



2017 Comprehensive Annual Financial Report

For fiscal year ended June 30, 2017



ORANGE COUNTY TRANSPORTATION AUTHORITY
ORANGE COUNTY, CALIFORNIA





Comprehensive Annual Financial Report

For fiscal year ended June 30, 2017

Submitted by:
Darrell Johnson
Chief Executive Officer

Finance and Administration Division
Andrew Oftelie
Executive Director



ORANGE COUNTY TRANSPORTATION AUTHORITY
ORANGE COUNTY, CALIFORNIA



ORANGE COUNTY TRANSPORTATION AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June, 30 2017

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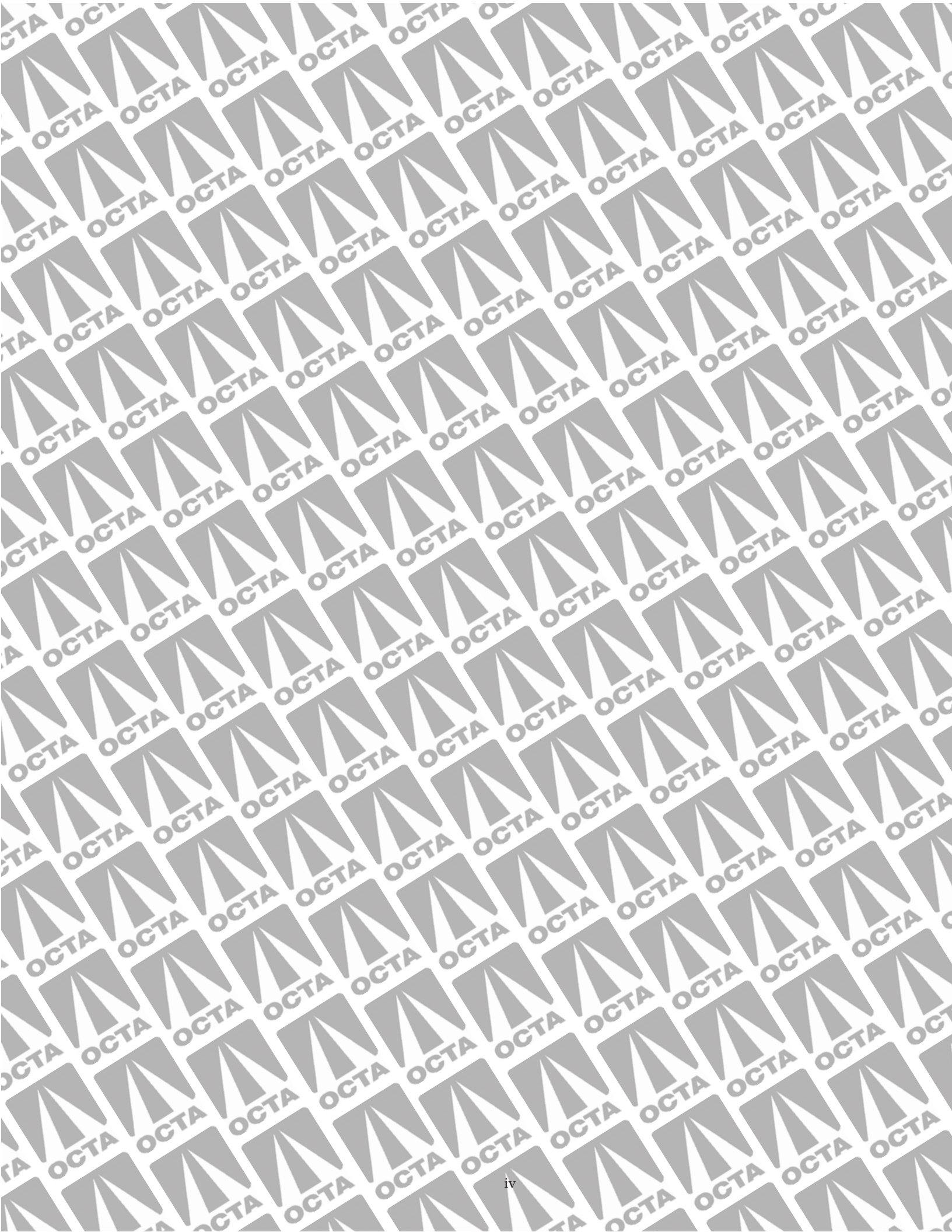
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FREEWAYS





STREETS & ROADS





November 13, 2017

BOARD OF DIRECTORS

Michael Hennessey
Chairman

Lisa A. Bartlett
Vice Chair

Laurie Davies
Director

Barbara Delgleize
Director

Andrew Do
Director

Lori Donchak
Director

Steve Jones
Director

Mark A. Murphy
Director

Richard Murphy
Director

Al Murray
Director

Shawn Nelson
Director

Miguel Pulido
Director

Tim Shaw
Director

Todd Spitzer
Director

Michelle Steel
Director

Tom Tait
Director

Gregory T. Winterbottom
Director

Ryan Chamberlain
Ex-Officio Member

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, 2017. 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 control 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.

Vavrinek, Trine, Day and Company, LLP has audited OCTA's financial statements and issued an unmodified ("clean") opinion thereon for the FY ended June 30, 2017. The independent auditors' 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 auditors' 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

CHIEF EXECUTIVE OFFICE

Darrell Johnson
Chief Executive Officer

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.

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. 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

The unemployment rate in Orange County was 3.7 percent in February 2017, down from 4 percent in February 2016. Statewide unemployment was 5 percent in February 2017, which is 0.6 percentage points lower than the same period in 2016. National unemployment has fallen to 4.5 percent. This makes Orange County's unemployment rate 1.3 points below the state level and 0.8 point below the national level.

The bulk of the new jobs added over the last year in Orange County were in the Professional and Business Services industry. The industry created 7,700 new jobs in 2016, most of which are in administrative and support services. These positions trend toward the middle portion of the wage spectrum, but Orange County has been adding high wage positions as well. Overall, Orange County added 17,300 jobs in 2016.

The Orange County real estate market remains strong. Median home prices in February 2017 increased by 5.6 percent year-over-year to \$745,000, up from \$705,000. Home sales rose by 1.9 percent year-over-year from 2015 to 2016. The inventory level is very low. Interest rates have increased slightly which may impact sales for higher valued homes.

Falling oil prices, in addition to statewide subpar wage growth, have kept inflation in check over the last year. The price index for nationwide personal consumption expenditures, the Federal Reserve's preferred measure of inflation, increased 2.12 percent from February 2016 to February 2017.

The estimated sales tax growth rate for FY 2017-18 is 3.3 percent for Measure M2 (M2) based on the forecast provided by MuniServices, LLC. Sales tax for the M2 Program is estimated to be \$13.5 billion over the life of the measure. The sales tax forecasting methodology estimates OCTA's Transportation Development Act (TDA) sales tax will grow by 2.4 percent in FY 2017-18.

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 is presented to the Board for approval every two years. The CBP is anticipated to be presented to the Board during the third quarter of FY 2017-18. 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, multi-modal approach ensuring the financial viability of each of OCTA's programs and is developed consistent with the goals of OCTA's Strategic Plan and Long-Range Transportation 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 expenses and protects against significant changes in funding or major expense items.

OCTD Capital Asset Reserve Policy

Each year, OCTA sets aside operating funds for future capital expenses to support the transit system. The process of establishing the set-aside involves analyzing

available grant 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 used for State Route 91 (SR-91) corridor improvements.

Major Initiatives

In FY 2016-17, OCTA continued its proven strategy of taking advantage of favorable financial conditions and a competitive bidding environment to accelerate projects and deliver them sooner to the people of Orange County.

In 2006, OCTA requested and received voter approval for a 30-year extension of the existing Measure M (M1) half-cent sales tax. Titled M2, this renewal allows OCTA to continue making transportation improvements that benefit the public and the local economy. Allocation of M2 funds remains the same as the original M1 with 43 percent slated for freeway improvements, 32 percent for streets and roads, and 25 percent for transit projects and programs.

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

Despite the economic recession and recent funding reductions, which resulted in a 44 percent reduction in projected sales tax revenue during the life of M2, OCTA has managed to capitalize on low debt costs and a competitive bidding environment to leverage local, state and federal funds. Through these efforts, OCTA has been able to reduce the effects of cost escalation by starting and delivering projects years earlier, helping to backfill the funding gap in the M2 Freeway Program.

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

- The M2 Performance Assessment Report for FY 2012-13 through FY 2014-15 was completed, along with a summary of the findings and responses/action plan.

Overall, the assessment commended OCTA's commitment to the effective and efficient management and delivery of the M2 Program

- Adopted the Next 10 Delivery Plan, 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 26th consecutive year
- Successfully developed more than \$210 million in grant requests from a variety of federal, state, and local sources. Of these, \$67 million were pursued through competitive grant programs. More than \$126 million in formula grants have been awarded to OCTA for FY 2016-17
- Completed the Transit Investment Framework for the OC Transit Vision. This document will be used through the remaining steps of the Transit Master Plan process to develop and evaluate recommendations
- Completed the final design phase for I-5 from SR-55 to SR-57, readying the project for construction
- Worked cooperatively with Caltrans on the SR-55 Improvement Project between I-405 and I-5 to incorporate a second high-occupancy vehicle lane into the M2-funded general purpose lane addition project. This includes design variations to minimize right-of-way impacts and cost increases by staying within the same footprint. Additionally, Caltrans provided a commitment of \$46.8 million towards the cost of this project
- Completed construction of the SR-91 Improvement Project between the SR-55 and the Tustin Avenue interchange
- Coordinated efforts with the Riverside County Transportation Commission (RCTC) for the opening of the 91 Express Lanes extension into Riverside County
- Executed the design-build contract for the \$1.9 billion I-405 Improvement Project with the design builder, OC 405 Partners, and Notice to Proceed No. 1 was issued
- Approved a low-interest Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement between OCTA and the United States Department of Transportation (USDOT). The USDOT Build America Bureau, Federal Credit Council on Finance, recommended the TIFIA loan for approval by the Secretary of Transportation in the amount of \$629 million
- Approved an agreement with Caltrans to address all toll operation matters related to the I-405 Improvement Project between SR-55 and I-605
- Began the environmental phase for the I-605/Katella Avenue interchange project

