407	472,550
Total Net Position	**$ 926,062**	**$ 825,848**	**$ 1,751,910**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Functions/Programs								
Primary government								
Governmental activities:								
General government	$ 88,394	$ (66,458)	$ 855	$ 7,105	$ 19,972	$ 5,996	$ -	$ 5,996
Measure M program	390,253	21,209	454	67,525	-	(343,483)	-	(343,483)
Motorist services	6,359	803	-	8,755	-	1,593	-	1,593
Commuter rail	117	35	514	73	22	457	-	457
Total governmental activities	485,123	(44,411)	1,823	83,458	19,994	(335,437)	-	(335,437)
Business-type activities:								
Fixed route	230,256	38,394	41,067	56,005	11,172	-	(160,406)	(160,406)
Paratransit	71,104	1,424	8,356	30,503	-	-	(33,669)	(33,669)
Tollroad	26,491	3,937	57,417	1,159	-	-	28,148	28,148
Taxicab administration	348	266	371	-	-	-	(243)	(243)
Fixed guideway	6	390	-	-	-	-	(396)	(396)
Total business-type activities	328,205	44,411	107,211	87,667	11,172	-	(166,566)	(166,566)
Total primary government	$ 813,328	$ -	$ 109,034	$ 171,125	$ 31,166	(335,437)	(166,566)	(502,003)
General Revenues:								
Property taxes						-	16,971	16,971
Sales taxes						546,912	-	546,912
Unrestricted investment earnings						48,527	24,654	73,181
Other miscellaneous revenue						233	5,393	5,626
Transfers						(149,206)	149,206	-
Total general revenues and transfers						446,466	196,224	642,690
Change in net position						111,029	29,658	140,687
Net position - beginning						815,033	796,190	1,611,223
Net position - ending						**$ 926,062**	**$ 825,848**	**$ 1,751,910**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Funds
June 30, 2019

(amounts expressed in thousands)	General	LTA	Local Transportation	LTA Debt Service	General Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	$ 30,305	$ 1,254,613	$ 14,275	$ 33,827	$ 180	$ 10,848	$ 1,344,048
Receivables:							
Interest	81	4,790	21	57	2	86	5,037
Operating grants	227	9,876	-	-	-	-	10,103
Capital grants	-	-	-	-	4,140	-	4,140
Other	12	1,290	-	-	-	38	1,340
Due from other funds	1,830	1,787	-	-	11,966	48	15,631
Due from other governments	4,176	93,469	32,735	2,134	-	16,613	149,127
Condemnation deposits	-	9,284	-	-	-	-	9,284
Note receivable	15,890	3,862	-	-	-	2,561	22,313
Advances to other funds	-	-	-	-	-	1,109	1,109
Restricted cash and investments:							
Investments	-	9,534	-	-	-	-	9,534
Prepaid retirement	10,871	-	-	-	-	-	10,871
Other assets	2,263	4,308	-	-	2,180	-	8,751
Total Assets	**$ 65,655**	**$ 1,392,813**	**$ 47,031**	**$ 36,018**	**$ 18,468**	**$ 31,303**	**$ 1,591,288**
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 3,201	$ 54,906	$ -	$ -	$ 11,374	$ 617	$ 70,098
Accrued payroll and related items	1,390	-	-	-	-	-	1,390
Compensated absences	14	-	-	-	-	-	14
Due to other funds	-	13,151	13,833	-	-	11,924	38,908
Due to other governments	899	11,746	243	-	582	70	13,540
Unearned revenue - other	473	6,839	-	-	-	-	7,312
Other liabilities	48	17	-	-	-	-	65
Advances from other funds	-	1,109	-	-	-	-	1,109
Total Liabilities	**6,025**	**87,768**	**14,076**	**-**	**11,956**	**12,611**	**132,436**
Deferred Inflows of Resources							
Unavailable revenue - interest on advances	-	-	-	-	-	515	515
Unavailable revenue - grant reimbursements	44	22,460	-	-	1,811	2,444	26,759
Unavailable revenue - reimbursements from others and other misc revenue	938	15,056	-	-	-	2,501	18,495
Unavailable revenue - sale of land	211	-	-	-	-	-	211
Unavailable revenue - ARTIC	15,096	-	-	-	-	-	15,096
Total Deferred Inflows of Resources	**16,289**	**37,516**	**-**	**-**	**1,811**	**5,460**	**61,076**
Fund Balances							
Nonspendable:							
Note receivable	583	-	-	-	-	-	583
Prepaid retirement	10,871	-	-	-	-	-	10,871
Other assets - Deposits, inventory, prepaid amounts	2,263	13,592	-	-	2,180	-	18,035
Restricted for:							
Transportation programs	23,101	1,253,937	32,955	-	-	14,084	1,324,077
Motorist services	-	-	-	-	-	31	31
Debt service	-	-	-	36,018	-	-	36,018
Assigned to:							
Metrolink/rail operations	8,740	-	-	-	-	-	8,740
Transportation capital projects	-	-	-	-	2,521	-	2,521
Unassigned	(2,217)	-	-	-	-	(883)	(3,100)
Total Fund Balances	**43,341**	**1,267,529**	**32,955**	**36,018**	**4,701**	**13,232**	**1,397,776**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 65,655**	**$ 1,392,813**	**$ 47,031**	**$ 36,018**	**$ 18,468**	**$ 31,303**	**$ 1,591,288**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

(amounts expressed in thousands)

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

Total fund balances (page 20)	$	1,397,776
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		262,985
Assets held for resale are not current financial resources and, therefore, are not reported in the funds, unless a sales contract is executed prior to the issuance of the financial statements.		371
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.		61,076
Deferred outflows of resources related to deferred charge on refunding are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,499
Deferred outflows of resources related to pensions are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		25,004
Deferred outflows of resources related to OPEB are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		291
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		622
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(12,920)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(919)
Long-term liabilities related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		(80,844)
Deferred inflows of resources related to pensions and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.		(13,359)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(715,520)
Net position of governmental activities (page 18)	**$**	**926,062**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	General	LTA	Local Transportation	LTA Debt Service	General Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Sales taxes	$ -	$ 338,666	$ 180,737	$ -	$ -	$ 35,401	$ 554,804
Transportation improvement fee	-	-	-	-	-	5,603	5,603
Vehicle registration fees	-	-	-	-	-	2,978	2,978
Fines	200	-	-	-	-	-	200
Contributions from other agencies	7,196	59,492	-	-	-	862	67,550
Interest and investment income	696	40,024	211	6,800	16	781	48,528
Capital assistance grants	63	-	-	-	14,108	-	14,171
Miscellaneous	3,166	456	-	-	-	27	3,649
Total Revenues	**11,321**	**438,638**	**180,948**	**6,800**	**14,124**	**45,652**	**697,483**
Expenditures							
Current:							
General government	7,798	92,893	2,178	-	342	7,326	110,537
Transportation:							
Contributions to other local agencies	2,595	109,443	2,505	-	-	-	114,543
Capital outlay	1,833	182,952	-	-	50,724	50	235,559
Debt service:							
Principal	-	-	-	8,165	-	-	8,165
Interest	-	47	-	20,630	-	-	20,677
Bond issuance costs	-	826	-	-	-	-	826
Total Expenditures	**12,226**	**386,161**	**4,683**	**28,795**	**51,066**	**7,376**	**490,307**
Excess (deficiency) of revenues over (under) expenditures	**(905)**	**52,477**	**176,265**	**(21,995)**	**(36,942)**	**38,276**	**207,176**
Other financing sources (uses)							
Transfers in	8,094	75,649	-	34,874	36,416	-	155,033
Transfers out	(4,754)	(84,196)	(172,409)	-	-	(42,880)	(304,239)
Proceeds from sale of capital assets	3,605	-	-	-		-	3,605
Bond issuance	-	376,690	-	-		-	376,690
Bond premium	-	69,342	-	-		-	69,342
Payment to refunded bond escrow agent	-	(45,062)	-	-		-	(45,062)
Total other financing sources (uses)	**6,945**	**392,423**	**(172,409)**	**34,874**	**36,416**	**(42,880)**	**255,369**
Net change in fund balances	**6,040**	**444,900**	**3,856**	**12,879**	**(526)**	**(4,604)**	**462,545**
Fund balances - beginning	37,301	822,629	29,099	23,139	5,227	17,836	935,231
Fund balances - ending	**$ 43,341**	**$ 1,267,529**	**$ 32,955**	**$ 36,018**	**$ 4,701**	**$ 13,232**	**$ 1,397,776**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

(amounts expressed in thousands)

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

Net change in fund balances - total governmental funds (page 22)	$	462,545
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		51,904
Transfer of remnant land to a private party is a decrease to net position.		(1,095)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		(3,872)
Donations and/or sales related to land held for resale are not reported as revenues in governmental funds, unless a sales contract is executed prior to the issuance of the financial statements. However, they are included in the Statement of Activities.		(2,503)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds, but are reported as deferred inflows of resources.		5,255
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(396,381)
The rent holiday related to the administrative headquarters building does not require the use of current financial resources, and therefore, is not reported as an expenditure in governmental funds.		(127)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(4,684)
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		(13)
Change in net position of governmental activities (page 19)	**$**	**111,029**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Proprietary Funds
June 30, 2019

(amounts expressed in thousands)	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets						
Current assets:						
Cash and investments	$ 406,221	$ 191,925	$ 87,387	$ 80	$ 685,613	$ 42,672
Receivables:						
Interest	2,176	740	-	-	2,916	254
Operating grants	93,147	-	-	-	93,147	-
Capital grants	7,299	-	-	-	7,299	-
Violations, net	-	1,960	-	-	1,960	-
Farebox	465	-	-	-	465	-
Other	5,629	1,303	-	-	6,932	327
Due from other funds	23,628	-	-	-	23,628	-
Due from other governments	5,777	370	-	34	6,181	-
Condemnation deposits	-	-	6,707	-	6,707	-
Inventory	2,302	-	-	-	2,302	-
Prepaid retirement	20,086	-	-	74	20,160	-
Other assets	847	287	-	2	1,136	1,405
Total current assets	567,577	196,585	94,094	190	858,446	44,658
Noncurrent assets:						
Restricted cash and investments:						
Cash equivalents	-	24,827	-	-	24,827	-
Long-term violation receivables, net	-	17,416	-	-	17,416	-
Capital assets, net:						
Nondepreciable	71,083	305	135,691	-	207,079	-
Depreciable and amortizable	217,842	125,059	22	-	342,923	-
Total noncurrent assets	288,925	167,607	135,713	-	592,245	-
Total Assets	**856,502**	**364,192**	**229,807**	**190**	**1,450,691**	**44,658**
Deferred Outflows of Resources						
Deferred charge on refunding	-	7,672	-	-	7,672	-
Deferred outflows - pensions	45,683	-	-	120	45,803	-
Deferred outflows - OPEB	186	-	-	3	189	-
Total Deferred Outflows of Resources	**45,869**	**7,672**	**-**	**123**	**53,664**	**-**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Proprietary Funds, Continued
June 30, 2019

(amounts expressed in thousands)	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	27,883	8,317	10,396	9	46,605	738
Accrued payroll and related items	4,446	-	-	11	4,457	-
Accrued interest	-	1,815	-	-	1,815	-
Due to other funds	148	203	-	-	351	-
Claims payable	-	-	-	-	-	3,458
Due to other governments	1,239	974	491	-	2,704	-
Unearned revenue	15,381	6,164	-	2	21,547	-
Other liabilities	2	311	-	-	313	-
Current portion of long-term liabilities	6,888	6,110	-	18	13,016	-
Total current liabilities	55,987	23,894	10,887	40	90,808	4,196
Noncurrent liabilities:						
Claims payable	-	-	-	-	-	14,842
Total OPEB liability	1,998	-	-	10	2,008	-
Net pension liability	190,903	-	-	692	191,595	-
Other long-term liabilities	1,013	99,063	294,762	2	394,840	-
Total noncurrent liabilities	193,914	99,063	294,762	704	588,443	14,842
Total Liabilities	**249,901**	**122,957**	**305,649**	**744**	**679,251**	**19,038**
Deferred Inflows of Resources						
Deferred inflows - pensions	24,181	-	-	73	24,254	-
Net Position						
Net investment in capital assets	282,413	37,799	-	-	320,212	-
Restricted for:						
Debt service	-	484	-	-	484	-
Capital	-	10,419	-	-	10,419	-
Operating reserves	-	3,126	-	-	3,126	-
State of Good Repair Program	4,200	-	-	-	4,200	-
Unrestricted	341,676	197,079	(75,842)	(504)	462,409	25,620
Total Net Position	**$ 628,289**	**$ 248,907**	**$ (75,842)**	**$ (504)**	**$ 800,850**	**$ 25,620**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Net Position of Proprietary Funds to the Statement of Net Position
June 30, 2019

(amounts expressed in thousands)

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

Total net position (page 25)	$	800,850
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund is included in this difference.		24,998
Net position of business-type activities (page 18)	**$**	**825,848**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:						
User fees and charges	$ 44,726	$ 57,417	$ -	$ -	$ 102,143	$ -
Permit fees	-	-	-	371	371	-
Charges for services	-	-	-	-	-	9,000
Total operating revenues	**44,726**	**57,417**	**-**	**371**	**102,514**	**9,000**
Operating expenses:						
Wages, salaries and benefits	117,755	-	-	282	118,037	-
Maintenance, parts and fuel	20,191	-	-	-	20,191	-
Purchased services	87,447	6,556	-	-	94,003	-
Administrative services	39,607	2,835	336	656	43,434	210
Other	6,531	291	-	2	6,824	266
Insurance claims and premiums	(98)	359	-	-	261	7,509
Professional services	22,339	4,251	-	63	26,653	1,644
General and administrative	3,680	684	-	7	4,371	-
Depreciation and amortization	41,869	3,434	6	-	45,309	-
Total operating expenses	**339,321**	**18,410**	**342**	**1,010**	**359,083**	**9,629**
Operating income (loss)	**(294,595)**	**39,007**	**(342)**	**(639)**	**(256,569)**	**(629)**
Nonoperating revenues (expenses):						
State transit assistance	1,577	-	-	-	1,577	-
Federal operating assistance grants	78,609	-	-	-	78,609	-
Property taxes allocated by the County of Orange	16,971	-	-	-	16,971	-
Investment earnings	15,985	7,410	(326)	7	23,076	1,577
Interest expense	-	(4,903)	(6,773)	-	(11,676)	-
Other	8,585	1,195	-	250	10,030	716
Total nonoperating revenues (expenses)	**121,727**	**3,702**	**(7,099)**	**257**	**118,587**	**2,293**
Income (loss) before contributions and transfers	**(172,868)**	**42,709**	**(7,441)**	**(382)**	**(137,982)**	**1,664**
Capital contributions	16,757	-	-	-	16,757	-
Transfers in	223,716	-	-	396	224,112	-
Transfers out	(4,004)	(659)	(70,243)	-	(74,906)	-
Change in net position	**63,601**	**42,050**	**(77,684)**	**14**	**27,981**	**1,664**
Total net position - beginning	564,688	206,857	1,842	(518)	772,869	23,956
Total net position - ending	**$ 628,289**	**$ 248,907**	**$ (75,842)**	**$ (504)**	**$ 800,850**	**$ 25,620**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenses and
Changes in Net Position of Proprietary Funds to the Statement of Activities
For the Year Ended June 30, 2019

(amounts expressed in thousands)

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

Net change in fund net position - total enterprise funds (page 27)	$	27,981
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of the general liability and workers' compensation internal service funds are included in business-type activities in the Statement of Net Position. Additionally, the effect of allocating the workers' compensation Internal Service Fund loss to the governmental activities is included in this difference.		1,677
Change in net position of business-type activities (page 19)	**$**	**29,658**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	$ 41,779	$ 54,668	$ -	$ 346	$ 96,793	$ -
Receipts from interfund services provided	-	-	-	-	-	8,994
Payments to suppliers	(139,921)	(11,430)	-	(66)	(151,417)	(1,763)
Payments to claimants	98	-	-	-	98	(7,201)
Payments to employees	(109,898)	-	-	(235)	(110,133)	-
Payments for interfund services used	(42,258)	(2,835)	(336)	(656)	(46,085)	(210)
Advertising revenue received	3,667	-	-	-	3,667	-
Miscellaneous revenue received	4,602	1,195	-	241	6,038	716
Net cash provided by (used for) operating activities	**(241,931)**	**41,598**	**(336)**	**(370)**	**(201,039)**	**536**
Cash flows from noncapital financing activities:						
Operating assistance grants received	67,907	-	-	-	67,907	-
Property taxes received	16,942	-	-	-	16,942	-
State transit assistance funds received	1,577	-	-	-	1,577	-
Transfers from other funds	220,274	-	-	396	220,670	-
Transfers to other funds	(3,856)	(665)	(70,243)	-	(74,764)	-
Net cash provided by (used for) noncapital financing activities	**302,844**	**(665)**	**(70,243)**	**396**	**232,332**	**-**
Cash flows from capital and related financing activities:						
Capital grants for acquisition and construction of capital assets	32,032	-	-	-	32,032	-
Proceeds from sale of capital assets	2,541	-	-	-	2,541	-
Payments for condemnation deposits related to capital	-	-	(3,164)	-	(3,164)	-
Proceeds from issuance of long term debt	-	-	122,000	-	122,000	-
Principal payment on long-term debt	-	(5,810)	-	-	(5,810)	-
Interest paid on long-term debt	-	(4,987)	-	-	(4,987)	-
Acquisition and construction of capital assets	(21,547)	(581)	(43,356)	-	(65,484)	-
Net cash provided by (used for) capital and related financing activities	**13,026**	**(11,378)**	**75,480**	**-**	**77,128**	**-**
Cash flows from investing activities:						
Investment earnings	15,777	7,226	3	4	23,010	1,557
Net cash provided by investing activities	**15,777**	**7,226**	**3**	**4**	**23,010**	**1,557**
Net increase in cash and cash equivalents	**89,716**	**36,781**	**4,904**	**30**	**131,431**	**2,093**
Cash and cash equivalents at beginning of year	316,505	179,971	82,483	50	579,009	40,579
Cash and cash equivalents at end of year	**$ 406,221**	**$ 216,752**	**$ 87,387**	**$ 80**	**$ 710,440**	**$ 42,672**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds, Continued
For the Year Ended June 30, 2019

(amounts expressed in thousands)	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	$ (294,595)	$ 39,007	$ (342)	$ (639)	$ (256,569)	$ (629)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	41,869	847	6	-	42,722	-
Amortization of franchise agreement	-	2,587	-	-	2,587	-
Advertising revenue	4,000	-	-	-	4,000	-
Miscellaneous	4,585	1,195	-	250	6,030	-
Insurance recoveries	-	-	-	-	-	716
Change in assets and liabilities:						
Receivables	(1,481)	(3,070)	-	-	(4,551)	(29)
Due from other governments	(2,565)	(6)	-	(25)	(2,596)	-
Inventory	492	-	-	-	492	-
Prepaid retirement	(904)	-	-	-	(904)	-
Other assets	670	26	-	-	696	(26)
Deferred outflows of resources related to pensions	(14,350)	-	-	10	(14,340)	-
Deferred outflows of resources related to OPEB	(4)	-	-	(1)	(5)	-
Accounts payable	(2,882)	579	-	6	(2,297)	126
Accrued payroll and related items	551	-	-	3	554	-
Compensated absences	202	-	-	5	207	-
Claims payable	-	-	-	-	-	378
Due to other governments	91	111	-	-	202	-
Unearned revenue	17	311	-	(6)	322	-
Other liabilities	(1)	11	-	-	10	-
Total OPEB liability	1,448	-	-	-	1,448	-
Net pension liability	38,299	-	-	133	38,432	-
Deferred inflows of resources related to pensions	(17,374)	-	-	(106)	(17,480)	-
Deferred inflows of resources related to OPEB	1	-	-	-	1	-
Total adjustments	52,664	2,591	6	269	55,530	1,165
Net cash provided by (used for) operating activities	**$ (241,931)**	**$ 41,598**	**$ (336)**	**$ (370)**	**$ (201,039)**	**$ 536**
Reconciliation of cash and cash equivalents to statement of net position:						
Cash and investments	$ 406,221	$ 191,925	$ 87,387	$ 80	$ 685,613	$ 42,672
Restricted cash and cash equivalents	-	24,827	-	-	24,827	-
Total cash and cash equivalents	**$ 406,221**	**$ 216,752**	**$ 87,387**	**$ 80**	**$ 710,440**	**$ 42,672**
Noncash capital, financing and investing activities:						
Investment earnings - accrued interest	1,704	187	-	-	1,891	20
Amortization of bond premium	-	(644)	-	-	(644)	-
Amortization of deferred amount on refunding	-	670	-	-	670	-
Accredited interest on TIFIA loan			(6,773)			
Capital assets accrued in accounts payable and due to other governments	6,512	862	-	-	-	-

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Fiduciary Funds
June 30, 2019

(amounts expressed in thousands)	Scholarship Trust Fund	ARBA Trust Fund
Assets		
Cash and cash equivalents held in OCTA pool	$ 6	$ -
Cash and cash equivalents held in OCERS pool	-	59
Investments at fair value:		
Mutual funds	-	17,132
Accounts receivable	-	-
Due from other governments	-	-
Total Assets	**6**	**17,191**
Net Position		
Held in trust for future scholarships	6	-
Restricted for pension benefits	-	17,191
Total Net Position	**$ 6**	**$ 17,191**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Scholarship Trust Fund	ARBA Trust Fund
Additions		
Contributions:		
Employer contributions	$ -	$ 749
Private donations	18	-
Total contributions	18	749
Investment income:		
Investment income	-	1,236
Less investment expense	-	(23)
Net investment income	-	1,213
Total additions	**18**	**1,962**
Deductions		
Benefits	-	1,293
Scholarships	17	-
Total deductions	**17**	**1,293**
Net increase in net position	**1**	**669**
Net position - beginning	5	16,522
Net position - ending	**$ 6**	**$ 17,191**

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility (see note 7).

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

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

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

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

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

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

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

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

<u>Basis of Presentation</u>

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

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

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Interest expense related to the sales tax revenue bonds and commercial paper, the taxable bonds, and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and toll road functions, respectively, as it would be misleading to exclude the interest from direct expenses and the borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2019, interest expense of $24,253 and $11,676, was included in Measure M and toll road program costs, respectively. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other revenues are not reported as program revenues and instead, are reported as general revenues.

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

OCTA reports the following major governmental funds:

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

- ***Local Transportation Authority (LTA) Fund*** – This special revenue fund accounts for revenues received and expenditures made and is restricted for the implementation of the Orange County Traffic Improvement and Growth Management Plan (Measure M). Funding is provided by a one-half percent sales and use tax assessed for twenty years pursuant to Measure M, which became effective April 1, 1991, and more recently was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance, as approved in an election by the voters of Orange County, requires that sales tax revenues only be expended on projects included in the ordinance.

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

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

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

OCTA reports the following enterprise funds:

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

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

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

Additionally, OCTA reports the following fund types:

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

OCTA reports the following fiduciary funds:

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OCTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt and compensated absences of governmental funds are recorded only when payment is due.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of OCTA's proprietary funds are charges to customers for services. Operating revenues relating to the 91 Express Lanes are presented net of discounts and allowances. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Investments

OCTA maintains cash and investments in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended on June 10, 2019. The Policy complies with, or is more restrictive than, the California Government Code (Code). The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2019, the investment portfolios were held by MUFG Union Bank, N.A. as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily account balances.

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

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

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 acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term notes, money market and mutual funds, mortgage or asset-backed securities, supranationals, LAIF, OCIP, investment pools, variable and floating rate securities, bank deposits and derivatives.

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.

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

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

Cash and Cash Equivalents

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

Receivables

Receivables include an estimate for outstanding unpaid violations of the 91 Express Lanes that OCTA anticipates to collect. For violations less than 90 days old, the receivable is based on a 12-month average of violations collected during that time and is recorded net of an allowance for uncollectible accounts of $1,159. For those violations in excess of 90 days, the receivable is estimated using a three-year average of violations collected and is recorded net, as the majority is not considered probable of collection. Additionally, the 91 Express Lanes records a receivable for amounts owed from customers, net of an allowance of $487. Approximately $17,416 of the 91 Express Lanes violations and customer receivables are not expected to be collected within one year.

Interfund Transactions

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

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2018-19 fiscal year, $67,780 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers' compensation. Charges for risk management services are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged $9,000 to OCTA's operating funds.

Inventory

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

Prepaid Retirement

Orange County Employee Retirement System (OCERS) provides a 4.50% discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2019-20 in order to benefit from this discount. For fiscal year 2017-18 and prior, under the full accrual basis of accounting, the portion of prepaid retirement, which was expected to reduce OCTA's net pension liability (NPL) at the next measurement date, was recorded as deferred outflows of resources. In fiscal year 2018-19, the amount is reported as prepaid asset.

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

Restricted Cash and Investments

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

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

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

The CCF shall hold, administer, invest, and reinvest the fund in accordance with the CCF's proposal and the objectives set forth in the Scope of Work of the Request for Proposal, each of which is incorporated into the agreement by reference, and in compliance with all applicable state and federal laws, including, but not limited to, Sections 65965, 65966, 69667, and 65968 of the California Government Code and the Uniform Prudent Management of Institutional Funds Act, California Probate Code Section 18501 et seq. The agreement shall remain in place in full force and effect through December 31, 2029.

Assets Held for Resale

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

Capital Assets

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

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

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

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

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

The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2065.

Compensated Absences

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes include a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. OCTA has three items that qualify for reporting in this category, which are reported in the government-wide statement of net position. The first item is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred outflow related to pensions, which represents OCTA's pension contributions made subsequent to the measurement date, change of assumptions, difference between expected and actual experience, and the net difference between projected and actual earnings on plan investments. The third item is the deferred outflow related to other postemployment benefits (OPEB), which represents the change of assumptions and difference between expected and actual experience.

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

Pension

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

Other Postemployment Benefits (OPEB)

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

Long-Term Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are 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. Bond issuance costs are recognized as an expense in the period incurred.

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

Risk Management

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

Property Taxes

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

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

Contributions to Other Agencies

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

Additionally, contributions are made to Southern California Regional Rail Authority (SCRRA) by LTA.

Net Position

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

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

- ***Restricted Net Position*** – This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net position reports $632,382 of net position restricted by enabling legislation for Measure M program and transportation programs.

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

Fund Balance Classifications

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

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

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

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

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

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

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

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

Use of Estimates

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds." The details of this $262,985 difference are as follows:

Capital assets	$ 271,679
Less accumulated depreciation	(8,694)
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	**$ 262,985**

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds." The details of this $(715,520) difference are as follows:

Bonds payable	$ (635,220)
Plus unamortized bond issuance premium (to be amortized to interest expense)	(68,874)
Administrative headquarters' rent holiday	(4,969)
Compensated absences	(6,457)
Net adjustment to decrease fund balance – total governmental funds to arrive at net position – governmental activities	**$ (715,520)**

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

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

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this $51,904 difference are as follows:

Capital outlay	$ 53,014
Depreciation expense	(1,110)
Net adjustment to increase net change in fund balance – total governmental funds to arrive at change in net position – governmental activities	**$ 51,904**

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities." The details of this $(396,381) difference are as follows:

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

3. CASH AND INVESTMENTS

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

Cash:		
Deposits	$	47,820
Petty Cash		5
Total cash		**47,825**
Investments:		
With Orange County Treasurer		14,353
With LAIF		10,628
With Trustee		513,867
With Custodian		1,527,684
With CA Community Foundation (CCF)		9,534
Total Investments		**2,076,066**
Total Cash and Investments	**$**	**2,123,891**

Total cash and investments are reported in the following funds:

Unrestricted Cash and Investments:		
Governmental Funds	$	1,344,048
Proprietary Funds:		
Enterprise		685,613
Internal Service		42,672
Restricted Cash and Investments:		
Governmental Funds:		
LTA		9,534
Proprietary Funds:		
Enterprise		24,827
Fiduciary Funds		17,197
Total Cash and Investments	**$**	**2,123,891**

Restricted investments represent reserves for debit service, capital and operations.

As of June 30, 2019, OCTA had the following investments along with weighted average maturity (WAM) information:

Investment	Fair Value	Interest Rate Range (Rounded)	Maturity Range	WAM (Years)
Orange County Investment Pool	$ 14,353	1.31% - 2.11%	1 day - 5 years	0.890
Local Agency Investment Fund*	10,628	1.854% - 2.428%	173 - 193 days	0.473
U. S. Treasuries	526,311	0.125% - 2.875%	08/31/19 – 03/31/24	2.264
U. S. Agency Notes	271,818	Discount, 0.875 - 4.410%	07/19/19 - 10/25/23	1.902
Medium Term Notes	341,134	Discount, 1.10% - 6.00%	07/02/19 - 06/26/23	1.625
Variable Rate Notes	80,854	Discount, 0.631% - 4.161%	07/05/19 - 10/31/22	1.490
Mortgage & Asset Backed Securities	213,938	1.077% - 6.00%	07/25/19 - 03/01/24	2.774
Money Market Funds *	127,448	1.93% - 2.24%	07/01/19 - 08/12/19	0.035
Municipal Debt	43,395	1.125% - 8.625%	08/01/19 - 11/01/22	1.411
Commercial Paper *	55,469	0.00% - 2.315%	07/03/19 - 12/16/19	0.208
Negotiable CD*	4,000	2.95%	09/24/19	0.236
CCF Investment Fund	9,534	N/A	N/A	N/A
Guaranteed Investment Contract	366,700	2.02%	04/01/21	1.756
Supranational	10,484	1.750%	09/14/22	3.211
Total Investments	**$ 2,076,066**			
Portfolio Weighted				**1.810**

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

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

As of June 30, 2019, most of OCTA's investments, categorized within the fair value hierarchy, are classified as Level 2. These investments are valued using the market valuation approach based on quoted prices for similar assets with exception of the investment in the CA Community Foundation Investment Fund (CCF) which is valued by the CCF 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.