- The OC Streetcar was approved by the Federal Transit Administration (FTA) into the New Starts Engineering phase
- The FTA conducted a Risk Assessment Workshop in March, reviewing the project's cost, schedule, and scope as defined by the 60 percent design plans for the OC Streetcar. Based on the workshop, an updated cost estimate and funding plan were approved by OCTA
- Authorized submission of the Full Funding Grant Agreement Application to FTA for the OC Streetcar. The funding request as well as extensive project readiness documents required for the application were submitted to FTA in late May 2017
- Approved a request for proposals (RFP) for Public Awareness Campaign (PAC) services, and an RFP for manufacturing and delivery of streetcar vehicles
- Approved \$32.24 million in funding for 13 projects for the Regional Capacity Program. Since M2 began, OCTA has invested approximately \$263 million of M2 funds in the Regional Capacity Program
- Approved funding for five projects totaling \$2.5 million as part of the 2017 Regional Traffic Signal Synchronization Program (RTSSP) Call for Projects. To date, OCTA and local agencies have synchronized more than 2,000 intersections (exceeding the M2 target) along more than 540 miles of streets through 59 corridors totaling \$72.5 million
- Completed the Orangethorpe Avenue, Tustin Avenue/Rose Drive, and Lakeview Avenue railroad grade separation projects as part of OC Bridges
- Environmentally cleared the Anaheim Canyon Metrolink Station project
- Awarded a construction contract for a new Orange Metrolink Station parking structure
- Approved Environmental Cleanup Program allocations of up to approximately \$2.77 million for 16 projects selected through the 2016 Tier 1 call for projects. Approved the fiscal year (FY) 2017-18 Environmental Cleanup Program Tier 1 call for projects, totaling \$3.1 million
- Approved funding for a new restoration project within the Environmental Mitigation Program (EMP) called the United States Forest Service San Juan Creek Dam Removal Project
- Approved the selection of an endowment funding manager for the EMP endowment, which will pay for the long-term management of M2 conservation properties purchased to mitigate the impacts of the M2 freeway program. Made the first deposit for the EMP endowment

- Following years of extensive collaboration, the United States Fish and Wildlife Service and the California Department of Fish and Wildlife finalized the issuance of their respective biological opinion, findings, and associated permits on the Final M2 Natural Community Conservation Plan/Habitat Conservation Plan (Conservation Plan) and its associated Final Environmental Impact Report/Statement, and signed the Conservation Plan Implementing Agreement
- Continued implementation of OC Bus 360°, an initiative to increase bus system ridership by improving bus travel times and frequencies, expanding access to route and real-time information, introducing mobile ticketing, and evaluating fares
- Reallocated fixed-route bus service in FY 2016-17 to optimize efficiency and effectiveness of the overall bus system
- Reduced commute times by introducing the 53Xpress, a limited-stop service between Anaheim and Santa Ana
- Launched the Laguna Beach Summer Breeze with the City of Laguna Beach to alleviate traffic for ten summer weekends along Laguna Canyon Road in Laguna Beach
- For the sixth consecutive year, the OC Fair Express set a record with nearly 88,000 trips, a 33% increase over last year's similar weekend service, to and from the OC Fair during five weeks of service funded by the Mobile Source Air Pollution Reduction Review Committee (MSRC)
- Launched the OC Bus Mobile app system wide, gaining more than 22,000 registered users, 13,000 purchases, and 6% of total sales penetration in eight months
- Launched a pilot OC Taxi App for ACCESS-eligible customers to book their ACCESS trip on the mobile app
- For the seventh consecutive year, the Metrolink Angels Express service took customers to and from the Angel Stadium to all weekday home games.
- Used more than \$1,000,000 in grant funding to create safety videos and planning studies and collaborate with law enforcement collaboration to encourage and promote bicycle and pedestrian safety
- Approved consultant services to begin OC Active: Orange County's Bike + Ped Plan. OC Active will provide the first comprehensive pedestrian analysis countywide, and will incorporate local and regional bikeways planning
- Coordinated with local jurisdictions in their *Go Human* safety promotion events in Anaheim, Brea, Garden Grove, Santa Ana, and Yorba Linda

Awards and Acknowledgments

For the seventh 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.

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, 2016. This was the 34th 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, 2017, 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,



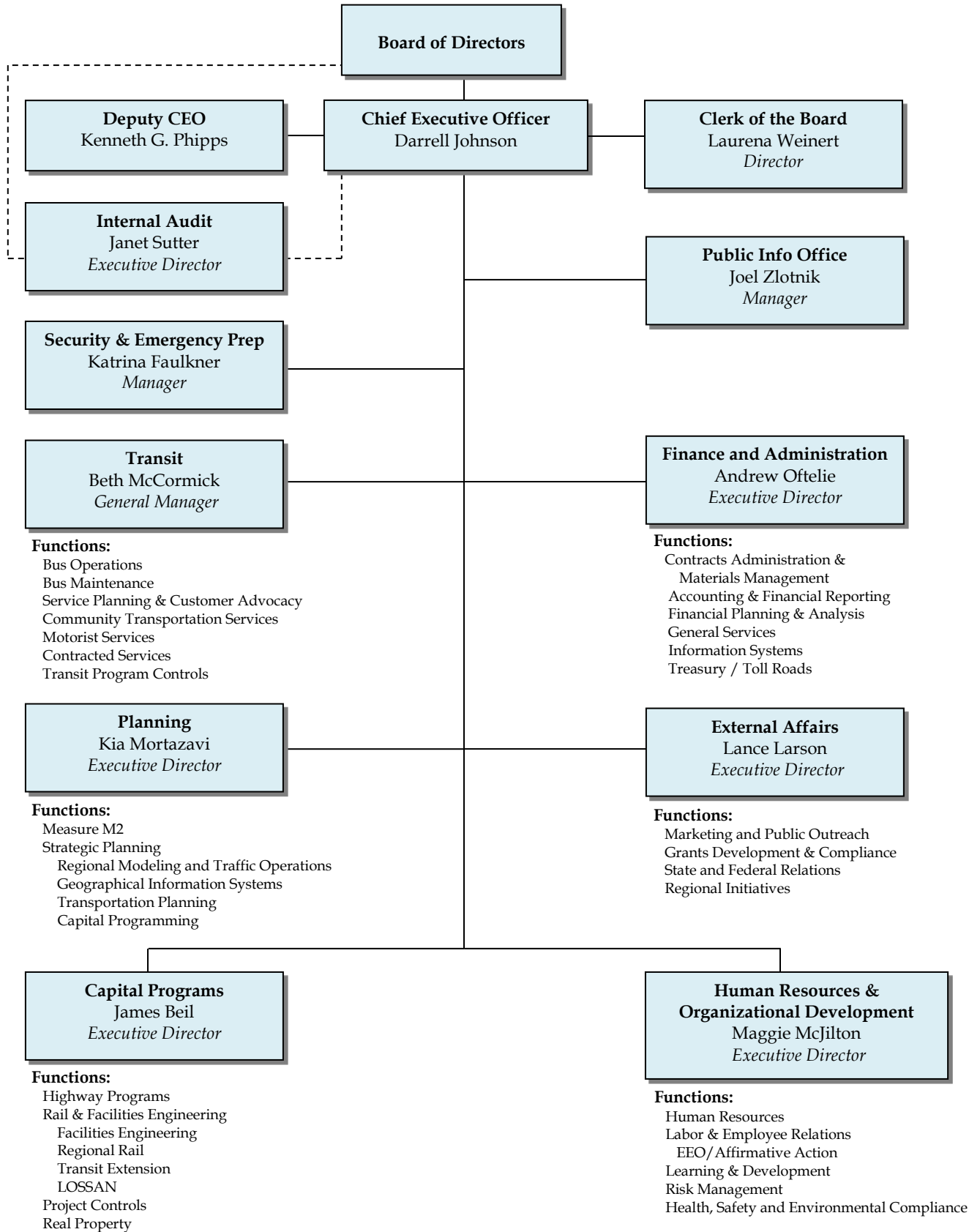
Darrell Johnson
Chief Executive Officer



Andrew Oftelie
Executive Director,
Finance and Administration

ORANGE COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART



ORANGE COUNTY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

<p>Michael Hennessey Chairman Public Member</p>		<p>Lisa A. Bartlett Vice-Chair Supervisor, 5th District</p>	
<p>Laurie Davies Director City Member, 5th District</p>		<p>Barbara Delgleize Director City Member, 2nd District</p>	
<p>Andrew Do Director Supervisor, 1st District</p>		<p>Lori Donchak Director City Member, 5th District</p>	
<p>Steve Jones Director City Member, 1st District</p>		<p>Mark A. Murphy Director City Member, 3rd District</p>	
<p>Richard Murphy Director City Member, 2nd District</p>		<p>Al Murray Director City Member, 3rd District</p>	
<p>Shawn Nelson Director Supervisor, 4th District</p>		<p>Miguel Pulido Director City Member, 1st District</p>	
<p>Tim Shaw Director City Member, 4th District</p>		<p>Todd Spitzer Director Supervisor, 3rd District</p>	
<p>Michelle Steel Director Supervisor, 2nd District</p>		<p>Tom Tait Director City Member, 4th District</p>	
<p>Gregory T. Winterbottom Director Public Member</p>		<p>Ryan Chamberlain Governor's Ex-Officio Member District Director, Caltrans District 12</p>	

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT STAFF

Darrell 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

James Beil	Executive Director, Capital Programs
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	Executive Director, Finance and Administration
Joel Zlotnik	Manager, Public Information Office

Virginia Abadessa	Director, Contracts Administration and Materials Management
Vicki Austin	Manager, Accounting and Financial Reporting
Kirk Avila	Treasurer / General Manager, Toll Roads
Meena Katakia	Manager, Capital Projects
William Mao	Chief Information Officer, Information Systems
Sean Murdock	Director, Finance and Administration
Lori Parsel	Section Manager, General Services
Barry Reynolds	Manager, Information Systems & Operations Management
Lloyd Sullivan	Manager, Information Systems Enterprise Business Solutions
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, 2016

Executive Director/CEO



BUS





RAIL





INDEPENDENT AUDITORS' 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 year ended June 30, 2017, 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.

Auditors' 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, budgetary comparison information on pages 86 through 88, supplemental pension plan trend data and other postemployment benefit data on pages 89 through 92, and related notes on page 93 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 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.