		Fair Value Measurement using:		
	6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Treasuries	$ 526,311	$ -	$ 526,311	$ -
U.S. Agency Notes	271,818	-	271,818	-
Medium Term Notes	341,134	-	341,134	-
Mortgage & Asset Backed Securities	213,938	-	213,938	-
Variable Rate Notes	80,854	-	80.854	-
Municipal Debt	43,395	-	43,395	-
CCF Investment Fund	9,534	-	-	9,534
Guaranteed Investment Contract	366,700	-	366,700	-
Supranationals	10,484	-	10,484	-
Total Leveled Investments	**$ 1,864,168**	**$ -**	**$ 1,854,634**	**$ 9,534**
Investments Not Subject to the Fair Value Hierarchy				
Money Market Funds	127,448			
Orange County Investment Pool	14,353			
Local Agency Investment Fund	10,628			
Commercial Paper	55,469			
Negotiable Certificate of Deposit	4,000			
Total Investments Not Subject to the Fair Value Hierarchy	**$ 211,898**			
Total Investments	**$ 2,076,066**			

Interest Rate Risk

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

As of June 30, 2019, mortgage and asset-backed securities totaled $213,938. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AA or higher by a nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2019, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	1,179	LIBOR + 52.5 basis points	Quarterly
American Express	1,887	LIBOR + 62 basis points	Quarterly
Avalon Bay Communities	1,175	LIBOR + 43 basis points	Quarterly
Bank of America	1,096	T2 5/8 5/15/21 + 80 bp	Monthly
Bank of New York	605	LIBOR + 87 basis points	Quarterly
Caterpillar Financial	670	LIBOR + 23 basis points	Quarterly
Caterpillar Financial	2,105	LIBOR + 39 basis points	Quarterly
Chevron Corp.	3,084	LIBOR + 41 basis points	Quarterly
Comcast	1,628	LIBOR + 33 basis points	Quarterly
Federal Farm Credit Banks	5,773	LIBOR Flat	Monthly
Federal Farm Credit Banks	5,278	LIBOR Flat	Monthly
Federal Home Loan Banks	3,623	LIBOR - 4 basis points	Monthly
Federal Home Loan Banks	7,446	LIBOR - 17.5 basis points	Quarterly
Freddie Home Loan Mortgage	2,091	LIBOR - 16.5 basis points	Quarterly
Goldman Sachs	1,576	LIBOR + 78 basis points	Quarterly
HSBC USA	1,363	LIBOR + 61 basis points	Quarterly
Huntington National Bank	1,564	LIBOR + 51 basis points	Quarterly
Jackson National Life	3,072	LIBOR + 48 basis points	Quarterly
JP Morgan Chase	1,390	LIBOR + 68 basis points	Quarterly
JP Morgan Chase	787	T2 5/8 5/15/21 + 85 bp	Monthly
JP Morgan Chase	1,522	T2 1/31/20 + 48 bp	Monthly
JP Morgan Chase	1,752	LIBOR + 34 basis points	Quarterly
Key Bank	1,563	LIBOR + 81 basis points	Quarterly
Key Bank	4,195	LIBOR + 66 basis points	Quarterly
Merck & Co	1,383	LIBOR + 37.5 basis points	Quarterly
Morgan Stanley	1,337	LIBOR + 114 basis points	Quarterly
Morgan Stanley	1,222	LIBOR + 140 basis points	Quarterly
NCUA Guaranteed Notes	4,080	LIBOR + 45 basis points	Monthly
New York Life	1,262	LIBOR + 28 basis points	Quarterly
Paccar Financial	5,157	LIBOR + 26 basis points	Quarterly
Suntrust Bank	1,536	T2 1/31/20 + 48 bp	Monthly
Suntrust Bank	951	LIBOR + 59 basis points	Quarterly
UBS AG Stamford	594	LIBOR + 85 basis points	Quarterly
US Bank	1,702	LIBOR + 32 basis points	Quarterly
US Bank	2,506	LIBOR + 31 basis points	Quarterly
Wells Fargo & Co.	2,700	LIBOR + 93 basis points	Quarterly
Total Variable Rate Notes	**$ 80,854**		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk in terms of investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Policy requires that a third- party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2019, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

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

For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2019. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S&P	Moody's	% of Portfolio
CA Community Foundation Fund	NR	NR	0.46%
Orange County Investment Pool	NR	NR	0.69%
Local Agency Investment Fund	NR	NR	0.51%
U.S. Treasuries	US	US	25.35%
U.S. Agency Notes	AA	Aaa	13.09%
Medium Term Notes			
Corporate Notes	AAA	Aaa	0.35%
Corporate Notes	AA	Aaa	0.51%
Corporate Notes	AA	Aa	1.98%
Corporate Notes	AA	A	1.12%
Corporate Notes	A	Aa	0.94%
Corporate Notes	A	A	10.04%
Corporate Notes	A	Baa	0.16%
Corporate Notes	A	NR	0.09%
Corporate Notes	BBB	A	1.10%
Corporate Notes	BBB	Baa	0.14%
Mortgage and Asset-Backed Securities			
Securities	AAA	Aaa	2.54%
Securities	AAA	NR	1.71%
Securities	AA	Aaa	4.07%
Securities	NR	Aaa	1.99%

Investments	S&P	Moody's	% of Portfolio
Variable Rate Notes			
Notes	AA	Aaa	1.42%
Notes	AA	Aa	0.15%
Notes	AA	A	0.42%
Notes	A	Aa	0.19%
Notes	A	A	1.25%
Notes	A	Baa	0.12%
Notes	BBB	A	0.35%
Money Market Funds	AAA	Aaa	6.14%
Municipal Bonds			
Various Agencies	AA	Aa	0.94%
Various Agencies	AA	A	0.22%
Various Agencies	AA	NR	0.45%
Various Agencies	A	A	0.48%
Commercial Paper			
Various Commercial Paper	A-1	P-1	2.17%
MUFG Bank	NR	P-1	0.50%
Certificate of Deposit			
Toronto Dominion	A-1	P-1	0.19%
Guaranteed Investment Contract			
The Bank of Nova Scotia	A	Aa	17.66%
Supranational			
Inter-American Develop Bank	NR	NR	0.51%
Total			**100%**

Concentration of Credit Risk

At June 30, 2019, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines for All Securities Except U.S. Treasuries and U.S. Government Agency Securities

- Any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed 5% of the portfolio.

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

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

The following is a summary of the concentration of credit risk by issuer as a percentage of the OCTA's investment portfolio at June 30, 2019:

Issuer	Amount	% of OCTA's Portfolio
Federal Home Loan Mortgage Corporation	$126,715	6.10%
Federal Home Loan Banks	$114,266	5.50%

Investment in State Investment Pool

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

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

Investment in Orange County Investment Pool

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

Investment in CA Community Foundation Investment Pool

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

4. GRANTS AND STATE ASSISTANCE

Operating Assistance Grants

Under provisions of the Federal Transit Administration (FTA), funds are available to OCTA for Americans with Disabilities Act (ADA) paratransit operating assistance, preventive maintenance, capital cost of contracting, demonstration projects, transportation planning, and related services. The appropriations for fiscal year 2018-19 total $56,497. A receivable of $103,250 is outstanding as of June 30, 2019.

Capital Grants

Under the provisions of FTA, appropriations are available for the development and capital investments for a public transportation system including the acquisition and construction of facilities, transit vehicles and related support equipment. The appropriations for fiscal year 2018-19 related to capital investments total $6,476. A receivable of $11,439 is outstanding as of June 30, 2019.

Local Transportation Fund

In fiscal year 2018-19, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, monies are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In fiscal year 2018-19, OCTA and OCTD became entitled to $4,080 and $168,329 in LTF monies, respectively. This revenue was recorded as a transfer from LTF. The remaining revenues received by LTF were contributed to other agencies for use in transit projects.

State Transit Assistance Program

State Transit Assistance (STA) revenue is generated by the state sales tax on diesel fuel as specified under the gas tax swap enacted in March 2010. The Road Repair and Accountability Act of 2017, signed into law April 2017, provided additional funding to existing programs as well as created new programs. STA revenues are then distributed based on several demographic factors. OCTA received $35,263 and $5,673 in sales tax and transportation improvement fees respectively, in fiscal year 2018-19.

Proposition 1B

As part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by California voters as Proposition 1B (Prop 1B) on November 7, 2006, OCTA was awarded funding from the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and the Transit System Safety, Security and Disaster Response Account (TSSSDRA). During fiscal year 2018-19, OCTA received $0 in TSSSDRA funding. As of June 30, 2019, OCTA has unspent Prop 1B proceeds and interest of $6,597 and $0 in PTMISEA and TSSSDRA funds, respectively.

5. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2019 in the fund financial statements are as follows:

	Governmental Funds					Enterprise Funds			
Receivables:	**General**	**LTA**	**LTF**	**LTA Debt**	**Nonmajor Funds**	**OCTD**	**91 EL**	**Nonmajor Funds**	**Total**
Sales taxes	$ -	$ 60,576	$ 32,735	$ -	$ 10,340	$ -	$ -	$ -	$ 103,651
Projects	3,518	32,892	-	2,134	-	12	370	-	38,926
Other	658	1	-	-	6,273	5,765	-	34	12,731
Total	**$ 4,176**	**$ 93,469**	**$ 32,735**	**$ 2,134**	**$ 16,613**	**$ 5,777**	**$ 370**	**$ 34**	**$ 155,308**

Amounts due to other governments as of June 30, 2019 are as follows:

	Governmental Funds					Enterprise Funds			
Payables:	**General**	**LTA**	**LTF**	**General Capital Project**	**Nonmajor Funds**	**OCTD**	**91 EL**	**405 EL**	**Total**
Projects	$ 872	$ 11,545	$ -	$ 582	$ -	$ 616	$ 974	$ 491	$ 15,080
Use taxes	-	-	-	-	-	12	-	-	12
Other	27	201	243	-	70	611	-	-	1,152
Total	**$ 899**	**$ 11,746**	**$ 243**	**$ 582**	**$ 70**	**$ 1,239**	**$ 974**	**$ 491**	**$ 16,244**

6. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2019 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	LTA Fund	$ 593	ARTIC Station & Placentia Station
General Fund	LTF Fund	1,089	LTF Planning cost
General Fund	OCTD Fund	148	Anaheim Transportation Network
General Capital Project	LTA Fund	11,966	OC Streetcar project
Nonmajor Governmental Funds	LTA Fund	48	Placentia loan
OCTD Fund	Nonmajor Governmental Funds	10,340	OCTD capital and operating cost
OCTD Fund	LTF Fund	12,744	OCTD & CTSA operations

Receivable Fund	Payable Fund	Amount	Explanation
OCTD Fund	LTA Fund	544	Mission Viejo Transit & Irvine Shuttle operations
LTA Fund	91 Express Lanes Fund	203	SR-91 Improvement project
LTA Fund	Nonmajor Governmental Funds	1,584	Funding for temporary cash deficit
Total		**$ 39,259**	

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
Nonmajor Governmental Funds	LTA Fund	1,109	M2 Expenditures
Total		**$ 1,109**	

Beginning with fiscal year 2006-07, OCUTT advanced monies to LTA to cover expenditures such as election costs, administrative costs, and accrued interest. The advance does not have a defined maturity schedule. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (2.39% for fiscal year 2018-19). LTA began repaying OCUTT when Measure M funds were collected.

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
General Fund	General Capital Project	$ 7	SR-73 Connector project
General Fund	LTA Fund	4,747	Transportation Security Operations Center Land (TSOC)
LTA Fund	General Fund	10	Placentia Rail Station
LTA Fund	LTA Debt Service Fund	34,874	Debt service
LTA Fund	General Capital Project	36,409	OC Streetcar project
LTA Fund	OC Streetcar	396	OC Streetcar project
LTA Fund	OCTD Enterprise Fund	12,507	Fare Stabilization, Commuter Rail, La Habra service, Irvine Shuttle & FTA asset sale proceeds
Local Transportation Fund	General Fund	4,080	OCTA planning & Administration
Local Transportation Fund	OCTD Enterprise Fund	168,329	OCTD and CTSA operations
Nonmajor Governmental Funds	OCTD Enterprise Fund	42,879	OCTD capital & operating cost
405 Express Lanes	LTA Fund	70,243	405 Express Lanes project
91 Express Lanes	LTA Fund	659	SR-91 Improvement project

Transfers Out	Transfers In	Amount	Explanation
OCTD Enterprise Funds	General Fund	4,004	Transportation Security Operations Center Land (TSOC) & Anaheim Transportation Network
Total		**$ 379,145**	

7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 172,238	$ -	$ (2)	$ -	$ 172,236
Construction in progress	35,086	52,554	-	(106)	87,534
Total capital assets, not being depreciated	207,324	52,554	(2)	(106)	259,770
Capital assets, being depreciated:					
Building and improvements	3,877	-	(2,209)	-	1,668
Machinery, equipment and furniture	13,369	462	(3,696)	106	10,241
Total capital assets, being depreciated	17,246	462	(5,905)	106	11,909
Less accumulated depreciation for:					
Buildings and improvements	(2,885)	(66)	1,859	(78)	(1,170)
Machinery, equipment and furniture	(10,252)	(1,044)	3,694	78	(7,524)
Total accumulated depreciation	(13,137)	(1,110)	5,553	-	(8,694)
Total capital assets, being depreciated, net	4,109	(648)	(352)	106	3,215
Governmental activities capital assets, net	**$ 211,433**	**$ 51,906**	**$ (354)**	**$ -**	**$ 262,985**
Business-type activities:					
Capital assets, not being depreciated:					
Land	$52,402	$4,731	$ -	$ -	$ 57,133
Construction in progress	94,961	58,655	-	(3,670)	149,946
Total capital assets, not being depreciated	147,363	63,386	-	(3,670)	207,079
Capital assets, being depreciated and amortized:					
Building and improvements	153,178	1,014	(5,171)	-	149,021
Transit vehicles	362,074	8,158	(39,713)	3,029	333,548
Machinery, equipment and furniture	95,887	471	(14,773)	641	82,226
Toll facility franchise	205,264	-	-	-	205,264
Total capital assets, being depreciated and amortized	816,403	9,643	(59,657)	3,670	770,059

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Less accumulated depreciation and amortization for:					
Buildings and improvements	(87,362)	(6,278)	3,105	-	(90,535)
Transit vehicles	(201,722)	(31,171)	39,713	-	(193,180)
Machinery, equipment and furniture	(67,929)	(5,274)	14,764	-	(58,439)
Toll facility franchise	(82,396)	(2,586)	-	-	(84,982)
Total accumulated depreciation and amortization	(439,409)	(45,309)	57,582	-	(427,136)
Total capital assets, being depreciated and amortized, net	376,994	(35,666)	(2,075)	3,670	342,923
Business-type activities capital assets, net	**$ 524,357**	**$ 27,720**	**$ (2,075)**	**$ -**	**$ 550,002**

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General Government	$ 980
Motorist services	130
Total depreciation expense – governmental activities	**$ 1,110**
Business-type activities:	
Fixed route	$ 37,655
Paratransit	4,214
Toll road	3,440
Total depreciation and amortization expense – business-type activities	**$ 45,309**

Toll Facility Franchise

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

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

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

8. RISK MANAGEMENT – CLAIMS LIABILITY

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

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

	2019	2018
General Liability		
Unpaid claims as of July 1	**$ 3,698**	**$ 3,679**
Incurred claims (including claims incurred but not reported as of 6/30)	144	145
Payments	(503)	(1,549)
Increase/(decrease) in provision for prior years' events	(58)	1,423
Unpaid claims at June 30	**3,281**	**3,698**

	2019	2018
Workers' Compensation		
Unpaid claims as of July 1	**14,224**	**13,218**
Incurred claims (including claims incurred but not reported as of 6/30)	2,229	2,388
Payments	(4,966)	(4,350)
Increase in provision for prior years' events	3,532	2,968
Unpaid claims at June 30	**15,019**	**14,224**
Total unpaid claims at June 30	**18,300**	**17,922**
Less current portion of unpaid claims	**3,458**	**3,374**
Total long-term portion of unpaid claims	**$ 14,842**	**$ 14,548**

9. LONG-TERM DEBT

Sales Tax Revenue Bonds

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

On February 12, 2019, LTA issued $376,690 in M2 Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2019 (the "Series 2019 Bonds"), i) to finance the costs of certain transportation projects located in Orange County, consisting of the general purpose lanes of 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 iii) 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 OCTA's outstanding debt obligations related to M2 Sales Tax Revenue Bonds contain a provision that in an event of default, bondholders have the right to sue in order to force the Authority to cure the event of default, which may result in finance related consequences.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)	2019 Series (Tax-Exempt Bonds)
Issuance date	12/9/10	12/9/10	2/12/19
Original issue amount	$ 293,540	$ 59,030	$ 376,690
Original issue premium	-	6,023	69,342
Net Bond Proceeds	**$ 293,540**	**$ 65,053**	**$ 446,032**
Issuance costs	$ 1,905	$ 274	$ 970
Interest rates	5.56%-6.91%	3.00%-5.00%	3.00%-5.00%
Maturity range	2021-2041	2014-2020	2021-2041
Final maturity	2041	2020	2041
Bonds outstanding	$ 250,000	$ 8,530	$ 376,690
Plus unamortized premium	-	602	68,271
Total	**$ 250,000**	**$ 9,132**	**$ 444,961**

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

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

Toll Road Revenue Refunding Bonds

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

The OCTA's outstanding debt obligations related to Toll Road Revenue Refunding Bonds contain a provision that in an event of default, bondholders have the right to sue in order to force the Authority to cure the event of default, which may result in finance related consequences.

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

Issuance date	7/30/13
Closing date	8/8/13
Original issue amount	$124,415
Cash reserve requirements	$22,780*
Cash reserve balance	$24,827
Interest rate range	2% - 5%
Maturity	December 2030
Principal payment date	August 15
Current balance	$97,795
Unamortized premium	$7,378
Deferred amount on refunding	$(7,672)

*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the following three reserve funds are required to be maintained: Senior Lien Reserve Fund $9,780, Major Maintenance Reserve Fund $10,000, and Operating Reserve Fund $3,000. At June 30, 2019, all reserve requirements have been satisfied.