Other 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 nonmajor fund financial statements and budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison 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 nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

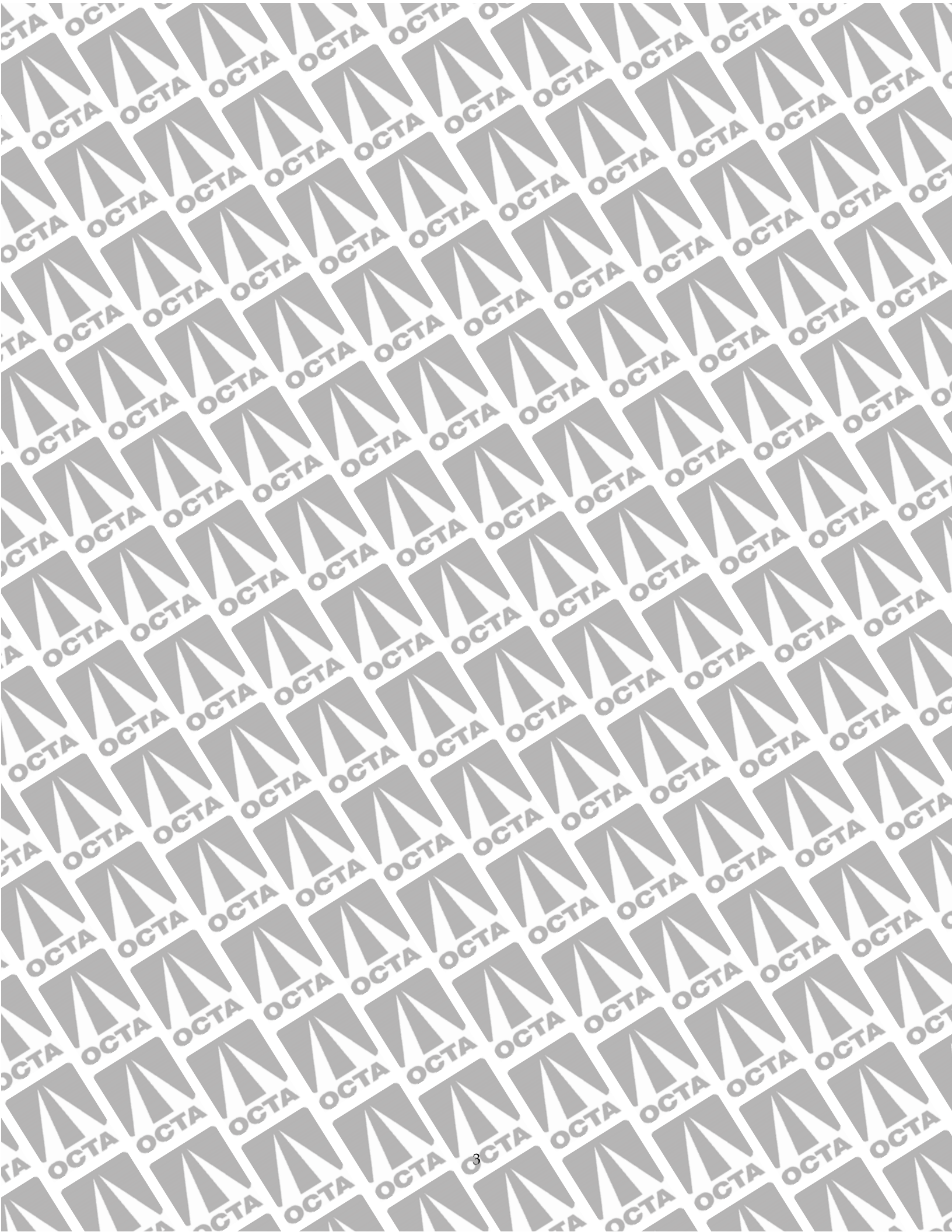
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Laguna Hills, California
October 31, 2017



ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)
For the Fiscal Year Ended June 30, 2017

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, 2017. 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, 2017 total net position of OCTA was \$1,580,417, which consisted of net investment in capital assets of \$592,378; restricted net position of \$634,779; and unrestricted net position of \$353,260.
- Net position increased \$162,970 during fiscal year 2016-17. The increase in net position from governmental activities of \$55,799 was primarily due to an increase in the amount restricted for the Measure M program, due to revenues exceeding program costs, in addition to an increase in net investment in capital assets as a result of the construction in progress related to the OC Streetcar project. The increase in net position from business-type activities of \$107,171 was primarily due to the receipt of grants and contributions for the purchase and improvement of transit vehicles, 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 \$988,433, an increase of \$54,804 compared to fiscal year 2015-16. Approximately 92% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.
- Total capital assets, net of accumulated depreciation, increased \$103,758, or 22%, over June 30, 2016. This increase in capital assets is primarily due to the purchase of transit vehicles, and progress made on the OC Streetcar and Interstate 405 (I-405) Express Lanes projects.
- Long-term liabilities decreased \$36,949, or 5%, primarily due to a decrease in net pension liability in the amount of \$20,772 in addition to a decrease in total outstanding bonds in the amount of \$12,760 due to scheduled payments of principal on outstanding bonds. The primary reason for the decrease in net pension liability is higher than expected investment performance reflected in the pension trust fund managed by the Orange County Employees Retirement System (OCERS).

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.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Statements

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.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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; and LTA Debt Service fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is 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 and taxicab administration 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) and 91 Express Lanes, which are considered to be major enterprise funds of OCTA. Data from the I-405 Express Lanes fund and the Orange County Taxicab Administration Program fund 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 33-84 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 is included. Required supplementary information can be found on pages 86-93 of this report.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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 94-110 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, 2017, OCTA's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,580,417.

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 \$592,378, compared to \$485,946 in fiscal year 2015-16. 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 \$106,432 was primarily related to the addition of transit vehicles, progress made on the OC Streetcar and I-405 Express Lanes projects and other capital asset additions offset by continued depreciation.

Restricted net position, representing resources subjected to external restrictions on how they may be used, were 40% and 39% of the total net position at June 30, 2017 and 2016, respectively. The change in restricted net position in fiscal year 2016-17 was \$76,484. Restricted net position from governmental activities increased \$76,360 primarily due to an increase in the amount restricted for the Measure M program which resulted from revenues exceeding program costs. The increase in restricted net position from business-type activities of \$124 is due to investment activity in bond reserve accounts.

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 2016-17, OCTA's unrestricted net position related to governmental activities was \$29,578. During fiscal year 2016-17, the unrestricted net position related to governmental activities decreased \$37,939 primarily due to expenses exceeding program revenues from the commuter rail activity and to an increase in net investment in capital assets related to the OC Streetcar project.

At the end of fiscal year 2016-17, OCTA's unrestricted net position related to business-type activities was \$323,682. During fiscal year 2016-17, the unrestricted net position related to business-type activities increased \$17,993 primarily due to the receipt of capital assistance grants, transfers from LTF and STAF for operating assistance, 91 Express Lanes revenues in excess of expenses consistent with the Comprehensive Business Plan (CBP) and a decrease in net pension liability.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table 1
Orange County Transportation Authority
Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$1,133,431	\$1,108,504	\$560,203	\$541,879	\$1,693,634	\$1,650,383
Restricted assets	2,965	-	23,998	23,874	26,963	23,874
Prepaid retirement	5,304	5,265	12,033	13,369	17,337	18,634
Assets held for resale	10,371	2,503	-	-	10,371	2,503
Capital assets, net	202,587	185,209	362,323	275,943	564,910	461,152
Intangible asset, net	-	-	125,454	128,041	125,454	128,041
Total assets	1,354,658	1,301,481	1,084,011	983,106	2,438,669	2,284,587
Deferred outflows of resources-debt	-	-	9,011	9,681	9,011	9,681
Deferred outflows of resources-pensions	15,437	21,036	30,945	47,228	46,382	68,264
Total deferred outflows of resources	15,437	21,036	39,956	56,909	55,393	77,945
Current liabilities	109,024	106,276	68,122	71,382	177,146	177,658
Long-term liabilities	397,027	410,652	308,331	331,655	705,358	742,307
Total liabilities	506,051	516,928	376,453	403,037	882,504	919,965
Deferred inflows of resources-pensions	10,299	7,643	20,842	17,477	31,141	25,120
Total deferred inflows of resources	10,299	7,643	20,842	17,477	31,141	25,120
Net position:						
Net investment in capital assets	202,587	185,209	389,791	300,737	592,378	485,946
Restricted	621,580	545,220	13,199	13,075	634,779	558,295
Unrestricted	29,578	67,517	323,682	305,689	353,260	373,206
Total net position	\$853,745	\$797,946	\$726,672	\$619,501	\$1,580,417	\$1,417,447

OCTA's total revenues increased by 3%, while the total costs of all programs increased by 3%. The increase in total revenues is primarily due to an increase in capital grants and contributions in the amount of \$67,597. This increase is due to federal capital assistance grants received for the purchase of transit vehicles. Operating grants and contributions decreased \$22,994 due to a decrease in grant funds received for the I-5 improvement projects and grade separation projects. Sales tax revenue did not have a significant variance in fiscal year 2016-17. Unrestricted investment earnings decreased \$14,980 due to market performance. The decrease of \$4,106 in charges for services is primarily due to a decrease in passenger fare revenue due to a decrease in bus ridership.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

During fiscal year 2016-17, OCTA's total expenses increased \$23,437. The increase in expenses is primarily due to costs related to freeway projects including the I-405 improvement project, 91 Express Lanes pavement rehabilitation project and services related to fixed route and paratransit. Approximately 53% 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.

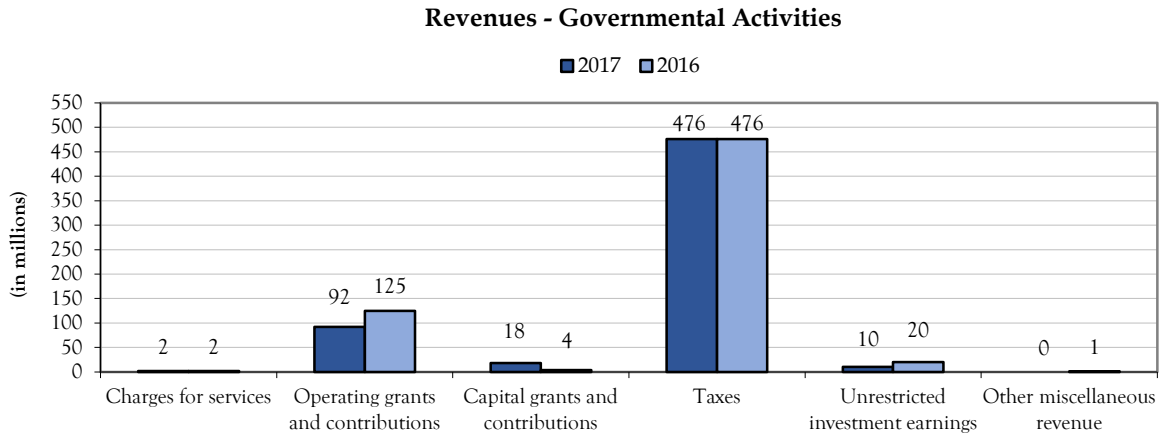
Table 2
Orange County Transportation Authority
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,834	\$ 2,267	\$ 107,414	\$ 111,087	\$ 109,248	\$ 113,354
Operating grants and contributions	92,486	125,220	74,966	65,226	167,452	190,446
Capital grants and contributions	17,602	3,897	89,740	35,848	107,342	39,745
General revenues:						
Taxes	475,863	476,368	14,943	14,098	490,806	490,466
Unrestricted investment earnings	9,807	19,447	2,332	7,672	12,139	27,119
Other miscellaneous revenue	99	918	5,071	791	5,170	1,709
Total revenues	597,691	628,117	294,466	234,722	892,157	862,839
Expenses:						
General government	94,929	95,155	-	-	94,929	95,155
Measure M program	280,154	272,627	-	-	280,154	272,627
Motorist services	5,826	6,355	-	-	5,826	6,355
Commuter rail	39,736	34,004	-	-	39,736	34,004
Fixed route	-	-	204,969	208,851	204,969	208,851
Paratransit	-	-	64,594	63,071	64,594	63,071
Toll road	-	-	38,455	25,120	38,455	25,120
Taxicab administration	-	-	524	567	524	567
Total expenses	420,645	408,141	308,542	297,609	729,187	705,750
Indirect expense allocation	(41,045)	(37,748)	41,045	37,748	-	-
Increase (decrease) in net position before transfers	218,091	257,724	(55,121)	(100,635)	162,970	157,089
Transfers	(162,292)	(152,899)	162,292	152,899	-	-
Change in net position	55,799	104,825	107,171	52,264	162,970	157,089
Net position – beginning of year	797,946	693,121	619,501	567,237	1,417,447	1,260,358
Net position – end of year	\$ 853,745	\$ 797,946	\$ 726,672	\$ 619,501	\$ 1,580,417	\$ 1,417,447