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

Year Ending June 30,	**Principal**	**Interest**
2020	$ 6,110	$ 4,688
2021	6,420	4,375
2022	6,750	4,045
2023	7,095	3,700
2024	7,460	3,336
2025-2029	43,445	10,543
2030-2031	20,515	1,076
Total	**$ 97,795**	**$ 31,763**

TIFIA Loan Agreement

On July 26, 2017, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a TIFIA loan of up to $628,930 as a direct borrowing per GASB 88 for eligible project costs for the I-405 Improvement Project. The Bureau required OCTA to secure a $900,000 line of credit secured by future M2 debt issuances to be committed at the time of closing on the TIFIA loan. The OCTA Board of Directors selected Bank of America N.A. (BANA) to provide a $900,000 line of credit to meet the Bureau's requirement. The line of credit was set up as two separate Credit and Fee Agreements, one with a 2019 maturity in the amount of $400,000, and the other with a 2021 maturity, 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. There were no amounts drawn on the line of credit as of June 30, 2019, the 2019 Credit and Fee Agreement line of credit matured in early 2019; therefore, the unused line of credit balance is $500,000. The legal documents for the line of credit contain provisions that in an event of default, the Bank may exercise rights and remedies that could have finance related consequences, termination events with finance-related consequences, and subjective acceleration clauses whereas all obligations become immediately due and payable.

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

During construction and for a period of up to five years following the substantial completion, interest is capitalized and added to the initial TIFIA loan. The loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent that additional funds are available. Annual debt service requirements will be determined once the final draw on the TIFIA loan are made, which is scheduled to occur in 2023. TIFIA debt service payments are expected to commence on December 1, 2027, which is approximately five years after expected substantial completion of the I-405 Improvement Project, through December 1, 2057. The interest rate of the TIFIA loan is 2.91%. As of June 30, 2019, $287,000 was drawn on the TIFIA loan, and the unused balance is $341,930. The amount outstanding under the TIFIA loan at June 30, 2019 is $294,762.

The TIFIA loan is secured solely by toll revenues of the I-405 Express Lanes, which is estimated to open in 2023. The loan is non-recourse debt and is issued on a senior lien basis. The credit rating on the TIFIA loan is Baa2 (Moody's). The legal documents for the TIFIA loan contain provisions with finance related consequences, that if an event of default occurs and continues, the trust estate shall be under the control of the trustee. Also, under the TIFIA Loan Agreement interest increases to the Default Rate, and the US Department of Transportation has the option of holding up loan disbursements. The OCTA's legal documents also contain acceleration clauses, whereas the OCTA's obligations shall automatically become due and payable.

Changes in Long-Term Debt

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Business-type activities:					
Tax-exempt bonds	$ 103,605	$ -	$ (5,810)	$ 97,795	$ 6,110
Unamortized premium	8,022	-	(644)	7,378	-
Subtotal for Tax-exempt bonds	111,627	-	(6,454)	105,173	6,110
Direct Borrowing-TIFIA loan	165,988	128,774	-	294,762	-
Total business-type activities	**$ 277,615**	**$ 128,774**	**$ (6,454)**	**$ 399,935**	**$ 6,110**

Arbitrage Rebate

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

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

Pledged Revenue

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

Debt service payments as a ratio of the pledged gross revenue, less certain expenditures/expenses as required by the debt agreement, for the year ended June 30, 2019, are indicated in the following table and OCTA is in compliance with the ratio per the debt agreement:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	$258,085	$ 28,795	8.96
91 Express Lanes Net Toll Road Revenue	$ 49,624	$ 10,796	4.60

10. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Compensated absences	$ 5,918	$ 6,719	$ (6,166)	$ 6,471	$ 14
Rent holiday	4,842	127	-	4,969	-
Net pension liability	59,676	29,886	(8,718)	80,844	-
Total OPEB liability	872	104	(57)	919	-
Total governmental activities	**$ 71,308**	**$ 36,836**	**$ (14,941)**	**$ 93,203**	**$ 14**
Business-type activities:					
Claims payable	$ 17,922	$ 5,847	$ (5,469)	$ 18,300	$ 3,458
Compensated absences	7,715	9,489	(9,282)	7,922	6,906
Net pension liability	153,163	54,122	(15,691)	191,595	-
Total OPEB liability	560	1,483	(35)	2,008	-
Total business-type activities	**$ 179,360**	**$ 70,941**	**$ (30,477)**	**$ 219,824**	**$ 10,364**

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

11. PENSION PLANS

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

A summary of pension amounts for OCTA's plans at June 30, 2019 is presented below:

	OCERS	ARBA	Total
Deferred outflows – pensions	$ 68,688	$ 2,119	$ 70,807
Net pension liability	$ 269,789	$ 2,650	$ 272,439
Deferred inflows - pensions	$ 35,231	$ 2,380	$ 37,611
Pension expenses	$ 35,100	$ 574	$ 35,674

A. Orange County Employees Retirement System

General Information about the Pension Plan

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

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

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

Funding contributions for the OCERS plan are determined annually on an actuarial basis by OCERS. The contribution requirement for the year ended June 30, 2019 was 28.09% of total covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. OCTA's contributions to OCERS were $24,690 for the year ended June 30, 2019.

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

As of June 30, 2019, OCTA reported a liability of $269,789 for its proportionate share of the net pension liability (NPL). The NPL was measured as of December 31, 2018, and determined by rolling forward the total pension liability (TPL) as of December 31, 2017 actuarial valuation date. OCTA's proportionate share of the TPL has been determined by OCERS' actuary based upon employer contributions within each rate group. While OCERS is comprised of many rate groups, and certain rate groups may have multiple employer participants, OCTA is the only employer within its own individual rate group. Legally required employer contributions for each year less any amounts of those legally required contributions that are paid by the employees are used as the basis for determining each participating employer's proportion of total contributions. Contributions made by the employer on behalf of employees under Government Code Section 31581.2 are considered employee contributions and are not included in the proportionate share calculation.

At December 31, 2018, OCTA's proportion was 4.353%, which was an increase of 0.07% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, OCTA recognized pension expense of $35,100. At June 30, 2019, OCTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,958	$ -
Net difference between projected and actual earnings on plan investments	27,096	-
Difference between expected and actual experience	430	31,328
Changes of assumptions	29,204	3,903
Total	$ 68,688	$ 35,231

$11,958 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows/outflows of resources related to changes of assumptions and difference between expected and actual experience will be recognized as pension expense over the average of the expected remaining service lives of all employees that are provided with pensions through OCERS which is 5.91 years determined as of December 31, 2017 (the beginning of the measurement period ended December 31, 2018). In addition, the net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period on a straight-line basis beginning with the year in which they occur.

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

Year ended June 30:	Increase/(Decrease) in Pension Expense
2020	$ 4,198
2021	281
2022	3,397
2023	15,447
2024	(1,824)
Total	$ 21,499

Actuarial Assumptions

Following are the key methods and assumptions used for the TPL as of December 31, 2018:

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

Mortality Assumptions: The underlying mortality assumptions used in the TPL at December 31, 2018 were based on the results of the actuarial experience study for the period January 1, 2014 through December 31, 2016 using the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table as a starting point, projected generationally using the two-dimensional Scale MP-2016, with age adjustments, and adjusted separately for healthy and disabled. In general, using a generational mortality table anticipates increases in the cost of the Plan over time as participants' life expectancies are projected to increase. This is in contrast to updating a static mortality assumption with each experience study as proposed in prior experience studies.

Long-term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses.

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity	35.00%	6.38%
Core Bonds	13.00%	1.03%
High Yield Bonds	4.00%	3.52%
Bank Loan	2.00%	2.86%
TIPS	4.00%	0.96%
Emerging Market Debt	4.00%	3.78%
Real Estate	10.00%	4.33%

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Core Infrastructure	2.00%	5.48%
Natural Resources	10.00%	7.86%
Risk Mitigation	5.00%	4.66%
Mezzanine/Distressed Debts	3.00%	6.53%
Private Equity	8.00%	9.48%
Total	**100.00%**	

Discount Rate: The discount rate used to measure the TPL was 7.00% as of December 31, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2018 and 2017.

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

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
OCTA's Proportionate Share of the NPL	$ 410,028	$ 269,789	$ 155,790

Pension Plan Fiduciary Net Position

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

B. Supplemental Pension Plan

General Information about the Supplemental Pension Plan

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

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

Employees Covered by Benefit Terms: At June 30, 2019, the following employees were covered by the benefit terms:

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

Contributions: OCTA's policy is to make required contributions as determined by the plan's actuary. The required contributions were determined as part of the January 1, 2018 actuarial valuation. The actuarial determined contribution rate for the year ended June 30, 2019 was 0.54% of annual covered payroll and OCTA's contribution to the plan was $749. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. ARBA requires no employee contributions. Administrative costs of ARBA are paid through investment earnings.

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

The following was the assumed asset allocation as of June 30, 2019:

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

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

OCTA's NPL for the ARBA is measured as the TPL, less ARBA's fiduciary net position. The NPL is measured as of June 30, 2019, using a bi-annual actuarial valuation as of January 1, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the NPL is shown below.

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

<u>Actuarial Assumptions:</u> The total pension was determined using the following actuarial assumptions:

Valuation Date	January 1, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry age normal cost Actuarial
Actuarial Assumptions:	
Investment Rate of Return	7.25% net of pension plan investment expenses, including inflation
Discount Rate	7.25%
Inflation Rate	3.25%
Cost of Living Adjustment	Not applicable
Projected Salary Increases	Inflation plus 0.5% per annum across-the-board salary increase plus merit and promotional increases

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006), which has changed from the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 used as of June 30, 2018.

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019 are summarized in the following table:

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

Discount Rate: As of June 30, 2019 measurement date, the discount rate used to measure the TPL was 7.25%, which has not changed from June 30, 2018. The projection of cash flows used to determine the discount rate assumed that ongoing contributions will be made at the actuarial determined amounts.

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/2018	$ 17,245	$ 16,523	$ 722
Changes for the year:			
Service Cost	404	-	404
Interest	1,206	-	1,206
Difference between expected and actual experience	(175)	-	(175)
Changes of assumptions	2,366	-	2,366
Contributions – Employer	-	749	(749)
Net investment income	-	1,236	(1,236)
Benefits payments, including refunds of employee	(1,205)	(1,294)	89
Administrative expense	-	(23)	23
Net changes	2,596	668	1,928
Balance at 6/30/2019	$ 19,841	$ 17,191	$ 2,650
Plan fiduciary net position as a percentage of the total pension liability			86.64%

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

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
OCTA's net pension liability	$ 5,994	$ 2,650	$ 1,889

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

For the year ended June 30, 2019, OCTA recognized pension expense for the ARBA of $574. At June 30, 2019, OCTA reported deferred outflows/inflows of resources related to ARBA from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ -	$ 118
Difference between expected and actual experience	-	1,073
Changes of assumptions	2,119	1,189
Total	$ 2,119	$ 2,380

$118 reported as deferred inflows of resources related to investment earnings is the cumulative net difference that will be recognized as pension expense using a systematic and rational method over an initial five-year closed period. All other amounts reported as deferred outflows/inflows of resources are also cumulative and will be recognized as pension expense over the average of the expected remaining service lives of all employees. Below is the amortization schedule of collective deferred outflows/inflows of resources:

Year ended June 30,	Increase/(Decrease) in Pension Expense
2020	$ (64)
2021	(215)
2022	(101)
2023	(103)
2024	(114)
Thereafter	336
Total	$ (261)

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Effective July 1, 2018, Coach Operators became eligible to participate in the Other Postemployment Benefits (OPEB) plan sponsored and administered by OCTA. Previously, only Unrepresented Administrative Employees and Transportation Communications International Union Employees were eligible to continue participating in the group healthcare insurance program after retirement until age 65 for retirees who retire directly from OCTA. Unrepresented Administrative Employees and Transportation Communications International Union Employees in OCERS Plan A and B must be at a minimum of age 50 with at least ten years of OCTA service and OCERS Plan U members must be at a minimum of age 52 with at least five years of OCTA service to meet eligibility requirements. Coach Operators in OCERS Plan A and B must be at a minimum of age 55 with at least ten years of OCTA service and OCERS Plan U members must be at a minimum of age 55 with at least five years of OCTA service for eligibility. The retiree pays the full premium for retiree, spouse and dependents. OCTA does not provide any cash subsidy towards retiree medical benefits.

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

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

For fiscal year ended June 30, 2019, the implied subsidy was determined as part of the June 30, 2019 actuarial valuation. The estimated implied subsidy at June 30, 2019 was $183.

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

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefit	0
Active employees	986
Total participants covered by OPEB Plan	1,015

Total OPEB liability

OCTA's total OPEB liability (TOL) of $2,927 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date. The valuation and measurement dates for fiscal year ended June 30, 2019 were as of the same date, which has changed from fiscal year ended June 30, 2018 in which the valuation and measurement dates were as of January 1, 2018.

Actuarial assumptions and other inputs:

The TOL of $2,927 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.50%
Healthcare Cost Trend Rates:	
2019 – 2020 Current Year Trend	6.50%
2020 – 2021 Trend	6.00%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2022
Salary Increases	3.25%

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of June 30, 2019, an increase from the discount rate used for fiscal year ended June 30, 2018 of 3.44%, which was as of January 1, 2018.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Year 2006), which has changed from RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 used for fiscal year ended June 30, 2018.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance at 6/30/2018	**$ 1,432**
Changes for the Year:	
Service cost	112
Interest	48
Changes in assumptions	(4)
Differences between expected and actual experience	12
Plan change (addition of coach operators)	1,419
Benefit payments	(92)
Net changes	**1,495**
Balance at 6/30/2019	**$ 2,927**

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the TOL of OCTA, calculated using the discount rate of 3.50%, as well as what OCTA's TOL would be if it was calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
OCTA's total OPEB liability	$ 3,057	$ 2,927	$ 2,792

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the TOL of OCTA, calculated using an initial trend rate of 6.50%, as well as what OCTA's TOL would be if it was calculated using a trend rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
OCTA's total OPEB liability	$ 2,531	$ 2,927	$ 3,393

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

For the year ended June 30, 2019, OCTA recognized OPEB expense of $1,916. At June 30, 2019, OCTA reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 453	$ -
Changes of assumptions	27	2
Total	$ 480	$ 2

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

Year ended June 30:	Increase/(Decrease) in OPEB Expense
2020	$ 111
2021	111
2022	111
2023	111
2024	34
Total	$ 478

13. PURCHASE COMMITMENTS

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

Total commitments at June 30, 2019 are as follows:

	Total Purchase Commitments	**Reserve for Encumbrances**	**Unencumbered Purchase Commitments**
Governmental Funds:			
General	$ 117,042	$ 6,415	$ 110,627
LTA	1,150,140	677,457	472,683
LTF	125	-	125
Nonmajor governmental funds	297,410	251,592	45,818
Total Governmental Funds	1,564,717	935,464	629,253

	Total Purchase Commitments	Reserve for Encumbrances	Unencumbered Purchase Commitments
Proprietary Funds:			
OCTD	192,092	21,046	171,046
91 Express Lanes	56,163	14,137	42,026
I-405 Express Lanes	242,287	209,873	32,414
Internal Service Funds	1,444	652	792
Total Proprietary Funds	491,986	245,708	254,783
Total	$ 2,056,703	$ 1,181,172	$ 884,036

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

14. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

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

Federal Grants

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

Lease Commitments

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

Total costs for leases for the year ended June 30, 2019 amounted to $6,677. Future minimum payments for these leases are as follows:

Year Ending June 30:	**Amount**
2020	$ 6,320
2021	4,236
2022	4,247
2023	4,258
2024	4,270
2025-2029	19,931
2030-2031	528
Total	**$ 43,790**

15. JOINT VENTURE

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority (JPA) created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino County Transportation Authority (SBCTA) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its pro rata share of rail lines serving Orange County. OCTA expended $20,233 during fiscal year 2018-19 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by, and available from, SCRRA, which is located at One Gateway Plaza, 12th Floor, Los Angeles, CA 90012.

OCTA is one of 11 members of the Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor Agency, a JPA created in 1989 and amended in 2013. The purpose of the JPA is to oversee passenger rail service and improvements in the rail corridor between San Diego, Los Angeles and San Luis Obispo. The LOSSAN's board consists of two members appointed by the LACMTA; two members appointed by OCTA; one member appointed by RCTC; one member appointed by VCTC; one member appointed by the Santa Barbara County Association of Governments; one member appointed by the San Luis Obispo Council of Governments and the following three agencies receive one member appointment but only two votes – the San Diego Metropolitan Transit System, the North County Transit District, and the San Diego Association of Governments. OCTA was selected as the managing agency for LOSSAN and is responsible for the ongoing coordination and service integration efforts. Administrative support is funded by the member agencies. OCTA charged $2,747 to LOSSAN for administrative support during fiscal year 2018-19. Separate financial statements are prepared by, and available from, LOSSAN at the OCTA offices which is located at 550 South Main Street, Orange, CA 92868.

16. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the LTF, contributions to other local agencies and transfers exceeded appropriations in the amount of $89 and $6,104 respectively, due to OCTA receiving more sales tax revenue over the 12-month apportionment period than anticipated and transferred out to OCTD based on monthly sales tax receipts.

In the STAF, expenditures exceeded appropriations for supplies and services in the amount of $1 due to larger administrative expenses than OCTA anticipated during the budget process. In addition, transfers exceeded appropriations in the amount of $7,130 due to OCTA receiving more revenue over the 12-month apportionment period than anticipated and transferred out to OCTD based on gas tax receipts as well as an unaccrued transfer based on prior year activity that took place in this fiscal year.

In the CURE fund, expenditures exceeded appropriations for supplies and services and contributions to other local agencies in the amount of $38 and $34, respectively due to larger administrative expenses than OCTA anticipated during the budget process.

17. FUND DEFICIT

The I-405 Express Lanes (I-405 EL) fund, an enterprise fund, had a net position deficit of $75,842. The deficit was primarily due to the fact that the fund is at construction phase and does not have operating revenue.

The Orange County Taxi Administration Program (OCTAP) fund, an enterprise fund, had a net position deficit of $504. The fund deficit was the result of operating expenses exceeding operating revenues due to a decrease in operating revenue from permit fees.

Service Authority for Freeway Emergencies (SAFE) fund, a special revenue fund, had a fund balance deficit of $883. The fund deficit was mainly due to the timing issue of operating grants as a result of availability test.

18. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 83

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

GASB Statement No. 84

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

GASB Statement No. 87

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

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for OCTA's fiscal year ending June 30, 2019. See note 9.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for OCTA's fiscal year ending June 30, 2021. OCTA, however, has early adopted this Statement in this fiscal year.

GASB Statement No. 90

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

GASB Statement No. 91

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Budgetary Basis)
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines	$ 185	$ 185	$ 198	$ 13
Contributions from other agencies	8,857	8,857	7,837	(1,020)
Interest and investment income	388	388	388	-
Capital assistance grants	1,150	1,150	41	(1,109)
Miscellaneous	87	87	2,637	2,550
Total revenues	**10,667**	**10,667**	**11,101**	**434**
Expenditures				
Current:				
General government:				
Salaries and benefits	58,522	58,862	55,469	3,393
Supplies and services	31,836	31,486	25,241	6,245
Interfund reimbursements	(70,738)	(70,738)	(67,780)	(2,958)
Transportation:				
Contributions to other local agencies	2,992	2,992	2,615	377
Capital outlay	4,202	4,070	2,374	1,696
Total expenditures	**26,814**	**26,672**	**17,919**	**8,753**
Deficiency of revenues under expenditures	**(16,147)**	**(16,005)**	**(6,818)**	**9,187**
Other financing sources (uses)				
Transfers in	9,391	9,391	8,358	(1,033)
Transfers out	-	-	(4,754)	(4,754)
Proceeds from sale of capital assets	111	111	105	(6)
Total other financing sources	**9,502**	**9,502**	**3,709**	**(5,793)**
Net change in fund balance	**$ (6,645)**	**$ (6,503)**	**$ (3,109)**	**$ 3,394**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (3,109)
Net change in fund balance (budgetary basis) - from CURE fund	3,939
Less: Estimated revenues for encumbrances outstanding at June 30	1,138
Less: Estimated revenues for encumbrances outstanding at June 30 - from CURE fund	187
Add: Current year encumbrances outstanding at June 30 - from CURE fund	691
Add: Current year encumbrances outstanding at June 30	5,844
Net change in fund balance (GAAP basis)	$ 6,040

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Authority Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts			
(amounts expressed in thousands)	**Original**	**Final**	**Actual Amounts**	**Variance with Final Budget**
Revenues				
Sales tax revenue	$ 332,170	$ 332,170	$ 338,666	$ 6,496
Fines	175	175	-	(175)
Contributions from other agencies	60,646	60,646	106,488	45,842
Interest and investment income	7,470	7,470	40,024	32,554
Miscellaneous	4,490	4,490	456	(4,034)
Total revenues	**404,951**	**404,951**	**485,634**	**80,683**
Expenditures				
Current:				
General government:				
Supplies and services	169,600	168,819	110,311	58,508
Transportation:				
Contributions to other local agencies	175,551	175,517	109,552	65,965
Capital outlay	972,401	972,401	842,762	129,639
Debt service:				
Interest	-	-	47	(47)
Bond issuance costs	-	1,000	826	174
Total expenditures	**1,317,552**	**1,317,737**	**1,063,498**	**254,239**
Deficiency of revenues under expenditures	**(912,601)**	**(912,786)**	**(577,864)**	**334,922**
Other financing sources (uses)				
Transfers in	32,145	32,145	75,649	43,504
Transfers out	(99,940)	(99,940)	(84,196)	15,744
Bond issuance	-	-	376,690	376,690
Bond premium	-	-	69,342	69,342
Payment to refunded bond escrow agent	-	-	(45,062)	(45,062)
Total other financing sources (uses)	**(67,795)**	**(67,795)**	**392,423**	**460,218**
Net change in fund balance	**$ (980,396)**	**$ (980,581)**	**$ (185,441)**	**$ 795,140**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (185,441)
Less: Estimated revenues for encumbrances outstanding at June 30	46,996
Add: Current year encumbrances outstanding at June 30	677,337
Net change in fund balance (GAAP basis)	$ 444,900

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 170,867	$ 170,867	$ 180,737	$ 9,870
Interest and investment income	47	47	211	164
Total revenues	**170,914**	**170,914**	**180,948**	**10,034**
Expenditures				
Current:				
General government:				
Supplies and services	2,193	2,193	2,178	15
Transportation:				
Contributions to other local agencies	2,416	2,416	2,505	(89)
Total expenditures	**4,609**	**4,609**	**4,683**	**(74)**
Excess of revenues over expenditures	**166,305**	**166,305**	**176,265**	**9,960**
Other financing uses				
Transfers out	(166,305)	(166,305)	(172,409)	(6,104)
Total other financing uses	**(166,305)**	**(166,305)**	**(172,409)**	**(6,104)**
Net change in fund balance	**$ -**	**$ -**	**$ 3,856**	**$ 3,856**

See accompanying notes to required supplementary information.

(amounts expressed in thousands)

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

Orange County Employees Retirement System Pension Plan

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014
OCTA's Proportion of the NPL	4.353%	4.283%	4.436%	4.377%	4.006%	4.112%
OCTA's proportionate share of the NPL	$269,789	$212,117	$ 230,261	$ 250,193	$203,592	$217,569
OCTA's covered payroll	$97,230	$94,528	$ 94,507	$ 93,110	$95,061	$ 92,200
OCTA's proportionate share of the NPL as a percentage of its covered payroll	277.48%	224.40%	243.64%	268.71%	214.17%	235.98%
Plan fiduciary net position as a percentage of the total pension liability	70.03%	74.93%	71.16%	67.10%	69.42%	67.16%

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

Schedule of OCTA Contributions

Orange County Employees Retirement System Pension Plan

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 24,690	$ 24,811	$ 23,900	$ 26,347	$ 24,722	$ 22,244
Contributions in relation to the actuarially determined contributions	24,690	24,811	23,900	26,347	24,722	22,244
Contribution excess (deficiency)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 87,887	$ 86,117	$ 86,925	$ 97,616	$ 92,878	$ 94,244
Contributions as a percentage of covered payroll	28.09%	28.81%	27.50%	26.99%	26.62%	23.60%

Change of assumptions: For fiscal year 2017-18 and later, mortality assumptions were based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table rather than the RP-2000 Combined Healthy Mortality Table, which was used to determine amounts reported prior to fiscal year 2017-18. The discount rate used to measure the TPL was 7.00% in fiscal year 2017-18 and 7.25% in fiscal year 2016-17.

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

(amounts expressed in thousands)

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

Additional Retiree Benefit Account Plan

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 404	$ 377	$ 401	$ 361	$ 423	$ 388
Interest	1,206	1,229	1,260	1,294	1,240	1,214
Changes of assumptions	2,366	-	-	(2,140)	207	-
Difference between expected and actual experience	(175)	(1,220)	-	(99)	-	-
Benefit payments, including refunds of employee contributions	(1,205)	(1,205)	(1,145)	(1,066)	(980)	(1,010)
Net change in total pension liability	2,596	(819)	516	(1,650)	890	592
Total pension liability - beginning	17,245	18,064	17,548	19,198	18,308	17,716
Total pension liability - ending (a)	$ 19,841	$ 17,245	$ 18,064	$ 17,548	$ 19,198	$ 18,308
Plan fiduciary net position						
Contributions - employer	$ 749	$ 931	$ 929	$ 955	$ 875	$ 848
Net investment income	1,236	1,180	1,596	209	467	2,075
Benefit payments, including refunds of employee contributions	(1,294)	(1,205)	(1,145)	(1,066)	(980)	(897)
Administrative expenses	(23)	(24)	(24)	(24)	(24)	(23)
Net change in plan fiduciary net position	$ 668	$ 882	$ 1,356	$ 74	$ 338	$ 2,003
Plan fiduciary net position - beginning	16,523	15,641	14,285	14,211	13,873	11,870
Plan fiduciary net position - ending (b)	$ 17,191	$ 16,523	$ 15,641	$ 14,285	$ 14,211	$ 13,873
Net pension liability - ending (a) - (b)	$ 2,650	$ 722	$ 2,423	$ 3,263	$ 4,987	$ 4,435
Plan fiduciary net position as a percentage of the total pension liability	86.64%	95.81%	86.59%	81.40%	74.02%	75.78%
Covered payroll	$ 99,440	$ 95,212	$ 95,015	$ 94,011	$ 92,403	$ 89,494
Net pension liability as a percentage of covered payroll	2.66%	0.76%	2.55%	3.47%	5.40%	4.96%

Notes to the schedule for Additional Retiree Benefit Account Plan

Change of assumptions: In fiscal year 2015-16, amounts reported as changes of assumptions resulted from adjustments to discount rate. In fiscal year 2018-19, there was a change in the mortality assumptions.

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

(amounts expressed in thousands)

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

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	0.10%	4.60%	11.09%	1.47%	3.38%	17.51%

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

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 523	$ 546	$ 786	$ 772	$ 904	$ 875
Contributions in relation to the actuarially determined contributions	749	931	929	955	874	848
Contribution excess (deficiency)	$ 226	$ 385	$ 143	$ 183	$ (30)	$ (27)
Covered payroll	$ 99,440	$ 95,212	$ 95,015	$ 94,011	$ 92,403	$ 89,494
Contributions as a percentage of covered payroll	0.75%	0.98%	0.98%	1.02%	0.95%	0.95%

Notes to the schedule for Additional Retiree Benefit Account Plan

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

Actuarial Assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level-dollar basis
Remaining amortization:	11 years
Asset valuation method:	5-year smoothed, market value
Return on Assets:	7.25%
Discount Rate:	7.25%
Inflation:	3.00% per annum
Salary Scale:	Inflation plus 0.5% per annum across-the-board salary increase plus merit and promotional increases
Cost of Living:	Not applicable
Mortality Rates:	Rates are from the SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006), which has changed from the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 used in fiscal year ended June 30, 2018.

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

(amounts expressed in thousands)

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

Other Post Employment Benefit Plan

Last 10 Fiscal Years*

	2019	2018
Total OPEB liability - beginning	$ 1,432	$ 745
Changes for the year:		
Service cost	112	40
Interest	48	28
Changes in assumption	(4)	40
Difference between actual and expected experience	12	651
Plan change	1,419	
Benefit payments	(92)	(72)
Total OPEB liability - ending	$ 2,927	$ 1,432

	2019	2018
Covered employee payroll	$ 70,204	$ 42,366
Total OPEB liability as a percentage of covered employee payroll	4.17%	3.38%

Notes to the schedule for OPEB Plan

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

The amounts presented for fiscal year 2018 were determined as of December 31, and the amounts for fiscal year 2019 were determined as of June 30.

Plan Change: Effective July 1, 2018 for fiscal year ended June 30, 2019, Coach Operators became eligible to participate in the OPEB plan. Previously, only Unrepresented Administrative and Transportation Communications International Union employees were eligible for OPEB benefits.

Change of assumptions: For fiscal year 2018-19, the discount rate used to measure the TOL was 3.50%, an increase from the discount rate of 3.44% for fiscal year 2017-18. For fiscal year 2018-19, mortality assumptions were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Year 2006) rather than the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, which was used to determine amounts reported in fiscal year 2017-18.

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

1. BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual budget for all governmental funds. The budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2019 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

EXCESS EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations for fiscal year 2018-9 for the General fund and the major special revenue funds, except for the Local Transportation fund. In the Local Transportation fund, expenditures exceeded appropriations for contribution to other local agencies and transfers in the amount of $89 and $6,104 respectively, due to OCTA receiving more sales tax revenue over the 12-month apportionment period than anticipated and transferred out to OCTD based on monthly sales tax receipts.

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019

(amounts expressed in thousands)	Special Revenue OCUTT	SAFE	SAAV	STAF	Total Nonmajor Governmental Funds
Assets					
Cash and investments	$ 10,739	$ -	$ 31	$ 78	$ 10,848
Receivables:					
Interest	67	10	-	9	86
Other	-	38	-	-	38
Due from other funds	48	-	-	-	48
Due from other governments	-	6,273	-	10,340	16,613
Note receivable	2,561	-	-	-	2,561
Advances to other funds	1,109	-	-	-	1,109
Total Assets	**$ 14,524**	**$ 6,321**	**$ 31**	**$ 10,427**	**$ 31,303**
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 12	$ 605	$ -	$ -	$ 617
Due to other funds	-	1,584	-	10,340	11,924
Due to other governments	-	70	-	-	70
Total Liabilities	**12**	**2,259**	**-**	**10,340**	**12,611**
Deferred Inflows of Resources					
Unavailable revenue - interest on advances	515	-	-	-	515
Unavailable revenue - reimbursements from grants	-	2,444	-	-	2,444
Unavailable revenue - reimbursements from others and other misc revenue	-	2,501	-	-	2,501
Total Deferred Inflows of Resources	**515**	**4,945**	**-**	**-**	**5,460**
Fund Balances					
Restricted for:					
Transportation programs	13,997	-	-	87	14,084
Motorist services	-	-	31	-	31
Unassigned	-	(883)	-	-	(883)
Total Fund Balances	**13,997**	**(883)**	**31**	**87**	**13,232**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 14,524**	**$ 6,321**	**$ 31**	**$ 10,427**	**$ 31,303**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Special Revenue OCUTT	SAFE	SAAV	STAF	Total Nonmajor Governmental Funds
Revenues					
Sales taxes	$ -	$ -	$ -	$ 35,401	$ 35,401
Transportation improvement fee	-	-	-	5,603	5,603
Vehicle registration fees	-	2,978	-	-	2,978
Contributions from other agencies	-	862	-	-	862
Interest and investment income	776	(36)	-	41	781
Miscellaneous	-	27	-	-	27
Total revenues	**776**	**3,831**	**-**	**41,045**	**45,652**
Expenditures					
Current:					
General government:					
Supplies and services	25	7,300	-	1	7,326
Capital outlay	-	50	-	-	50
Total expenditures	**25**	**7,350**	**-**	**1**	**7,376**
Excess (deficiency) of revenues over (under) expenditures	**751**	**(3,519)**	**-**	**41,044**	**38,276**
Other financing sources (uses)					
Transfers out	-	-	-	(42,880)	(42,880)
Total other financing sources (uses)	**-**	**-**	**-**	**(42,880)**	**(42,880)**
Net change in fund balances	**751**	**(3,519)**	**-**	**(1,836)**	**(4,604)**
Fund balances - beginning	13,246	2,636	31	1,923	17,836
Fund balances - ending	**$ 13,997**	**$ (883)**	**$ 31**	**$ 87**	**$ 13,232**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Commuter and Urban Rail Endowment Fund (Budgetary Basis)
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines	$ -	$ -	$ 2	$ 2
Contributions from other agencies	-	-	420	420
Interest and investment income	-	-	308	308
Capital assistance grants	-	-	22	22
Miscellaneous	-	-	529	529
Total revenues	**-**	**-**	**1,281**	**1,281**
Expenditures				
Current:				
General government:				
Supplies and services	314	314	352	(38)
Transportation:				
Contributions to other local agencies	-	-	34	(34)
Capital outlay	456	456	456	-
Total expenditures	**770**	**770**	**842**	**(72)**
Excess (deficiency) of revenues over (under) expenditures	**(770)**	**(770)**	**439**	**1,209**
Other financing sources				
Proceeds from sale of capital assets	-	-	3,500	3,500
Total other financing sources	**-**	**-**	**3,500**	**3,500**
Net change in fund balance	**$ (770)**	**$ (770)**	**$ 3,939**	**$ 4,709**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ 3,939
Less: Estimated revenues for encumbrances outstanding at June 30	187
Add: Current year encumbrances outstanding at June 30	691
Net change in fund balance (GAAP basis), reported with General fund	$ 4,443