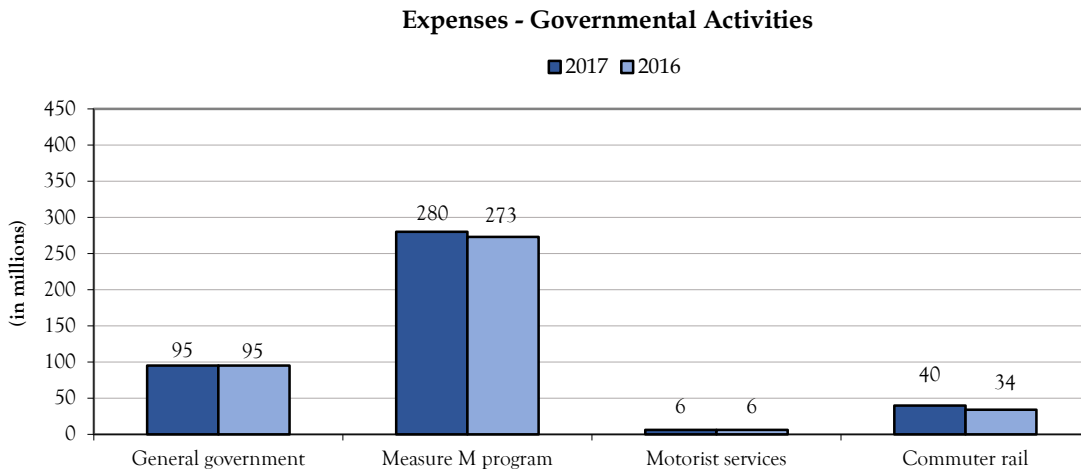
ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Total revenues for OCTA's governmental activities decreased \$30,426 primarily due to a decrease in operating grants and contributions received for the Measure M program due to the completion of the grade separation projects. In addition, investment earnings decreased due to market performance. Capital grants and contributions increased \$13,705 primarily due to funds received for the OC Streetcar project.



Total expenses for OCTA's governmental activities increased \$12,504 primarily due to an increase in Measure M program costs related to the I-405 improvement project. In addition, the commuter rail program expenditures increased due to the Laguna Niguel/Mission Viejo Metrolink Station improvements project.

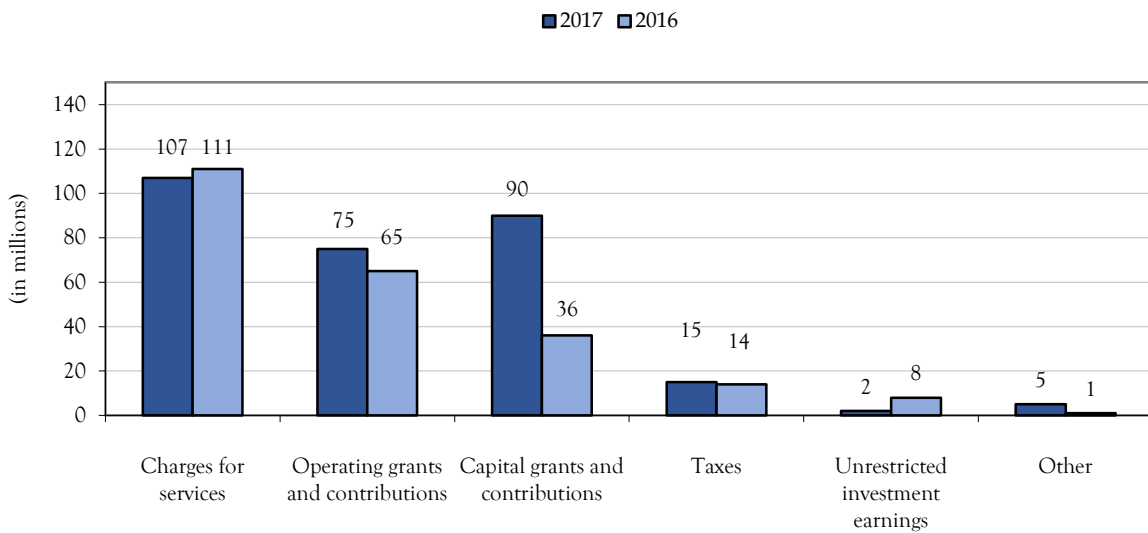


**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type Activities

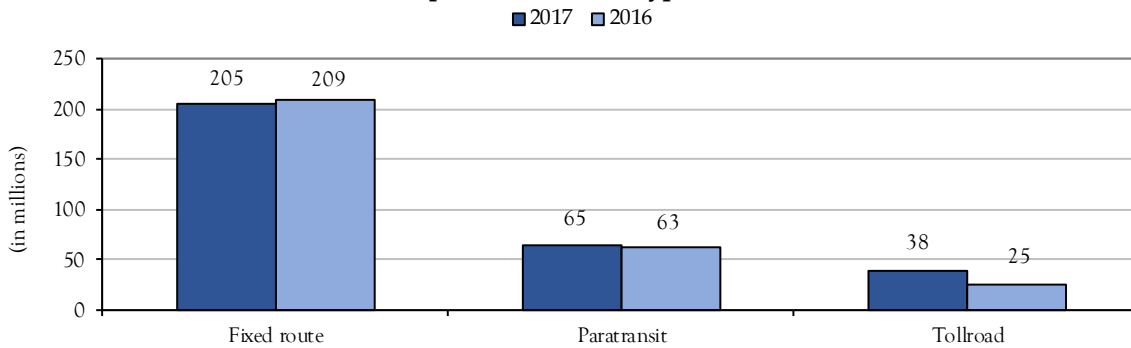
Revenues of OCTA's business-type activities increased \$59,744 primarily due to an increase in capital grants and contributions for the purchase of transit vehicles. In addition, operating grants and contributions increased \$9,740 primarily for the maintenance of buses. Investment earnings decreased \$5,340 due to market performance. Charges for services decreased \$3,673 due to a decrease in passenger fare revenue, as a result of a decrease in bus ridership, offset by an increase in toll road revenue, as a result of an increase in total trips.

Revenues - Business-type Activities



Total expenses related to business-type activities increased \$10,933 primarily due to an increase in operating expenses related to the 91 Express Lanes. This increase is due to the 91 Express Lanes pavement rehabilitation project completed in fiscal year 2016-17. Fixed route expenses decreased \$3,882 due to a decrease in expenses for fuel and maintenance parts.

Expenses - Business-type Activities



ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017, OCTA's governmental funds reported combined ending fund balances of \$988,433, an increase of \$54,804 compared to fiscal year 2015-16. Approximately 99% or \$976,561 of this amount is restricted, the majority of which relates to the Measure M program. \$27,849 represents the portion of fund balance that is not in a spendable form, such as condemnation deposits, notes receivable, prepaid retirement and advances for projects. \$1,158 is assigned for transportation capital projects. The remainder of fund balance of \$(17,135) is unassigned.

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

The General fund decreased by \$23,334, primarily due to payments issued to SCRRA for operating costs including the lease of locomotives and risk management premiums. Total revenues decreased \$4,105, primarily due to a decrease in the sale of assets held for resale related to construction projects in addition to a decrease in interest and investment income due to market performance. Total expenditures increased \$2,622, primarily due to payments issued to SCRRA, as previously mentioned, in addition to an increase in expenditures related to the positive train control project. The increase in costs related to the Bristol Street project was offset by transfers in from OCTD for this project.

The LTA fund increased by \$74,232, which represents an increase of 9% in comparison to fiscal year 2015-16. This increase is primarily due to excess of revenues over expenditures. In fiscal year 2016-17, total revenues decreased \$15,335 primarily due to a decrease in contributions received for the grade separation projects due to the completion of these projects. This decrease was offset by a 3% increase in sales tax revenue. Total expenditures increased \$5,464 primarily due to an increase in expenditures related to the I-405 improvement project and the Bristol Street widening project. This increase was offset by a decrease in expenditures related to the grade separation projects.

Proprietary funds

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

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The net position of the enterprise funds totaled \$704,533 at June 30, 2017 compared to \$598,309 at June 30, 2016. Following are the significant changes in net position of OCTA's major proprietary funds:

The OCTD fund net position at June 30, 2017 was \$525,828. During fiscal year 2016-17, the total net position increased \$89,780, primarily due to the receipt of capital grants for the purchase of transit vehicles. In addition, transfers from LTF and STAF for operating assistance in excess of expenses consistent with the CBP contributed to this increase.

The 91 Express Lanes fund net position at June 30, 2017 was \$172,975. The unrestricted net position increased \$13,760 primarily due to revenues in excess of operating expenses. Total revenues increased primarily due to an increase in total trips in addition to an increase in the collection of violation fees. Operating expenses increased primarily due to the pavement rehabilitation project. The 91 Express Lanes fund unrestricted net position was \$127,802 at June 30, 2017. The net investment in capital assets increased by \$3,441 to \$31,974 during fiscal year 2016-17 due to capital assets acquisitions, including the implementation of a new communication system and a reduction in debt used to acquire capital assets. The restricted net position was \$13,199 at June 30, 2017.

General Fund Budgetary Highlights

Revenues

The primary sources of revenues for the General fund are from federal, state, and local sources. In fiscal year 2016-17, the Central Harbor Boulevard Transit Corridor Study required a budget amendment which increased the original budget from \$10,711 to \$10,829.

Actual revenues were \$3,419 lower than the final budget. This is primarily due to investment income in the amount of \$1,472 related to OCERS pre-paid discount contribution. The discount contribution was fully budgeted within the General fund. However, actuals were primarily posted in the OCTD fund creating the underrun. The OCERS contribution was fully budgeted. The balance of the underrun is primarily due to the timing of reimbursements from capital assistance grants primarily attributed to bikeway and pedestrian facility projects.

Expenditures

The difference between original budget expenditures and final budget expenditures in fiscal year 2016-17 was \$690. This variance was the result of a budget amendment for the Central Harbor Boulevard Transit Corridor Study in the amount of \$118 and both transfers in and transfers out of the General fund, totaling \$572.