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)
For the Year Ended June 30, 2019

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest and investment income	$ 207	$ 207	$ 776	$ 569
Total revenues	**207**	**207**	**776**	**569**
Expenditures				
Current:				
General government:				
Supplies and services	107	107	25	82
Total expenditures	**107**	**107**	**25**	**82**
Excess of revenues over expenditures	**100**	**100**	**751**	**651**
Net change in fund balance	**$ 100**	**$ 100**	**$ 751**	**$ 651**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Vehicle registration fees	$ 2,959	$ 2,959	$ 2,978	$ 19
Contributions from other agencies	3,975	3,975	862	(3,113)
Interest and investment income	23	23	(36)	(59)
Miscellaneous	6	6	27	21
Total revenues	**6,963**	**6,963**	**3,831**	**(3,132)**
Expenditures				
Current:				
General government:				
Supplies and services	8,052	8,052	7,340	712
Capital outlay	50	50	50	-
Total expenditures	**8,102**	**8,102**	**7,390**	**712**
Excess (deficiency) of revenues over (under) expenditures	**(1,139)**	**(1,139)**	**(3,559)**	**(2,420)**
Other financing sources				
Transfers in	1,316	1,316	-	(1,316)
Total other financing sources	**1,316**	**1,316**	**-**	**(1,316)**
Net change in fund balance	**$ 177**	**$ 177**	**$ (3,559)**	**$ (3,736)**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (3,559)
Add: Current year encumbrances outstanding at June 30	40
Net change in fund balance (GAAP basis)	$ (3,519)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 29,933	$ 29,933	$ 35,401	$ 5,468
Transportation improvement fee	5,673	5,673	5,603	(70)
Interest and investment income	6	6	41	35
Total revenues	**35,612**	**35,612**	**41,045**	**5,433**
Expenditures				
Current:				
General government:				
Supplies and services	-	-	1	(1)
Total expenditures	**-**	**-**	**1**	**(1)**
Excess of revenues over expenditures	**35,612**	**35,612**	**41,044**	**5,432**
Other financing uses				
Transfers out	(35,612)	(35,612)	(42,880)	(7,268)
Total other financing uses	**(35,612)**	**(35,612)**	**(42,880)**	**(7,268)**
Net change in fund balance	**$ -**	**$ -**	**$ (1,836)**	**$ (1,836)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
General Capital Project Fund (Budgetary Basis)
For the Year Ended June 30, 2019

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Contributions from other agencies	$ 9,648	$ 9,648	$ -	$ (9,648)
Interest	-	-	16	16
Capital assistance grants	134,091	244,762	126,387	(118,375)
Total revenues	**143,739**	**254,410**	**126,403**	**(128,007)**
Expenditures				
Current:				
General government:				
Supplies and services	11,169	11,169	342	$ 10,827
Transportation:				
Contributions to other local agencies	1,140	1,140	-	1,140
Capital outlay	175,734	308,262	50,724	257,538
Total expenditures	**188,043**	**320,571**	**51,066**	**269,505**
Deficiency of revenues under expenditures	**(44,304)**	**(66,161)**	**75,337**	**141,498**
Other financing sources				
Transfers in	42,607	42,607	36,415	(6,192)
Total other financing sources	**42,607**	**42,607**	**36,415**	**(6,192)**
Net change in fund balance	**$ (1,697)**	**$ (23,554)**	**$ 111,752**	**$ 135,306**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ 111,752
Less: Estimated revenues for encumbrances outstanding at June 30	112,279
Net change in fund balance (GAAP basis)	$ (527)

NONMAJOR ENTERPRISE FUNDS

OC Streetcar Fund – This fund is established to account for the operations of the OC Streetcar which is planned to be operative in fiscal year 2022-23. The primary source of funding for the operation will be fare collections.

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Net Position - Nonmajor Enterprise Funds
June 30, 2019

(amounts expressed in thousands)	OC Streetcar	OCTAP	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and investments	$ -	$ 80	$ 80
Due from other governments	-	34	34
Prepaid retirement	-	74	74
Other assets	-	2	2
Total current assets	-	190	190
Total Assets	**-**	**190**	**190**
Deferred Outflows of Resources			
Deferred outflows - pensions	-	120	120
Deferred outflows - OPEB		3	3
Total Deferred Outflows of Resources	-	123	123
Liabilities			
Current liabilities:			
Accounts payable	-	9	9
Accrued payroll and related items	-	11	11
Unearned revenue	-	2	2
Current portion of long-term liabilities	-	18	18
Total current liabilities	-	40	40
Noncurrent liabilities:			
Net OPEB liability		10	10
Net pension liability	-	692	692
Long-term liabilities	-	2	2
Total noncurrent liabilities	-	704	704
Total Liabilities	-	744	744
Deferred Inflows of Resources			
Deferred inflows - pensions	-	73	73
Net Position			
Unrestricted	-	(504)	(504)
Total Net Position	**$ -**	**$ (504)**	**$ (504)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	OC Streetcar	OCTAP	Total Nonmajor Enterprise Funds
Operating revenues:			
Permit fees	$ -	$ 371	$ 371
Total operating revenues	**-**	**371**	**371**
Operating expenses:			
Wages, salaries and benefits	-	282	282
Administrative services	390	266	656
Other	-	2	2
Professional services	-	63	63
General and administrative	6	1	7
Total operating expenses	**396**	**614**	**1,010**
Operating loss	**(396)**	**(243)**	**(639)**
Nonoperating revenues:			
Investment earnings	-	7	7
Other	-	250	250
Total nonoperating revenues	**-**	**257**	**257**
Loss before contributions and transfers	(396)	14	(382)
Transfers in	396	-	396
Change in net position	**-**	**14**	**14**
Total net position - beginning	-	(518)	(518)
Total net position - ending	**$ -**	**$ (504)**	**$ (504)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	OC Streetcar	OCTAP	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	$ -	$ 346	$ 346
Payments to suppliers	(6)	(60)	(66)
Payments to employees	-	(235)	(235)
Payments for interfund services used	(390)	(266)	(656)
Miscellaneous revenue received	-	241	241
Net cash provided by (used for) operating activities	**(396)**	**26**	**(370)**
Cash flows from noncapital financing activities:			
Transfers from other funds	396	-	396
Cash flows from investing activities:			
Investment earnings	-	4	4
Net increase in cash and cash equivalents	-	30	30
Cash and cash equivalents at beginning of year	-	50	50
Cash and cash equivalents at end of year	**$ -**	**$ 80**	**$ 80**
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	$ (396)	$ (243)	$ (639)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Miscellaneous	-	250	250
Change in assets and liabilities:			
Due from other governments	-	(25)	(25)
Deferred outflows of resources related to pensions	-	10	10
Deferred outflows of resources related to OPEB	-	(1)	(1)
Accounts payable	-	6	6
Accrued payroll and related items	-	3	3
Compensated absences	-	5	5
Unearned revenue	-	(6)	(6)
Net pension liability	-	133	133
Deferred inflows of resources related to pensions	-	(106)	(106)
Total adjustments	**-**	**269**	**269**
Net cash provided by (used for) operating activities	**$ (396)**	**$ 26**	**$ (370)**

INTERNAL SERVICE FUNDS

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Net Position - Internal Service Funds
June 30, 2019

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	$ 15,727	$ 26,945	$ 42,672
Receivables:			
Interest	108	146	254
Other	114	213	327
Other assets	479	926	1,405
Total current assets	16,428	28,230	44,658
Total Assets	**16,428**	**28,230**	**44,658**
Liabilities			
Current liabilities:			
Accounts payable	309	429	738
Claims payable	755	2,703	3,458
Total current liabilities	1,064	3,132	4,196
Noncurrent liabilities:			
Claims payable	2,526	12,316	14,842
Total Liabilities	**3,590**	**15,448**	**19,038**
Net Position			
Unrestricted	12,838	12,782	25,620
Total Net Position	**$ 12,838**	**$ 12,782**	**$ 25,620**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	$ 2,651	$ 6,349	$ 9,000
Total operating revenues	**2,651**	**6,349**	**9,000**
Operating expenses:			
Administrative services	143	67	210
Other	21	245	266
Insurance claims and premiums	1,369	6,140	7,509
Professional services	1,129	515	1,644
Total operating expenses	**2,662**	**6,967**	**9,629**
Operating loss	**(11)**	**(618)**	**(629)**
Nonoperating revenues:			
Investment earnings	571	1,006	1,577
Other	227	489	716
Total nonoperating revenues	**798**	**1,495**	**2,293**
Change in net position	**787**	**877**	**1,664**
Total net position - beginning	12,051	11,905	23,956
Total net position - ending	**$ 12,838**	**$ 12,782**	**$ 25,620**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2019

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	$ 2,626	$ 6,368	$ 8,994
Payments to suppliers	(975)	(788)	(1,763)
Payments to claimants	(1,813)	(5,388)	(7,201)
Payments for interfund services used	(143)	(67)	(210)
Miscellaneous revenue received	227	489	716
Net cash provided by (used for) operating activities	**(78)**	**614**	**536**
Cash flows from investing activities:			
Investment earnings	565	992	1,557
Net increase in cash and cash equivalents	**487**	**1,606**	**2,093**
Cash and cash equivalents at beginning of year	15,240	25,339	40,579
Cash and cash equivalents at end of year	**$ 15,727**	**$ 26,945**	**$ 42,672**
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	$ (11)	$ (618)	$ (629)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Insurance recoveries	227	489	716
Change in assets and liabilities:			
Other receivables	(6)	(23)	(29)
Other assets	(25)	(1)	(26)
Accounts payable	154	(28)	126
Claims payable	(417)	795	378
Total adjustments	(67)	1,232	1,165
Net cash provided by (used for) operating activities	**$ (78)**	**$ 614**	**$ 536**
Noncash capital, financing and investing activities:			
Investment earnings - accrued interest	$ 6	$ 14	$ 20

91 Express Lanes

Vanpool

This part of OCTA's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about OCTA's overall financial health.

Contents **Page**

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

(accrual basis of accounting - thousands)

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	$ 180,131	$ 193,968	$ 191,149	$ 159,539	$ 159,427	$ 177,195	$ 185,209	$ 202,587	$ 211,433	$ 262,985
Restricted	303,605	199,540	251,820	314,832	352,878	421,285	545,220	621,580	565,653	677,934
Unrestricted	133,070	234,876	200,226	207,674	181,216	94,641	67,517	29,578	37,947	(14,857)
Total governmental activities net position	$ 616,806	$ 628,384	$ 643,195	$ 682,045	$ 693,521	$ 693,121	$ 797,946	$ 853,745	$ 815,033	$ 926,062
Business-type activities:										
Net investment in capital assets	$ 331,460	$ 303,063	$ 278,292	$ 257,439	$ 265,584	$ 279,153	$ 300,737	$ 389,791	$ 339,677	$ 320,212
Restricted	20,219	20,298	20,340	20,383	13,015	13,032	13,075	13,199	16,776	18,229
Unrestricted	170,902	162,903	246,797	317,002	376,340	275,052	305,689	323,682	439,737	487,407
Total business-type activities net position	$ 522,581	$ 486,264	$ 545,429	$ 594,824	$ 654,939	$ 567,237	$ 619,501	$ 726,672	$ 796,190	$ 825,848
Primary government:										
Net investment in capital assets	$ 511,591	$ 497,031	$ 469,441	$ 416,978	$ 425,011	$ 456,348	$ 485,946	$ 592,378	$ 551,110	$ 583,197
Restricted	323,824	219,838	272,160	335,215	365,893	434,317	558,295	634,779	582,429	696,163
Unrestricted	303,972	397,779	447,023	524,676	557,556	369,693	373,206	353,260	477,684	472,550
Total primary government net position	$ 1,139,387	$ 1,114,648	$ 1,188,624	$ 1,276,869	$ 1,348,460	$ 1,260,358	$ 1,417,447	$ 1,580,417	$ 1,611,223	$ 1,751,910

Source: Accounting and Financial Reporting Department
Note:
In fiscal year 2014-15, OCTA implemented GASB 68.
In fiscal year 2016-17, the increase in the business-type activities net position is mainly due to a major revenue vehicle purchase.
In fiscal year 2018-19, the increase in the government-type activities net position is mainly due to the Measure M program and the construction of the OC Streetcar project.

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

(accrual basis of accounting - thousands)

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	$ 112,138	$ 104,305	$ 95,679	$ 96,925	$ 68,262	$ 74,852	$ 95,155	$ 94,929	$ 80,877	$ 88,394
Measure M program	302,851	291,703	337,034	314,669	372,137	301,329	272,627	280,154	439,279	390,253
Motorist services	7,497	7,545	7,347	6,004	5,187	5,281	6,355	5,826	5,725	6,359
Commuter rail	29,395	14,393	26,806	34,586	23,556	29,347	34,004	39,736	414	117
Total governmental activities expenses	451,881	417,946	466,866	452,184	469,142	410,809	408,141	420,645	526,295	485,123
Business-type activities:										
Fixed route	210,526	200,999	201,629	207,363	212,170	201,630	208,851	204,969	208,167	230,256
Paratransit	42,999	46,151	51,225	53,803	51,735	51,392	63,071	64,594	67,883	71,104
Tollroad	33,713	31,371	23,231	20,573	22,996	22,980	25,120	38,455	25,672	26,491
Taxicab administration	344	393	490	456	506	584	567	524	385	348
Fixed guideway	-	-	-	-	-	-	-	-	-	6
Total business-type activities expenses	287,582	278,914	276,575	282,195	287,407	276,586	297,609	308,542	302,107	328,205
Total primary government expenses	$ 739,463	$ 696,860	$ 743,441	$ 734,379	$ 756,549	$ 687,395	$ 705,750	$ 729,187	$ 828,402	$ 813,328
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 121	$ 140	$ 149	$ 137	$ 155	$ 181	$ 1,180	$ 730	$ 842	$ 855
Other activities	1,008	1,093	1,297	1,136	1,350	1,644	1,087	1,104	1,544	968
Operating grants and contributions	68,015	115,154	172,733	159,069	146,863	122,282	125,220	92,486	98,233	83,458
Capital grants and contributions	8,279	1,204	4,335	10,923	2,222	586	3,897	17,602	7,679	19,994
Total governmental activities program revenues	77,423	117,591	178,514	171,265	150,590	124,693	131,384	111,922	108,298	105,275
Business-type activities:										
Charges for services:										
Fixed route	48,776	49,412	50,553	53,361	56,784	51,265	50,197	42,753	40,821	41,067
Tollroad	43,009	41,837	37,742	39,289	42,610	46,132	52,240	56,005	57,615	57,417
Other activities	7,133	7,206	7,154	7,893	8,579	8,695	8,650	8,656	8,280	8,727
Operating grants and contributions	88,597	72,441	90,099	83,305	63,099	67,356	65,226	74,966	74,236	87,667
Capital grants and contributions	1,841	8,648	10,023	8,821	23,717	14,139	35,848	89,740	17,849	11,172
Total business-type activities program revenues	189,356	179,544	195,571	192,669	194,789	187,587	212,161	272,120	198,801	206,050
Total primary government program revenues	$ 266,779	$ 297,135	$ 374,085	$ 363,934	$ 345,379	$ 312,280	$ 343,545	$ 384,042	$ 307,099	$ 311,325

Source: Accounting and Financial Reporting Department
Notes:

(Continued)

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

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

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

In fiscal year 2018-19, the increase in the government-type activities net position is mainly due to the Measure M program and the construction of the OC Streetcar project.