Actual expenditures were \$23,612 less than the final budget of \$56,696. This was primarily due to the Placentia Metrolink station project expenditures, as well as salaries and benefits. The Placentia Metrolink station underran the fiscal year 2016-17 budget by \$18,311. Construction of the Placentia Metrolink station is now anticipated to take place in FY 2017-18 due to an expanded scope of the project. Lower than anticipated salaries and benefits costs primarily driven by vacancies attributed to the majority of the balance of the underrun.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Intangible Asset

Capital Assets

As of June 30, 2017, OCTA had \$564,910, net of accumulated depreciation, invested in a broad range of capital assets including: land, buildings, transit vehicles, construction in progress, and machinery, equipment and furniture (Table 3).

During fiscal year 2016-17, OCTA's capital assets increased by \$103,758. Capital assets related to governmental activities increased by \$17,378. This increase is primarily due to construction in progress related to the OC Streetcar project. Capital assets related to business-type activities increased by \$86,380. This increase is primarily due to construction in progress related to the I-405 Express Lanes project and purchase of transit vehicles.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 172,236	\$ 172,236	\$ 52,402	\$ 52,402	\$ 224,638	\$ 224,638
Buildings and improvements	1,161	1,330	67,621	68,519	68,782	69,849
Transit vehicles	-	-	171,724	111,192	171,724	111,192
Machinery, equipment and furniture	3,275	2,882	26,056	27,956	29,331	30,838
Construction in progress	25,915	8,761	44,520	15,874	70,435	24,635
Totals	\$ 202,587	\$ 185,209	\$ 362,323	\$ 275,943	\$ 564,910	\$ 461,152

Major capital asset additions during 2017 included:

- \$91,554 for transit vehicles.
- \$23,838 for the I-405 Express Lanes project.
- \$17,293 for the OC Streetcar project.

Major capital asset deletions during 2017 included \$39,430 for transit vehicles.

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$1,273,147 for the I-405 improvement project, \$46,230 for the I-5 freeway widening construction project, \$10,985 for the I-5 HOV freeway construction project, and \$8,876 for the purchase of compressed natural gas powered (CNG) buses.

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Intangible Asset

Intangible asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Toll facility franchise	\$ 205,264	\$ -	\$ -	\$ 205,264
Less accumulated amortization	(77,223)	(2,587)	-	(79,810)
Total toll facility franchise, net	\$ 128,041	\$ (2,587)	\$ -	\$ 125,454

More detailed information about the toll facility franchise service concession agreement is presented in note 8 to the financial statements.

Debt Administration

As of June 30, 2017, OCTA had \$427,140 in bonds outstanding compared to \$439,900 at June 30, 2016, as presented in Table 4. The decrease is due to payments for principal in the amount of \$12,760 during the fiscal year.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Sales tax revenue bonds	\$318,010	\$325,485	\$ -	\$ -	\$ 318,010	\$ 325,485
Revenue refunding bonds	-	-	109,130	114,415	109,130	114,415
Totals	\$318,010	\$325,485	\$109,130	\$114,415	\$427,140	\$439,900

OCTA maintains an "AA+" rating from Standard & Poor's, an "AA+" rating from Fitch and an "Aa2" rating from Moody's for its M2 Sales Tax Revenue Bonds. The Toll Road Revenue Refunding Bonds (91 Express Lanes) have ratings of "A1" by Moody's, "A" from Fitch, and "AA-" by Standard & Poor's.

Additional information on OCTA's long-term debt can be found in note 10 to the financial statements.

Economic and Other Factors

The Board of Directors (Board) adopted the fiscal year 2017-18 budget on June 12, 2017. The \$1.3 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.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

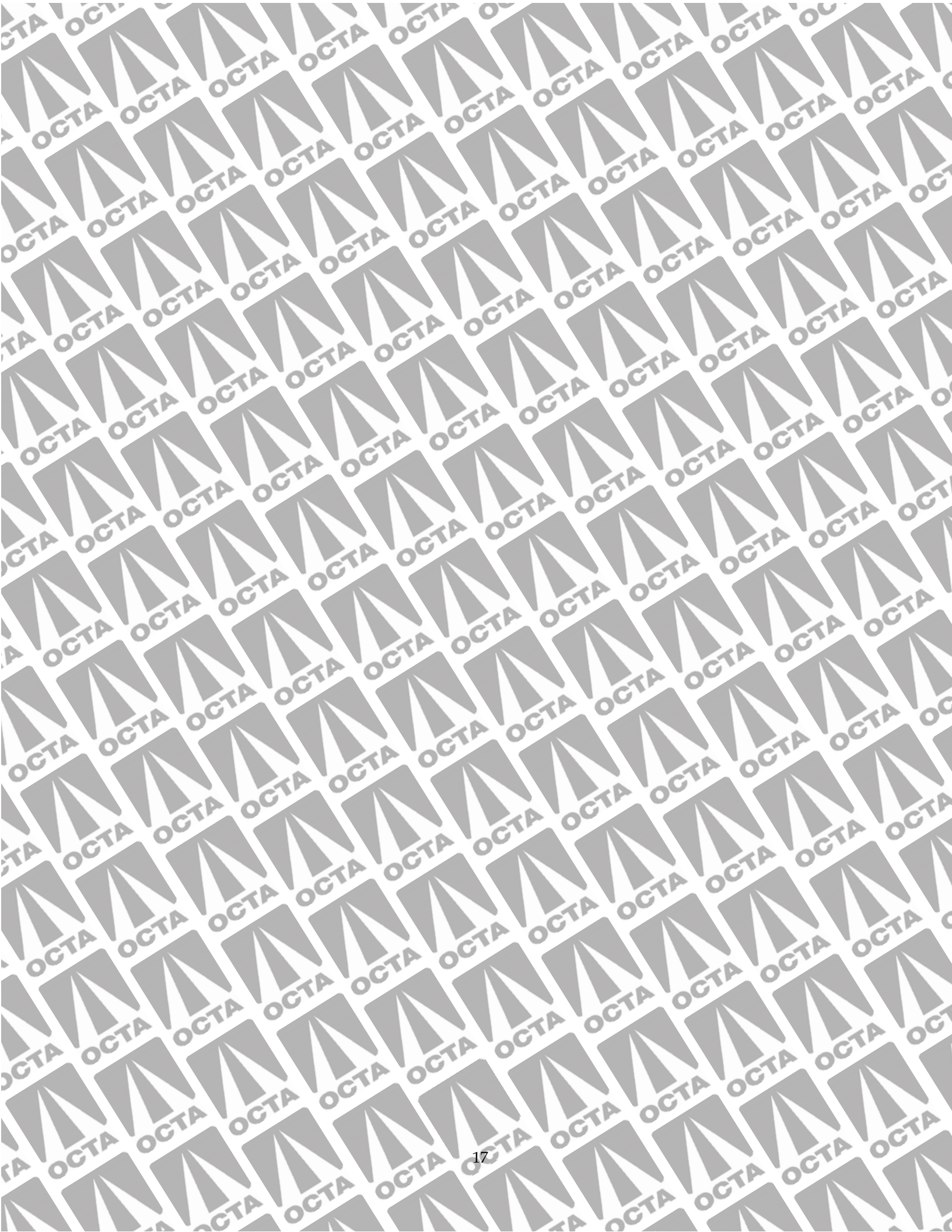
Under the M2 Program, funds will continue to improve freeways, streets and roads throughout Orange County, as well as fund multiple transit programs. Included in the proposed budget is \$170 million to help fund freeway improvement projects on Interstate 405, Interstate 5, State Route 55, State Route 57, and State Route 91. Approximately \$157 million is budgeted to improve streets and roads, including \$54 million to fund the Local Fair Share Program, \$53 million for the Regional Capacity Program, and \$22 million for the OC Bridges Project. In addition, the budget also includes \$240 million for the OC Streetcar project.

In fiscal year 2017-18, the budget to support the Bus Program is \$349 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 maintains existing bus service levels at 1.6 million service hours and has no fare increase. It is anticipated that the passage of California's Senate Bill (SB-1) will provide approximately \$19 million per year to the Bus Program, which is integral for the Program's long-term financial sustainability. The revenue expected from SB-1 is incorporated in the fiscal year 2017-18 budget.

The fiscal year 2017-18 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, 2017

<i>(amounts expressed in thousands)</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 932,296	\$ 505,589	\$ 1,437,885
Receivables:			
Interest	2,322	1,799	4,121
Operating grants	11,234	19,458	30,692
Capital grants	3,923	16,897	20,820
Other	2,810	15,979	18,789
Internal balances	16,152	(16,152)	-
Due from other governments	132,974	10,141	143,115
Condemnation deposits	4,121	-	4,121
Note receivable	25,484	-	25,484
Inventory	-	2,929	2,929
Restricted cash and investments:			
Cash equivalents	-	23,998	23,998
Investments	2,965	-	2,965
Prepaid retirement	5,304	12,033	17,337
Other assets	2,115	3,563	5,678
Assets held for resale	10,371	-	10,371
Capital assets, net:			
Nondepreciable	198,151	96,922	295,073
Depreciable	4,436	265,401	269,837
Intangible asset - tollroad franchise, net	-	125,454	125,454
Total Assets	1,354,658	1,084,011	2,438,669
Deferred Outflows of Resources			
Deferred charge on refunding	-	9,011	9,011
Deferred outflows - pensions	15,437	30,945	46,382
Total Deferred Outflows of Resources	15,437	39,956	55,393
Liabilities			
Accounts payable	56,806	38,836	95,642
Accrued payroll and related items	1,603	3,710	5,313
Accrued interest payable	7,838	2,028	9,866
Due to other governments	25,666	2,154	27,820
Unearned revenue	17,042	21,121	38,163
Other liabilities	69	273	342
Noncurrent liabilities:			
Due within one year	7,775	15,380	23,155
Due in more than one year	322,452	127,067	449,519
Net pension liability	66,800	165,884	232,684
Total Liabilities	506,051	376,453	882,504
Deferred Inflows of Resources			
Deferred inflows - pensions	10,299	20,842	31,141
Total Deferred Inflows of Resources	10,299	20,842	31,141
Net Position			
Net investment in capital assets	202,587	389,791	592,378
Restricted for:			
Measure M program	601,304	-	601,304
Measure M - Environmental Mitigation Program	2,965	-	2,965
Debt service	13,665	88	13,753
Motorist services	3,646	-	3,646
Capital	-	10,085	10,085
Operating reserve	-	3,026	3,026
Unrestricted	29,578	323,682	353,260
Total Net Position	\$ 853,745	\$ 726,672	\$ 1,580,417