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

(accrual basis of accounting - thousands)

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Indirect expenses allocation:										
Governmental activities	$ (31,187)	$ (27,248)	$ (29,340)	$ (33,654)	$ (34,089)	$ (35,996)	$ (37,748)	$ (41,045)	$ (43,163)	$ (44,411)
Business-type activities	31,187	27,248	29,340	33,654	34,089	35,996	37,748	41,045	43,163	44,411
Net (expense) revenue										
Governmental activities	$ (343,271)	$ (273,107)	$ (259,012)	$ (247,265)	$ (284,463)	$ (250,120)	$ (239,009)	$ (267,678)	$ (374,834)	$ (335,437)
Business-type activities	(129,413)	(126,618)	(110,344)	(123,180)	(126,707)	(124,995)	(123,196)	(77,467)	(146,469)	(166,566)
Total primary government net expense	$ (472,684)	$ (399,725)	$ (369,356)	$ (370,445)	$ (411,170)	$ (375,115)	$ (362,205)	$ (345,145)	$ (521,303)	$ (502,003)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	$ 326,005	$ 329,971	$ 409,556	$ 428,262	$ 451,153	$ 466,127	$ 476,368	$ 475,863	$ 515,475	$ 546,912
Unrestricted investment earnings	17,325	14,487	15,192	11,295	13,776	13,301	19,447	9,807	12,609	48,527
Other miscellaneous revenue	328	229	355	125	288	168	918	99	133	233
Transfers	(75,038)	(66,230)	(151,280)	(155,999)	(169,278)	(169,199)	(152,899)	(162,292)	(191,734)	(149,206)
Total governmental activities	268,620	278,457	273,823	283,683	295,939	310,397	343,834	323,477	336,483	446,466
Business-type activities:										
Taxes:										
Property taxes	10,220	10,736	11,193	13,560	12,366	13,293	14,098	14,943	15,995	16,971
Unrestricted investment earnings	4,184	15,552	926	2,805	4,765	4,531	7,672	2,332	2,892	24,654
Other miscellaneous revenue	207	2,769	228	2,832	413	1,218	791	5,071	5,604	5,393
Transfers	75,038	66,230	151,280	155,999	169,278	169,199	152,899	162,292	191,734	149,206
Total business-type activities	89,649	95,287	163,627	175,196	186,822	188,241	175,460	184,638	216,225	196,224
Total primary government	$ 358,269	$ 373,744	$ 437,450	$ 458,879	$ 482,761	$ 498,638	$ 519,294	$ 508,115	$ 552,708	$ 642,690
Change in Net Position										
Governmental activities	$ (74,651)	$ 5,350	$ 14,811	$ 36,418	$ 11,476	$ 60,277	$ 104,825	$ 55,799	$ (38,351)	$ 111,029
Business-type activities	(39,764)	(31,331)	53,283	52,016	60,115	63,246	52,264	107,171	69,756	29,658
Total primary government	$ (114,415)	$ (25,981)	$ 68,094	$ 88,434	$ 71,591	$ 123,523	$ 157,089	$ 162,970	$ 31,405	$ 140,687

Source: Accounting and Financial Reporting Department

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 3

Fund Balances, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting - thousands)

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	$ 10,756	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	(8,378)	-	-	-	-	-	-	-	-	-
Nonspendable	-	4,711	5,459	5,637	7,473	11,038	11,862	20,672	11,699	13,717
Restricted	-	-	-	-	-	24,732	23,548	22,992	23,189	23,101
Assigned	-	-	-	-	-	25,173	14,453	-	2,413	8,740
Unassigned	-	(4,061)	(4,203)	(168)	(210)	22,115	-	(17,135)	-	(2,217)
Total general fund	$ 2,378	$ 650	$ 1,256	$ 5,469	$ 7,263	$ 83,058	$ 49,863	$ 26,529	$ 37,301	$ 43,341
All Other Governmental Funds										
Reserved	$ 433,513	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	76,653	-	-	-	-	-	-	-	-	-
Capital projects funds	(3,851)	-	-	-	-	-	-	-	-	-
Nonspendable	-	10,513	18,826	77,547	56,991	20,575	12,519	7,177	12,144	15,772
Restricted	-	663,669	680,191	638,718	707,365	753,071	862,565	953,569	892,703	1,337,025
Committed	-	70,304	68,084	-	-	-	-	-	-	-
Assigned, reported in:										
Special revenue funds	-	-	-	69,531	41,273	-	-	-	-	-
Transportation capital projects	-	9,557	9,514	9,504	9,495	9,469	8,682	1,158	-	2,521
Unassigned	-	-	-	-	-	-	-	-	(6,917)	(883)
Total all other governmental funds	$ 506,315	$ 754,043	$ 776,615	$ 795,300	$ 815,124	$ 783,115	$ 883,766	$ 961,904	$ 897,930	$ 1,354,435

Source: Accounting and Financial Reporting Department

Notes:

GASB 54 was implemented during fiscal year 2010-11.

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

In fiscal year 2018-19, the increase in restricted fund balance of All Other Governmental Funds is due to the issuance of sales tax revenue bonds for the Measure M2 program.

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

(modified accrual basis of accounting - thousands)

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Sales taxes	$ 326,005	$ 326,804	$ 412,722	$ 428,262	$ 451,153	$ 466,127	$ 465,830	$ 486,401	$ 507,584	$ 554,804
Gasoline taxes	23,000	23,000	23,447	22,553	-	-	-	-	-	-
Transportation improvement fee	-	-	-	-	-	-	-	-	5,673	5,603
Vehicle registration fees	4,993	5,109	2,610	2,588	2,669	2,351	3,401	2,960	2,941	2,978
Fines	144	156	159	140	176	197	220	205	201	200
Contributions from other agencies	38,945	68,130	152,836	135,762	146,216	121,341	103,532	87,870	92,239	67,550
Interest and investment income	17,167	11,638	15,325	10,702	13,144	12,732	18,917	11,894	12,253	48,528
Capital assistance grants	7,655	1,877	695	1,118	11,075	768	3,220	14,552	7,541	14,171
Miscellaneous	3,949	1,354	1,642	1,351	3,899	4,221	5,090	8,060	6,361	3,649
Total revenues	421,858	438,068	609,436	602,476	628,332	607,737	600,210	611,942	634,793	697,483
Expenditures										
Current:										
General government	101,897	94,155	101,457	94,455	83,294	105,995	126,370	116,183	110,973	110,537
Transportation:										
Contributions to other local agencies	259,623	208,882	222,485	166,899	191,698	133,286	124,230	146,199	109,767	114,543
Capital outlay	56,462	86,106	88,529	135,968	135,747	129,312	103,441	106,921	250,292	235,559
Debt service:										
Principal payments on long-term debt	78,405	82,795	-	6,410	6,600	6,865	7,210	7,475	7,775	8,165
Interest	9,421	8,582	22,508	22,509	22,264	21,961	21,614	21,343	21,059	20,677
Bond issuance costs	-	2,181	-	-	-	-	-	-	-	826
Total expenditures	505,808	482,701	434,979	426,241	439,603	397,419	382,865	398,121	499,866	490,307
Excess of revenues over expenditures	(83,950)	(44,633)	174,457	176,235	188,729	210,318	217,345	213,821	134,927	207,176
Other financing sources (uses):										
Transfers in	128,366	289,776	29,295	37,909	48,196	65,411	56,722	74,074	46,148	155,033
Transfers out	(203,404)	(356,006)	(180,574)	(193,908)	(217,474)	(234,610)	(209,621)	(236,366)	(237,882)	(304,239)
Proceeds from sale of capital assets	5	4	-	2,662	2,167	2,667	3,010	3,275	3,605	3,605
Bond issuance	-	352,570	-	-	-	-	-	-	-	376,690
Bond premium	-	6,023	-	-	-	-	-	-	-	69,342
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(45,062)
Total other financing sources (uses)	(75,033)	292,367	(151,279)	(153,337)	(167,111)	(166,532)	(149,889)	(159,017)	(188,129)	255,369
Net changes in fund balances	$ (158,983)	$ 247,734	$ 23,178	$ 22,898	$ 21,618	$ 43,786	$ 67,456	$ 54,804	$ (53,202)	$ 462,545
Debt service as a percentage of noncapital expenditures	18.2%	19.2%	5.4%	6.8%	6.6%	7.6%	7.7%	7.6%	5.9%	6.6%

Source: Accounting and Financial Reporting Department

Notes:

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

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

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

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

In fiscal year 2017-18, the transportation improvement fee under revenues was added as new revenue source under the Road Repair and Accountability Act of 2017.
Also, the increase in capital outlay is due to I-405 Improvement project under the Measure M Program.

In fiscal year 2018-19, the increase in other financing sources is due to the issuance of sales tax revenue bonds for the Measure M program. The increase in total revenues is mainly due to an increase in sales taxes.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 5

Program Revenues by Function/Program - Last Ten Fiscal Years

(accrual basis of accounting - thousands)

Program Revenues	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function/Program										
Governmental activities:										
General government	$ 32,876	$ 30,225	$ 33,981	$ 32,585	$ 5,280	$ 4,101	$ 8,963	$ 22,323	$ 18,830	$ 27,932
Measure M program	33,211	78,206	137,209	120,265	136,929	112,056	111,050	76,881	81,902	67,979
Motorist services	8,042	8,172	5,325	5,259	5,274	5,521	5,648	5,575	5,492	8,755
Commuter rail	3,294	988	1,999	13,156	3,107	3,015	5,723	7,143	2,074	609
Total governmental activities	77,423	117,591	178,514	171,265	150,590	124,693	131,384	111,922	108,298	105,275
Business-type activities:										
Fixed route	133,122	120,534	133,785	123,467	123,244	112,721	123,504	173,107	105,539	108,244
Paratransit	12,621	16,350	23,307	29,080	28,130	28,059	28,080	40,777	33,882	38,859
Tollroad	43,048	42,010	37,742	39,289	42,610	46,132	60,059	57,816	59,069	58,576
Taxicab administration	565	650	737	833	805	675	518	420	311	371
Total business-type activities	189,356	179,544	195,571	192,669	194,789	187,587	212,161	272,120	198,801	206,050
Total primary government	$ 266,779	$ 297,135	$ 374,085	$ 363,934	$ 345,379	$ 312,280	$ 343,545	$ 384,042	$ 307,099	$ 311,325

Source: Accounting and Financial Reporting Department

Notes:

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

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

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

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 6
Tax Revenues by Source, Governmental Activities, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

For the Year Ended June 30,	Sales & Use	Gasoline (a)	Total
2010	326,005	23,000	349,005
2011	326,804	23,000	349,804
2012	412,722	23,447	436,169
2013	428,262	22,553	450,815
2014	451,153	-	451,153
2015	466,127	-	466,127
2016	476,368	-	476,368
2017	475,863	-	475,863
2018	515,475	-	515,475
2019	546,912	-	546,912
Change			
2010 - 2019	67.8%	-100.0%	56.7%

Source: Accounting and Financial Reporting Department

Note:

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

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

(amounts expressed in thousands)	Calendar Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (a)
Clothing and Clothing Accessories Stores	$ 2,923,680	$ 3,164,857	$ 3,510,757	$ 3,764,088	$ 3,942,629	$ 4,062,185	$ 4,173,147	$ 4,179,348	$ 4,420,905	$ 941,574
General Merchandise Stores	4,527,201	4,771,143	5,026,911	5,169,057	5,206,936	5,331,919	5,266,498	5,314,636	5,424,321	1,155,984
Specialty Stores	1,622,910	1,669,585	1,691,589	1,732,562	1,625,444	-	-	-	-	-
Food and Beverage Stores	1,911,192	1,990,893	2,056,803	2,111,209	2,177,054	2,249,980	2,315,300	2,399,937	2,460,590	587,838
Food Services and Drink Places	5,109,383	5,449,117	5,853,267	6,186,883	6,637,321	7,174,652	7,561,709	7,953,351	8,195,164	2,013,752
Home Furnishings and Appliance Stores	2,928,251	3,229,447	3,501,432	3,539,271	3,340,006	2,995,975	3,082,463	3,074,257	3,037,974	668,417
Building Material & Garden Equipment & Supplies Dealers	2,112,467	2,267,363	2,351,574	2,581,968	2,662,657	2,870,940	2,961,129	3,106,396	3,184,381	726,039
Motor Vehicle and Parts Dealers	9,045,917	10,603,810	11,615,228	11,854,186	12,440,522	8,352,815	8,648,763	8,927,827	9,408,045	2,250,861
Gasoline Stations	-	-	-	-	-	3,979,166	3,489,276	3,745,819	4,203,824	897,574
Other Retail Group	1,064,825	1,087,735	1,180,969	1,210,383	1,219,968	5,130,425	5,318,826	5,562,771	5,742,982	1,381,606
Business and Personal Services	1,306,282	1,353,844	1,583,927	1,876,321	2,035,999	-	-	-	-	-
All other outlets	15,115,073	16,143,344	16,858,156	17,565,288	18,808,591	19,768,161	20,241,650	20,883,715	21,390,429	5,100,203
Total	$ 47,667,181	$ 51,731,138	$ 55,230,613	$ 57,591,216	$ 60,097,127	$ 61,916,218	$ 63,058,761	$ 65,148,057	$ 67,468,615	$ 15,723,848
Measure M Ordinance direct sales tax rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Sources: California State Board of Equalization for data prior to 2015; California Department of Tax and Fee Administration for data starting 2015

Note:

Starting 2015, the category was modified by BOE. Data for Gasoline Stations was reported within Automotive category in prior years.

Also, Specialty Stores and Business and Personal Services are recategorized in the Other Retail Group category.

(a) Data available for first quarter for 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 8

Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years

Calendar Year	Measure M Direct rate	County of Orange	
2010	0.50%	8.25%	(a)
2011	0.50%	8.25%	
2012	0.50%	7.25%	
2013	0.50%	7.50%	(b)
2014	0.50%	7.50%	
2015	0.50%	7.50%	
2016	0.50%	7.50%	
2017	0.50%	7.25%	(c)
2018	0.50%	7.25%	
2019	0.50%	7.25%	

Sources: County of Orange information provided by the California Department of Tax and Fee Administration

Notes:

Measure M information provided by the Measure M Ordinance

(a) Effective April 1, 2009 through June 30, 2011 the state sales and use tax rate increased by 1%.

(b) Effective April 1, 2013 the state sales and use tax rate increased by .25%.

(c) Effective January 1, 2017 the state sales and use tax rate decreased by .25%.