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Program Revenues					Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs								
Primary government								
Governmental activities:								
General government	\$ 94,929	\$ (61,759)	\$ 730	\$ 4,564	\$ 17,029	\$ (10,847)	\$ -	\$ (10,847)
Measure M program	280,154	17,013	94	76,787	-	(220,286)	-	(220,286)
Motorist services	5,826	872	-	5,575	-	(1,123)	-	(1,123)
Commuter rail	39,736	2,829	1,010	5,560	573	(35,422)	-	(35,422)
Total governmental activities	<u>420,645</u>	<u>(41,045)</u>	<u>1,834</u>	<u>92,486</u>	<u>17,602</u>	<u>(267,678)</u>	<u>-</u>	<u>(267,678)</u>
Business-type activities:								
Fixed route	204,969	36,036	42,753	52,104	78,250	-	(67,898)	(67,898)
Paratransit	64,594	1,330	8,236	22,231	10,310	-	(25,147)	(25,147)
Tollroad	38,455	3,466	56,005	631	1,180	-	15,895	15,895
Taxicab administration	524	213	420	-	-	-	(317)	(317)
Total business-type activities	<u>308,542</u>	<u>41,045</u>	<u>107,414</u>	<u>74,966</u>	<u>89,740</u>	<u>-</u>	<u>(77,467)</u>	<u>(77,467)</u>
Total primary government	<u>\$ 729,187</u>	<u>\$ -</u>	<u>\$ 109,248</u>	<u>\$ 167,452</u>	<u>\$ 107,342</u>	<u>(267,678)</u>	<u>(77,467)</u>	<u>(345,145)</u>
General Revenues:								
Property taxes						-	14,943	14,943
Sales taxes						475,863	-	475,863
Unrestricted investment earnings						9,807	2,332	12,139
Other miscellaneous revenue						99	5,071	5,170
Transfers						(162,292)	162,292	-
Total general revenues and transfers						<u>323,477</u>	<u>184,638</u>	<u>508,115</u>
Change in net position						55,799	107,171	162,970
Net position - beginning						<u>797,946</u>	<u>619,501</u>	<u>1,417,447</u>
Net position - ending						<u>\$ 853,745</u>	<u>\$ 726,672</u>	<u>\$ 1,580,417</u>

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Funds
June 30, 2017

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 12,835	\$ 893,231	\$ 20	\$ 11,243	\$ 14,967	\$ 932,296
Receivables:						
Interest	82	2,154	3	6	77	2,322
Operating grants	3,644	7,590	-	-	-	11,234
Capital grants	-	-	-	-	3,923	3,923
Other	131	2,647	-	-	32	2,810
Due from other funds	626	9,462	-	-	1,405	11,493
Due from other governments	2,615	90,521	30,316	2,416	7,106	132,974
Condemnation deposits	-	-	-	-	4,121	4,121
Note receivable	22,428	-	-	-	3,056	25,484
Advances to other funds	10,020	-	-	-	2,640	12,660
Restricted cash and investments:						
Investments	-	2,965	-	-	-	2,965
Prepaid retirement	9,271	-	-	-	-	9,271
Other assets	798	1,317	-	-	-	2,115
Assets held for resale	-	2,071	-	-	-	2,071
Total Assets	\$ 62,450	\$ 1,011,958	\$ 30,339	\$ 13,665	\$ 37,327	\$ 1,155,739
Liabilities and Fund Balances						
Liabilities						
Accounts payable	5,834	44,731	-	-	6,241	56,806
Accrued payroll and related items	1,603	-	-	-	-	1,603
Due to other funds	-	1,324	-	-	4,674	5,998
Due to other governments	3,437	20,603	438	-	1,188	25,666
Unearned revenue - other	526	16,516	-	-	-	17,042
Other liabilities	52	17	-	-	-	69
Advances from other funds	-	2,640	-	-	-	2,640
Total Liabilities	11,452	85,831	438	-	12,103	109,824
Deferred Inflows of Resources						
Unavailable revenue - interest on advances	54	-	-	-	778	832
Unavailable revenue - grant reimbursements	2,570	29,884	-	-	2,351	34,805
Unavailable revenue - sale of land	421	-	-	-	-	421
Unavailable revenue - ARTIC	21,424	-	-	-	-	21,424
Total Deferred Inflows of Resources	24,469	29,884	-	-	3,129	57,482
Fund Balances						
Nonspendable:						
Condemnation deposits	-	-	-	-	4,121	4,121
Note receivable	583	-	-	-	3,056	3,639
Prepaid retirement	9,271	-	-	-	-	9,271
Other assets - Deposits, inventory, prepaid amounts	798	-	-	-	-	798
Advances	10,020	-	-	-	-	10,020
Restricted for:						
Transportation programs	22,992	896,243	29,901	-	10,114	959,250
Motorist services	-	-	-	-	3,646	3,646
Debt service	-	-	-	13,665	-	13,665
Assigned to:						
Transportation capital projects	-	-	-	-	1,158	1,158
Unassigned	(17,135)	-	-	-	-	(17,135)
Total Fund Balances	26,529	896,243	29,901	13,665	22,095	988,433
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 62,450	\$ 1,011,958	\$ 30,339	\$ 13,665	\$ 37,327	\$ 1,155,739

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

(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)	\$	988,433
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		202,587
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.		8,300
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.		57,482
Deferred outflows of resources related to pensions are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		11,470
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.		637
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(7,838)
Other liabilities, including other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.		(92)
Long-term liabilities related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		(66,800)
Deferred inflows of resources related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		(10,299)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(330,135)
Net position of governmental activities (page 18)	\$	853,745

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, 2017

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Sales taxes	\$ -	\$ 308,780	\$ 155,055	\$ -	\$ 22,566	\$ 486,401
Vehicle registration fees	-	-	-	-	2,960	2,960
Fines	205	-	-	-	-	205
Contributions from other agencies	10,306	72,243	-	-	5,321	87,870
Interest and investment income	309	2,524	28	8,946	87	11,894
Capital assistance grants	628	-	-	-	13,924	14,552
Miscellaneous	1,120	6,898	-	-	42	8,060
Total Revenues	12,568	390,445	155,083	8,946	44,900	611,942
Expenditures						
Current:						
General government	42,569	64,891	1,936	-	6,787	116,183
Transportation:						
Contributions to other local agencies	20,596	123,431	2,172	-	-	146,199
Capital outlay	5,042	84,485	-	-	17,394	106,921
Debt service:						
Principal	-	-	-	7,475	-	7,475
Interest	-	25	-	21,318	-	21,343
Total Expenditures	68,207	272,832	4,108	28,793	24,181	398,121
Excess (deficiency) of revenues over (under) expenditures	(55,639)	117,613	150,975	(19,847)	20,719	213,821
Other financing sources (uses)						
Transfers in	32,656	8,912	-	30,430	2,076	74,074
Transfers out	(3,626)	(52,293)	(148,904)	(8,912)	(22,631)	(236,366)
Proceeds from sale of capital assets	3,275	-	-	-	-	3,275
Total other financing sources (uses)	32,305	(43,381)	(148,904)	21,518	(20,555)	(159,017)
Net change in fund balances	(23,334)	74,232	2,071	1,671	164	54,804
Fund balances - beginning	49,863	822,011	27,830	11,994	21,931	933,629
Fund balances - ending	\$ 26,529	\$ 896,243	\$ 29,901	\$ 13,665	\$ 22,095	\$ 988,433

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, 2017

(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)	\$	54,804
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.		17,378
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(3,272)
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.		5,797
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.		(24,265)
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 deferred and 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.		8,204
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.		(339)
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.		(2,575)
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.		67
Change in net position of governmental activities (page 19)	\$	55,799

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2017

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 338,461	\$ 127,945	\$ 215	\$ 466,621	\$ 38,968
Receivables:					
Interest	1,349	267	-	1,616	183
Operating grants	19,458	-	-	19,458	-
Capital grants	16,897	-	-	16,897	-
Violations, net	-	12,309	-	12,309	-
Farebox	865	-	-	865	-
Other	1,037	1,450	-	2,487	318
Due from other funds	3,967	-	-	3,967	-
Due from other governments	8,850	483	808	10,141	-
Inventory	2,929	-	-	2,929	-
Prepaid retirement	11,973	-	60	12,033	-
Other assets	1,956	267	-	2,223	1,340
Total current assets	407,742	142,721	1,083	551,546	40,809
Noncurrent assets:					
Restricted cash and investments:					
Cash equivalents	-	23,998	-	23,998	-
Capital assets, net:					
Nondepreciable	63,757	687	32,478	96,922	-
Depreciable	261,582	3,819	-	265,401	-
Intangible asset - tollroad franchise, net	-	125,454	-	125,454	-
Total noncurrent assets	325,339	153,958	32,478	511,775	-
Total Assets	733,081	296,679	33,561	1,063,321	40,809
Deferred Outflows of Resources					
Deferred charge on refunding	-	9,011	-	9,011	-
Deferred outflows - pensions	30,818	-	127	30,945	-
Total Deferred Outflows of Resources	30,818	9,011	127	39,956	-

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds, Continued
June 30, 2017

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	24,268	5,745	7,687	37,700	1,136
Accrued payroll and related items	3,695	-	15	3,710	-
Accrued interest	-	2,028	-	2,028	-
Due to other funds	-	-	9,462	9,462	-
Claims payable	-	-	-	-	3,093
Due to other governments	561	1,566	27	2,154	-
Unearned revenue	15,810	5,309	2	21,121	-
Other liabilities	2	271	-	273	-
Current portion of long-term liabilities	6,729	5,525	33	12,287	-
Total current liabilities	51,065	20,444	17,226	88,735	4,229
Noncurrent liabilities:					
Advances from other funds	-	-	10,020	10,020	-
Claims payable	-	-	-	-	13,804
Net pension liability	165,272	-	612	165,884	-
Long-term liabilities	989	112,271	3	113,263	-
Total noncurrent liabilities	166,261	112,271	10,635	289,167	13,804
Total Liabilities	217,326	132,715	27,861	377,902	18,033
Deferred Inflows of Resources					
Deferred inflows - pensions	20,745	-	97	20,842	-
Total Deferred Inflows of Resources	20,745	-	97	20,842	-
Net Position					
Net investment in capital assets	325,339	31,974	32,478	389,791	-
Restricted for:					
Debt service	-	88	-	88	-
Capital	-	10,085	-	10,085	-
Operating reserves	-	3,026	-	3,026	-
Unrestricted	200,489	127,802	(26,748)	301,543	22,776
Total Net Position	\$ 525,828	\$ 172,975	\$ 5,730	\$ 704,533	\$ 22,776

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Fund Net Position of Proprietary Funds to the Statement of Net Position
June 30, 2017

(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)	\$	704,533
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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.

22,139

Net position of business-type activities (page 18)	\$	726,672
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See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
User fees and charges	\$ 47,445	\$ 56,002	\$ -	\$ 103,447	\$ -
Permit fees	-	-	420	420	-
Charges for services	-	-	-	-	7,739
Total operating revenues	47,445	56,002	420	103,867	7,739
Operating expenses:					
Wages, salaries and benefits	110,276	-	469	110,745	-
Maintenance, parts and fuel	14,624	-	-	14,624	-
Purchased services	83,678	8,268	-	91,946	-
Administrative services	37,190	2,752	927	40,869	177
Other	5,564	42	1	5,607	310
Insurance claims and premiums	-	324	-	324	4,889
Professional services	19,068	19,514	1,052	39,634	2,415
General and administrative	3,838	586	44	4,468	-
Depreciation and amortization	33,508	3,211	-	36,719	-
Total operating expenses	307,746	34,697	2,493	344,936	7,791
Operating income (loss)	(260,301)	21,305	(2,073)	(241,069)	(52)
Nonoperating revenues (expenses):					
Federal operating assistance grants	70,630	-	-	70,630	-
Property taxes allocated by the County of Orange	14,943	-	-	14,943	-
Investment earnings	1,759	434	5	2,198	135
Interest expense	(5)	(5,460)	(9)	(5,474)	-
Other	9,627	1,046	16	10,689	931
Total nonoperating revenues (expenses)	96,954	(3,980)	12	92,986	1,066
Income (loss) before contributions and transfers	(163,347)	17,325	(2,061)	(148,083)	1,014
Capital contributions	90,835	-	1,180	92,015	-
Transfers in	176,620	-	-	176,620	-
Transfers out	(14,328)	-	-	(14,328)	-
Change in net position	89,780	17,325	(881)	106,224	1,014
Total net position - beginning	436,048	155,650	6,611	598,309	21,762
Total net position - ending	\$ 525,828	\$ 172,975	\$ 5,730	\$ 704,533	\$ 22,776

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenses and
Changes in Fund Net Position of Proprietary Funds to the Statement of Activities
For the Year Ended June 30, 2017

(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)	\$ 106,224
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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.

947

Change in net position of business-type activities (page 19)	\$ 107,171
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See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 50,893	\$ 53,176	\$ 420	\$ 104,489	\$ -
Receipts from interfund services provided	-	-	-	-	8,037
Payments to suppliers	(130,054)	(28,375)	(1,097)	(159,526)	(2,252)
Payments to claimants	-	-	-	-	(7,645)
Payments to employees	(108,016)	-	(437)	(108,453)	-
Payments for interfund services used	(39,036)	(2,752)	(927)	(42,715)	(177)
Advertising revenue received	3,606	-	-	3,606	-
Miscellaneous revenue received	5,703	148	16	5,867	931
Net cash provided by (used for) operating activities	(216,904)	22,197	(2,025)	(196,732)	(1,106)
Cash flows from noncapital financing activities:					
Federal operating assistance grants received	113,707	-	-	113,707	-
Reimbursements from other governments	-	284	-	284	-
Property taxes received	14,896	-	-	14,896	-
Transfers from other funds	185,902	-	9,462	195,364	-
Transfers to other funds	(14,328)	-	-	(14,328)	-
Repayment of advances from other funds	-	-	9,631	9,631	-
Net cash provided by noncapital financing activities	300,177	284	19,093	319,554	-
Cash flows from capital and related financing activities:					
Federal capital grants for acquisition and construction of capital assets	96,365	-	1,899	98,264	-
Proceeds from sale of capital assets	113	-	-	113	-
Principal payment on long-term debt	-	(5,285)	-	(5,285)	-
Interest paid on long-term debt	(5)	(5,514)	(9)	(5,528)	-
Acquisition and construction of capital assets	(95,367)	(1,105)	(20,236)	(116,708)	-
Net cash provided by (used for) capital and related financing activities	1,106	(11,904)	(18,346)	(29,144)	-
Cash flows from investing activities:					
Investment earnings	1,219	344	3	1,566	101
Net cash provided by investing activities	1,219	344	3	1,566	101
Net increase (decrease) in cash and cash equivalents	85,598	10,921	(1,275)	95,244	(1,005)
Cash and cash equivalents at beginning of year	252,863	141,022	1,490	395,375	39,973
Cash and cash equivalents at end of year	\$ 338,461	\$ 151,943	\$ 215	\$ 490,619	\$ 38,968

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds, Continued
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	OCTD	91 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)	\$ (260,301)	\$ 21,305	\$ (2,073)	\$ (241,069)	\$ (52)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	33,508	624	-	34,132	-
Amortization of franchise agreement	-	2,587	-	2,587	-
Amortization of prepaid retirement	19,270	-	90	19,360	-
Amortization of prepaid expense	-	3,785	-	3,785	-
Amortization of prepaid insurance	-	324	-	324	-
Pension expense	20,263	-	94	20,357	-
Advertising revenue	3,939	-	-	3,939	-
Miscellaneous	5,688	148	16	5,852	-
Insurance recoveries	-	-	-	-	931
Change in assets and liabilities:					
Receivables	(717)	(3,558)	-	(4,275)	370
Due from other governments	4,221	-	-	4,221	-
Inventory	729	-	-	729	-
Prepaid retirement	(17,936)	-	(88)	(18,024)	-
Other assets	(388)	(346)	-	(734)	(8)
Deferred outflows of resources related to pensions	(6,917)	-	(23)	(6,940)	-
Accounts payable	(4,943)	1,075	3	(3,865)	423
Accrued payroll and related items	(4,048)	-	(16)	(4,064)	-
Compensated absences	(169)	-	9	(160)	-
Claims payable	-	-	-	-	(2,770)
Due to other governments	(907)	(4,479)	(3)	(5,389)	-
Unearned revenue	-	732	3	735	-
Net pension liability	(8,196)	-	(37)	(8,233)	-
Total adjustments	<u>43,397</u>	<u>892</u>	<u>48</u>	<u>44,337</u>	<u>(1,054)</u>
Net cash provided by (used for) operating activities	<u>\$ (216,904)</u>	<u>22,197</u>	<u>\$ (2,025)</u>	<u>\$ (196,732)</u>	<u>\$ (1,106)</u>
Reconciliation of cash and cash equivalents to statement of net position:					
Cash and investments	\$ 338,461	\$ 127,945	\$ 215	\$ 466,621	\$ 38,968
Restricted cash and cash equivalents	-	23,998	-	23,998	-
Total cash and cash equivalents	<u>\$ 338,461</u>	<u>\$ 151,943</u>	<u>\$ 215</u>	<u>\$ 490,619</u>	<u>\$ 38,968</u>
Noncash capital, financing and investing activities:					
Capital contributions *	\$ (263)	\$ -	\$ (719)	\$ (982)	\$ -
Investment earnings - accrued interest	984	93	2	1,079	36
Amortization of bond premium	-	(644)	-	(644)	-
Amortization of deferred amount on refunding	-	670	-	670	-

*For OCTD, cash portion related to this amount includes \$96,365 for federal capital grants from acquisition and construction of capital assets and \$(6,124) from change in unearned revenues as well as \$(57) from change in due from other governments relating to federal capital grants for OCTD. For nonmajor enterprise funds, cash portion related to this amount is \$1,899.

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Fiduciary Funds
June 30, 2017

<i>(amounts expressed in thousands)</i>	Scholarship Trust Fund	ARBA Trust Fund
<hr/>		
Assets		
Cash and cash equivalents held in OCTA pool	\$ 5	\$ -
Cash and cash equivalents held in OCERS pool	-	156
Investments at fair value:		
Mutual funds	-	15,485
Total Assets	5	15,641
Net Position		
Held in trust for future scholarships	5	-
Restricted for pension benefits	-	15,641
Total Net Position	\$ 5	\$ 15,641

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, 2017

<i>(amounts expressed in thousands)</i>	Scholarship Trust Fund	ARBA Trust Fund
Additions		
Contributions:		
Employer contributions	\$ -	\$ 929
Private donations	14	-
Total contributions	14	929
Investment income:		
Investment income	-	1,596
Less investment expense	-	(24)
Net investment income	-	1,572
Total additions	14	2,501
Deductions		
Benefits	-	1,145
Scholarships	14	-
Total deductions	14	1,145
Net increase in net position	-	1,356
Net position - beginning	5	14,285
Net position - ending	\$ 5	\$ 15,641

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(amounts expressed in thousands)

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 8).

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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

Basis of Presentation

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 capital lease, and 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, 2017, interest expense of \$20,614, \$5,469, \$5, was included in Measure M, toll road and fixed route 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

In fiscal year 2014-15, the Commuter and Urban Rail Endowment (CURE) fund, previously reported as a special revenue fund, was consolidated with the General fund as it no longer met the definition of a special revenue 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.

OCTA reports the following major 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.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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 based upon the expenditures incurred. 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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

proprietary funds are charges to customers for services. 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 12, 2017. 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, 2017, 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 market prices, 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 fair value based on the value of each participating dollar as provided by LAIF.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal instrumentality securities, federal agencies, state of California and local agency obligations, banker's acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

mutual funds, mortgage or asset-backed securities, LAIF, OCIP, California Asset Management Program, variable and floating rate securities, derivatives and bank deposits. Investment agreements are also allowed for bond issues.

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 \$1,098. 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 \$361. Approximately \$9,181 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."

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2016-17 fiscal year, \$62,627 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 \$7,739 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 5.80% discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2017-18 in order to benefit from this discount. Under the full accrual basis of accounting, the portion of prepaid retirement, which is expected to reduce the OCTA's net pension liability (NPL) at the next measurement date, is recorded as deferred outflows of resources. The remaining amount, which is not expected to be applied to NPL at the next measurement date, 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 and has 65 employees. 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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

aiming for capital growth for long-term grant making with an asset allocation of approximately 45% equity, 25% alternative investments, 10% real assets and 20% 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, 2019.

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, 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 acquisition 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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

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

Intangible Asset – Toll Facility Franchise

OCTA purchased the interest in the franchise agreement for the toll facility from CPTC. 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 two items that qualify for reporting in this category. Both of them are reported in the government-wide statement of net position. The first item is the deferred charge on refunding which results

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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, and the net difference between projected and actual earnings on plan investments.

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. OCTA has one type of deferred inflow, unavailable revenue, which occurs only under a modified accrual basis of accounting. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues 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 and difference between expected and actual experience.

Refer to note 11 for information related to amortization of the deferred outflows/inflows of resources related to pensions.

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.

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 deferred and amortized over the life of the bonds using the straight-line 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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) from the Commuter and Urban Rail Endowment (CURE) fund.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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 \$604,951 of net position restricted by enabling legislation for transportation programs and motorist services.
- *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.