Schedule 9
Principal Taxable Sales Generation by City, Current Year and Nine Years Ago

(amounts expressed in thousands)

City	Calendar Year 2018 Taxable Sales	Rank	Percentage of Total	Calendar Year 2009 Taxable Sales	Rank	Percentage of Total
Aliso Viejo	$ 538,631	25	0.91%	$ 344,773	28	0.85%
Anaheim	7,239,749	1	12.21%	4,532,491	1	11.12%
Brea	1,909,037	12	3.22%	1,369,505	11	3.36%
Buena Park	2,138,510	9	3.61%	1,722,353	8	4.23%
Costa Mesa	5,307,459	3	8.95%	3,261,414	3	8.00%
Cypress	1,040,863	17	1.76%	953,894	16	2.34%
Dana Point	491,419	27	0.83%	344,880	27	0.85%
Fountain Valley	1,107,422	16	1.87%	832,846	18	2.04%
Fullerton	1,937,454	11	3.27%	1,429,441	10	3.51%
Garden Grove	2,046,538	10	3.45%	1,361,395	12	3.34%
Huntington Beach	3,570,072	6	6.02%	2,247,735	6	5.52%
Irvine	5,760,218	2	9.71%	3,721,414	2	9.13%
La Habra	950,541	19	1.60%	730,812	19	1.79%
La Palma	252,973	32	0.43%	309,325	30	0.76%
Laguna Beach	486,788	28	0.82%	320,673	29	0.79%
Laguna Hills	530,458	26	0.89%	477,840	22	1.17%
Laguna Niguel	1,023,756	18	1.73%	864,402	17	2.12%
Laguna Woods	81,341	33	0.14%	71,776	33	0.18%
Lake Forest	1,391,110	15	2.35%	1,005,678	15	2.47%
Los Alamitos	296,354	31	0.50%	209,505	32	0.51%
Mission Viejo	1,644,964	13	2.77%	1,236,735	13	3.04%
Newport Beach	3,336,622	7	5.63%	2,126,848	7	5.22%
Orange	3,874,820	5	6.53%	2,479,374	5	6.08%
Placentia	577,394	24	0.97%	384,349	25	0.94%
Rancho Santa Margarita	607,183	23	1.02%	417,587	24	1.02%
San Clemente	845,496	20	1.43%	531,239	20	1.30%
San Juan Capistrano	774,536	21	1.31%	522,716	21	1.28%
Santa Ana	4,393,685	4	7.41%	3,116,988	4	7.65%
Seal Beach	372,052	29	0.63%	374,688	26	0.92%
Stanton	363,076	30	0.61%	267,005	31	0.66%
Tustin	2,223,919	8	3.75%	1,546,136	9	3.79%
Villa Park	19,088	34	0.03%	11,594	34	0.03%
Westminster	1,501,966	14	2.53%	1,155,023	14	2.83%
Yorba Linda	660,341	22	1.11%	463,831	23	1.14%
Total	59,295,835		100%	40,746,265		100%
Unincorporated Cities	8,034,784			4,966,519		
Total Orange County	$ 67,330,619			$ 45,712,784		

Source: California Department of Tax and Fee Administration, www.cdtfa.ca.gov

Note:

The most current data available is for 2018.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 10
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

(amounts expressed in thousands except per capita)

	Governmental Activities		Business-Type Activities					
As of June 30,	Sales Tax Revenue Bonds	Commercial Paper Notes	Toll Road Revenue Bonds	TIFIA Loan	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2010	83,146	100,000	175,581	-	6,362	365,089	0.24%	121.10
2011	357,991	25,000	170,589	-	2,802	556,382	0.35%	182.49
2012	357,389	25,000	165,356	-	571	548,316	0.32%	177.80
2013	350,376	25,000	159,858	-	-	535,234	0.32%	172.06
2014	343,174	25,000	135,013	-	-	503,187	0.29%	160.35
2015	335,707	-	129,444	-	-	465,151	0.25%	147.08
2016	327,894	-	123,725	-	-	451,619	0.23%	142.06
2017	319,817	-	117,796	-	-	437,613	0.21%	136.72
2018	311,440	-	111,627	165,988	-	589,055	n/a	182.87
2019	704,094	-	105,173	294,762	-	1,104,029	n/a	342.60

Source: Accounting and Financial Reporting Department

Notes:

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

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

During fiscal year 2017-18, OCTA and DOT Bureau executed the TIFIA loan.

During fiscal year 2018-19, the increase in sales tax revenue bonds of governmental activities is due to issuance of sales tax revenue bonds.

See schedule 13 for personal income and population data.

n/a - data not available

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

(amounts expressed in thousands)

Measure M Ordinance No. 2 (Measure M1)

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

Measure M Ordinance No. 3 (Measure M2)

Legal Debt Margin Calculation for Fiscal Year 2019

Debt service	$ 28,795
Debt coverage (130 % of debt service)	37,434
Sales tax revenue	328,892
Less: local fair share & other expenses	(70,807)
Net sales tax revenues	258,085
Legal debt margin	$ 220,651

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2019

Debt service	$ 10,796
Debt coverage (130 % of debt service)	14,035
Toll revenues	64,932
Less: operating expenses	(15,308)
Net toll revenues	49,624
Legal debt margin	$ 35,589

For Year Ended June 30,	Measure M1: Debt limit	Measure M1: Total net debt applicable to limit	Measure M1: Legal debt margin	Measure M1: Total net debt applicable to limit as a percentage of debt limit	Measure M2: Debt limit	Measure M2: Total net debt applicable to limit	Measure M2: Legal debt margin	Measure M2: Total net debt applicable to limit as a percentage of debt limit	Toll Road: Debt limit	Toll Road: Total net debt applicable to limit	Toll Road: Legal debt margin	Toll Road: Total net debt applicable to limit as a percentage of debt limit
2010	156,246	87,422	68,824	56.0%	-	-	-	-	26,523	16,038 (a)	10,485	60.5%
2011	156,850	87,422	69,428	55.7%	6,635	21,839	(15,204)	329.1%	24,071	14,503 (a)	9,568	60.3%
2012	-	-	-	-	193,361	15,425	177,936	8.0%	22,462	10,721	11,741	47.7%
2013	-	-	-	-	201,022	21,835	179,187	10.9%	23,204	10,226	12,978	44.1%
2014	-	-	-	-	212,707	22,386	190,321	10.5%	25,478	10,742	14,736	42.2%
2015	-	-	-	-	227,936	29,039	198,897	12.7%	30,825	14,035	16,790	45.5%
2016	-	-	-	-	237,151	29,021	208,130	12.2%	35,576	14,035	21,541	39.5%
2017	-	-	-	-	239,727	29,244	210,483	12.2%	25,002	14,039	10,963	56.2%
2018	-	-	-	-	249,427	29,080	220,347	11.7%	42,211	14,034	28,177	33.2%
2019	-	-	-	-	258,085	37,434	220,651	14.5%	49,624	14,035	35,589	28.3%

Source: Treasury and Accounting and Financial Reporting Departments

Notes:

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

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 12

Pledged-Revenue Coverage, Last Ten Fiscal Years

(amounts expressed in thousands)

	Measure M1 Sales Tax Revenue Bonds					Measure M2 Sales Tax Revenue Bonds					Toll Road Revenue Bonds				
	Sales		Debt Service			Sales	Less:	Debt Service				Less:	Debt Service		
For the Year Ended June 30,	Tax Revenue	Less: Turnback	Principal	Interest	Coverage	Tax Revenue	Fair Share & Other Expenses	Principal	Interest	Coverage	Toll Road Revenue	Operating Expenses	Principal	Interest	Coverage
2010	214,162	(31,689)	78,405	9,000	2.09	-	-	-	-	-	44,665	(13,330)	4,515	11,523	1.95
2011	214,641	(31,564)	82,795	4,627	2.09	16,309	(3,286)	-	2,228	5.85	42,072	(13,650)	4,740	9,763	1.96
2012	-	-	-	-	-	249,263	(51,274)	-	15,425	12.84	38,370	(12,692)	4,980	5,741	2.40
2013	-	-	-	-	-	262,468	(54,895)	$ 6,410	15,425	9.51	39,526	(13,254)	5,245	4,981	2.57
2014	-	-	-	-	-	277,939	(58,516)	6,600	15,786	9.80	43,857	(15,156)	5,525	5,218	2.67
2015	-	-	-	-	-	289,359	(61,423)	6,865	15,473	10.20	47,351	(16,526)	4,925	5,871	2.86
2016	-	-	-	-	-	300,602	(63,451)	7,210	15,114	10.62	54,267	(18,691)	5,075	5,721	3.30
2017	-	-	-	-	-	305,057	(65,330)	7,475	15,020	10.66	56,835	(31,833)	5,285	5,514	2.32
2018	-	-	-	-	-	316,093	(66,666)	7,775	14,594	11.15	58,613	(16,403)	5,525	5,270	3.91
2019	-	-	-	-	-	328,892	(70,807)	8,165	20,629	8.96	64,932	(15,308)	5,810	4,986	4.60

Source: Accounting and Financial Reporting Department

Notes:

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

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

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

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

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

In fiscal year 2018-19, Measure M2 sales tax revenue bonds were issued.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 13

Demographic and Economic Statistics, Last Ten Calendar Years

Calendar Year	Population (a)	Personal Income *(millions)* (b)	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
2010	3,014,677	149,486	49,537	36.1	502,239	9.5%
2011	3,048,756	157,031	51,420	36.2	502,895	9.2%
2012	3,083,962	169,584	54,972	36.2	502,195	7.9%
2013	3,110,678	166,370	53,451	36.4	501,801	6.1%
2014	3,138,057	174,586	55,699	36.7	500,487	5.2%
2015	3,162,622	188,472	59,708	37.1	497,116	4.3%
2016	3,179,122	196,921	62,071	37.3	493,030	4.4%
2017	3,200,748	208,653	65,400	37.5	490,430	3.8%
2018	3,221,103	n/a	n/a	n/a	485,835	3.2%
2019	3,222,498	n/a	n/a	n/a	478,823	3.0%

Notes:

n/a - data not available

Estimates for population for 2010-2017 were revised; personal income and per capita personal income for 2010-2015 were revised for new estimates.

Sources:

(a) July 1 estimates for 2009-2017 and January 1 estimate for 2018 from California Department of Finance, http://www.dof.ca.gov/

(b) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov/

(c) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov/

(d) U.S. Census Bureau, http://factfinder2.census.gov/

(e) California Department of Education, http://www.dq.cde.ca.gov/

(f) CA Employment Development Department, http://www.labormarketinfo.edd.ca.gov/

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 14

Principal Employers, Current Year and Nine Years Ago

	Calendar Year 2019			Calendar Year 2010		
Employer	Employees (a)	Rank	Percentage of Total County Employment (b)	Employees (a)	Rank	Percentage of Total County Employment (b)
Walt Disney Co.	30,000	1	1.92%	19,800	1	1.36%
University of California, Irvine	23,884	2	1.53%	19,279	2	1.33%
County of Orange	17,271	3	1.11%	17,895	3	1.23%
St. Joseph Health System	14,000	4	0.90%	10,929	4	0.75%
Kaiser Permanente	8,178	5	0.52%	5,598	9	0.38%
Albertsons Southern CA Division	7,670	6	0.49%			
Target Corp.	6,300	7	0.40%	6,226	7	0.43%
Wal-Mart Stores Inc.	6,200	8	0.40%			
Hoag Memorial Hospital Presbyterian	6,100	9	0.39%			
Boeing Co.	6,000	10	0.38%	10,300	5	0.71%
Yum! Brands Inc.				7,000	6	0.48%
Supervalu Inc.				5,923	8	0.41%
Memorial Health Services Inc.				5,533	10	0.38%
Total County Employment	1,558,900			1,454,700		

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 15
Full-Time Equivalent Government Employees by Function/Program for Ten Years

	Full-Time Equivalent Employees as of June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	219.0	215.0	225.0	224.0	226.0	224.0	238.0	239.0	240.5	247.5
Measure M program	45.0	45.0	40.0	40.0	40.0	40.0	39.5	39.0	39.0	40.5
Motorist services	2.0	2.0	3.0	3.0	3.0	3.0	4.0	4.0	5.0	5.0
Commuter rail	12.0	10.0	12.0	10.0	10.0	9.0	10.5	11.0	8.0	7.0
Fixed route	1,319.0	1,247.0	1,169.0	1,135.0	1,152.0	1,078.0	1,020.0	981.0	906.5	964.0
Paratransit	11.0	10.0	11.0	12.0	12.0	12.0	5.0	7.5	7.5	6.5
Tollroad	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5
Taxicab	3.0	4.0	3.0	4.0	4.0	4.0	4.0	3.0	2.0	2.0
LOSSAN	-	-	-	-	-	-	6.0	7.0	8.0	11.0
Total	1,614.0	1,536.0	1,466.0	1,431.0	1,450.0	1,373.0	1,330.0	1,294.5	1,220.0	1,287.0

Source: Financial Planning & Analysis Department

Note:

In addition, from fiscal year 2009-10 through 2012-13 there were decreases in the full-time equivalent positions in Fixed Route due to service reductions.

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

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

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

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

In fiscal year 2018-19, the increase of full-time equivalent positions is primarily due to new hires in Fixed Route.

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

Function/Program	For the Year Ended June 30, 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Measure M1 program (thousands)										
Freeways	$ 55,060	$ 25,890	$ 12,742	$ 25,107	$ 11,318	$ 30,434	$ -	$ -	$ -	$ -
Regional streets and roads	42,591	6,946	11,468	15,017	17,697	25,371	-	-	-	-
Local streets and roads	61,863	62,348	5,273	8,142	14,614	14,796	-	-	-	-
Transit	83,677	204,916	101,628	13,256	14,392	128,110	-	-	-	-
Total program expenses	$ 243,191	$ 300,100	$ 131,111	$ 61,522	$ 58,021	$ 198,711	$ -	$ -	$ -	$ -
Measure M2 program (thousands)										
Freeways	$ 17,682	$ 43,210	$ 34,930	$ 31,986	$ 32,387	$ 58,775	$ 68,486	$ 100,729	$ 251,130	$ 204,726
Streets and roads	15,226	32,453	109,863	168,895	199,311	161,622	163,699	138,273	106,691	110,412
Transit	22,073	41,617	42,576	38,884	82,721	47,876	22,464	16,516	20,419	173,782
Environmental cleanup	324	1,086	401	1,961	2,398	2,220	9,578	10,189	6,409	7,117
Total program expenses	$ 55,305	$ 118,366	$ 187,770	$ 241,726	$ 316,817	$ 270,493	$ 264,227	$ 265,707	$ 384,649	$ 496,037
Motorist services										
Calls made from call boxes	4,138	3,560	3,074	2,744	4,949	2,011	1,717	1,363	1,246	1,049
Vehicles removed	1,306	1,390	1,760	1,256	357	-	-	-	-	-
Vehicles assisted by FSP	60,865	67,267	65,949	64,851	59,014	69,045	68,678	62,527	54,136	52,673
511 Motorist Assistance Calls	-	-	-	-	-	2,886	4,023	4,120	3,888	4,298
Commuter rail										
Weekday trips	42	42	48	54	54	54	54	54	54	54
Annual boardings	3,941,628	3,871,939	4,146,016	4,443,362	4,437,991	4,579,000	4,198,189	4,477,735	5,069,929	5,073,474
Fixed route										
Annual boardings	53,376,023	51,305,266	52,631,935	51,418,393	48,963,660	47,021,445	43,202,265	39,903,682	39,272,747	37,846,066
Vehicle revenue hours	1,842,128	1,707,743	1,543,637	1,556,967	1,603,969	1,613,276	1,618,070	1,629,802	1,602,192	1,626,394
Miles of fixed route	2,039	2,038	2,039	2,048	2,045	2,047	2,045	1,820	1,801	1,762
Paratransit										
Annual boardings	1,482,950	1,554,773	1,570,341	1,631,527	1,654,081	1,714,550	1,779,530	1,864,312	1,647,378	1,667,292
Vehicle revenue hours	671,456	678,137	677,645	687,618	718,150	741,291	754,004	780,798	744,746	756,391
Eligible riders	27,104	28,447	29,856	30,992	31,576	31,602	32,173	32,871	32,735	32,744
Tollroad										
Annual drivers trips	12,659,051	11,998,541	11,944,555	12,085,552	12,326,874	13,106,882	13,772,971	14,384,133	16,719,371	17,546,304
Taxicab										
Permits Issued	2,481	2,648	2,773	3,090	3,066	2,513	1,855	1,521	1,214	971

Source: Various departments within OCTA

Notes:

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

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

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

In fiscal year 2018-19, the decrease in Fixed Route annual boardings is primarily due to the decrease in vehicle service hours.

In fiscal year 2018-19, the increase in Measure M program is primarily due to transit related to high frequence Metrolink Service.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 17
Capital Asset Statistics by Function/Program

	For the Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fixed route										
Bus bases	5	5	5	5	5	5	5	5	5	5
Large revenue vehicles	510	522	527	527	537	537	537	517	492	498
Small revenue vehicles	19	19	19	19	19	19	18	11	35	43
Paratransit										
Paratransit vehicles	252	248	248	248	248	248	248	248	248	248
Tollroad										
Transponders in use	170,458	168,915	167,329	168,507	171,304	176,790	182,522	196,997	213,993	225,621

Source: Various departments within the Orange County Transportation Authority

Note:

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

In fiscal year 2017-18, the decreases in Fixed route large vehicles is due to the change in service levels.

In fiscal year 2017-18, the increase in Fixed route small vehicles resulted from operations of Irvine I-Shuttle.

In fiscal year 2018-19, the increase in Fixed route small vehicles was a result of increase in I-Shuttle service.

Comprehensive Annual Financial Report

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