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- *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 \$202,587 difference are as follows:

Capital assets	\$ 215,297
Less accumulated depreciation	<u>(12,710)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 202,587</u></u>

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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 \$(330,135) difference are as follows:

Bonds payable	\$ (318,010)
Plus unamortized bond issuance premium (to be amortized to interest expense)	(1,807)
Administrative headquarters’ rent holiday	(4,611)
Compensated absences	<u>(5,707)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (330,135)</u></u>

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 \$17,378 difference are as follows:

Capital outlay	\$ 18,566
Depreciation expense	<u>(1,188)</u>
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 17,378</u></u>

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 deferred and amortized in the statement of activities.” The details of this \$8,204 difference are as follows:

Principal repayments	\$ 7,475
Change in accrued interest	127
Amortization of premium	<u>602</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 8,204</u></u>

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3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2017:

Deposits:	
Deposits	\$ 33,162
Petty Cash	6
Total cash	33,168
 Investments:	
With Orange County Treasurer	43
With LAIF	10,243
With Trustee	136,458
With Custodian	1,297,617
With CA Community Foundation	2,965
Total investments	1,447,326
Total Cash and Investments	\$ 1,480,494

Total cash and investments are reported in the following funds:

Unrestricted Cash and Investments:	
Governmental Funds	\$ 932,296
Proprietary Funds:	
Enterprise	466,621
Internal Service	38,968
Fiduciary Funds	15,646
 Restricted Cash and Investments:	
Governmental Funds:	
LTA	2,965
Proprietary Funds:	
Enterprise	23,998
Total Cash and Investments	\$ 1,480,494

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Restricted investments at June 30, 2017, represent reserves for debt service, capital and operations. As of June 30, 2017, OCTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
Orange County Investment Pool	\$ 43	\$ 44	.64% - .87%	1 day-3 years	367 days or 1.00
Local Agency Investment Fund	10,243	10,254	.588% - 1.051%	169- 192 days	192 days or .52
U. S. Treasuries	656,903	659,140	Discount, .625% - 2.875%	11/30/17-4/30/22	1.96
U. S. Agency Notes	153,538	153,967	Discount .750% - 4.875%	7/11/17-1/5/22	1.81
Medium Term Notes	287,674	289,068	.875% - 9.150%	7/17/17-5/25/22	1.90
Mortgage and Asset Backed Securities	137,304	137,819	.402% - 4.60%	8/25/17-4/7/22	3.16
Money Market Funds *	116,906	116,906	Variable	7/1/17	1 Day
Variable Rate Notes	34,582	34,386	Discount .001% - 1.463%	8/18/17-5/18/22	2.08
State of CA & Local Agencies	17,092	17,141	1.125% - 3.146%	12/1/17-2/1/21	2.16
Commercial Paper *	23,873	23,873	0.00% - 1.01%	7/19/17-8/1/17	.07
Negotiable CD	6,203	6,203	1.205% - 1.30%	7/7/17-9/1/17	0.092
CA Community Foundation Investment Fund	2,965	2,965	N/A	N/A	N/A
Total Investments	<u>\$ 1,447,326</u>	<u>\$ 1,451,766</u>			
Portfolio Weighted					1.84

* Money market funds and commercial paper 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.

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As of June 30, 2017, 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 which is valued by the CA Community Foundation using significant unobservable inputs and, therefore, classified as Level 3.

	<u>Fair Value Hierarchy</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Major Type				
U.S. Treasuries	\$ 656,903	\$ -	\$ 656,903	\$ -
U.S. Agency Notes	153,538	-	153,538	-
Medium Term Notes	287,674	-	287,674	-
Mortgage & Asset Backed Securities	137,304	-	137,304	-
Variable Rate Notes	34,582	-	34,582	-
State & Local Agencies	17,092	-	17,092	-
CA Community Foundation Investment Fund	<u>2,965</u>	<u>-</u>	<u>-</u>	<u>2,965</u>
Total Leveled Investments	<u>\$1,290,058</u>	<u>\$ -</u>	<u>\$ 1,287,093</u>	<u>\$ 2,965</u>
Money Market Funds	116,906			
Orange County Investment Pool	43			
Local Agency Investment Fund	10,243			
Commercial Paper	23,873			
Negotiable Certificate of Deposit	<u>6,203</u>			
Total Investments Measured at Fair Value	<u>\$1,447,326</u>			

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. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of two 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.

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As of June 30, 2017, mortgage and asset-backed securities totaled \$137,304. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA/Aaa by at least two of the three nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2017, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
Bank of New York	\$ 611	LIBOR + 87 basis points	Quarterly
Chevron	3,105	LIBOR + 41 basis points	Quarterly
Exxon Mobil	1,656	LIBOR + 60 basis points	Quarterly
Federal Home Loan Bank	8,100	LIBOR - 16 basis points	Quarterly
Goldman Sachs	1,350	LIBOR + 120 basis points	Quarterly
Home Depot	1,016	LIBOR + 15 basis points	Quarterly
HSBC	1,362	LIBOR + 61 basis points	Quarterly
HSBC	826	LIBOR + 88 basis points	Quarterly
IBM	3,001	LIBOR + 45 basis points	Quarterly
IBM	171	LIBOR + 37 basis points	Quarterly
JP Morgan Chase	1,387	LIBOR + 68 basis points	Quarterly
Lowe's Inc.	282	LIBOR + 60 basis points	Quarterly
Manuf. & Traders Trust	1,189	LIBOR + 61 basis points	Quarterly
Merck & Co.	1,390	LIBOR + 37.5 basis points	Quarterly
Morgan Stanley	1,350	LIBOR + 114 basis points	Quarterly
Paccar Financial	232	LIBOR + 60 basis points	Quarterly
Toronto Dominion Bank	1,368	LIBOR + 56 basis points	Quarterly
Toyota	2,961	LIBOR + 46 basis points	Quarterly
UBS AG Stamford	595	LIBOR + 85 basis points	Quarterly
United Parcel Service	913	LIBOR + 38 basis points	Quarterly
Wells Fargo Bank	882	LIBOR + 93 basis points	Quarterly
Westpac Banking Corp.	835	LIBOR + 74 basis points	Quarterly
Total Variable Rate Notes	\$ 34,582		

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 for 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

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payment basis through OCTA's safekeeping agent. At June 30, 2017, 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. LAIF is not rated.

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, 2017. (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	Fitch	% of Portfolio
CA Community Foundation Fund	NR	NR	NR	0.20%
Orange County Investment Pool	NR	NR	NR	0.00%
Local Agency Investment Fund	NR	NR	NR	0.71%
U.S. Treasuries	US	US	US	45.38%
U.S. Agency Notes				
FHLB, FNMA, HUD and FHLMC	AA	Aaa	AAA	10.20%
FNMA	AA	Aaa	AA	0.41%
Medium Term Notes				
Corporate Notes	AAA	Aaa	AAA	0.04%
Corporate Notes	AAA	Aaa	AA	0.64%
Corporate Notes	AA	Aaa	AAA	0.14%
Corporate Notes	AA	Aaa	NR	0.38%
Corporate Notes	AA	Aa	AA	0.44%
Corporate Notes	AA	Aa	A	0.74%
Corporate Notes	AA	Aa	NR	1.65%
Corporate Notes	AA	A	AA	0.86%
Corporate Notes	AA	A	A	0.78%
Corporate Notes	AA	A	NR	0.62%
Corporate Notes	A	Aa	AA	0.12%
Corporate Notes	A	Aa	A	0.12%
Corporate Notes	A	Aa	NR	0.03%
Corporate Notes	A	A	AA	0.85%
Corporate Notes	A	A	A	8.64%
Corporate Notes	A	A	BBB	0.03%
Corporate Notes	A	A	NR	2.63%

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Investments	S&P	Moody's	Fitch	% of Portfolio
Corporate Notes	A	Baa	A	0.09%
Corporate Notes	A	NR	A	0.05%
Corporate Notes	BBB	A	A	1.02%
Corporate Notes	BBB	Baa	BBB	0.01%
Mortgage and Asset-Backed Securities				
Securities	AAA	Aaa	AAA	0.57%
Securities	AAA	Aaa	NR	3.28%
Securities	AAA	NR	AAA	1.80%
Securities	AA	Aaa	AAA	2.21%
Securities	NR	Aaa	AAA	1.63%
Variable Rate Notes				
Notes	AA	Aaa	AAA	0.57%
Notes	AA	Aaa	NR	0.11%
Notes	AA	Aa	AA	0.15%
Notes	AA	Aa	A	0.20%
Notes	AA	Aa	NR	0.21%
Notes	AA	A	A	0.10%
Notes	A	A	AA	0.25%
Notes	A	A	A	0.44%
Notes	A	A	NR	0.10%
Notes	A	NR	A	0.07%
Notes	BBB	A	A	0.19%
Money Market Funds	AAA	Aaa	AAA	8.08%
State of CA & Local Agencies				
LA County, Univ. of CA, CA street	AA	Aa	AA	0.58%
LA County Redevelopment	AA	Aa	NR	0.12%
California HSG FIN Agency	AA	A	NR	0.18%
LA County Municipal	AA	NR	A	0.30%
Commercial Paper				
BNP Paribas	A-1	P-1	F1	0.90%
The Bank of Tokyo	A-1	P-1	NR	0.75%
Certificate of Deposit	A-1	P-1	NR	0.43%
Total				<u>100%</u>

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Concentration of Credit Risk

At June 30, 2017, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines for All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements, and OCTA's Debt

- 5% of any one corporation, bank, local agency, special purpose vehicle or other corporate name for one of more series of securities.

Issuer/Counter-Party Diversification Guidelines for Federal Agencies, Federal Instrumentalities and Repurchase Agreements

- 35% of any one Federal Agency or Federal Instrumentalities.
- 50% of any one repurchase agreement counter-party name if maturity/term is ≤ 7 days.
- 35% of any one repurchase agreement counter-party name if maturity/term is > 7 days.

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

- OCTA can purchase all or a portion of the Orange County Transportation Authority'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, 2017:

<u>Issuer</u>	<u>Amount</u>	<u>% of OCTA's Portfolio</u>
Federal National Mortgage Association (FNMA)	\$ 76,717	5.30%

The following is a summary of the concentration of credit risk by issuer as a percentage of the 91 Express Lanes Fund's investment portfolio at June 30, 2017:

<u>Issuer</u>	<u>Amount</u>	<u>% of 91 Express Lanes Portfolio</u>
Bank of Tokyo (Commercial Paper)	\$ 10,887	7.43%
BNP Paribas (Commercial Paper)	\$ 12,986	8.86%

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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 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 LAIF for the entire LAIF portfolio (in relation to the amortized cost of that 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 State Board of Equalization (SBOE) 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 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 OCIP for the entire OCIP portfolio (in relation to the amortized cost of that portfolio). Deposits and withdrawals are made on the basis of \$1.00 (absolute dollars) and not fair value.

Investment 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 2016-17 total \$58,399. A receivable of \$30,692 is outstanding as of June 30, 2017.

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In addition, OCTA is exchanging \$14,476 of Federal Highway (FHWA) Congestion Mitigation and Air Quality (CMAQ) funds with San Bernardino County Transportation Authority (SBCTA) for FTA funds.

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 2016-17 related to capital investments total \$5,218. A receivable of \$20,820 is outstanding as of June 30, 2017.

Local Transportation Fund

In fiscal year 2016-17, 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 2016-17, OCTA and OCTD became entitled to \$3,537 and \$145,367 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. STA revenues are then distributed based on several demographic factors. OCTA received \$22,566 in fiscal year 2016-17.

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 2016-17, OCTA received \$3,521 in TSSSDRA funding. In addition, a receivable of \$3,521 is outstanding as of June 30, 2017. As of June 30, 2017, OCTA has unspent Prop 1B proceeds and interest of \$13,886 and \$8,873 in PTMISEA and TSSSDRA funds, respectively.

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5. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2017 in the fund financial statements are as follows:

Receivables:	Governmental Funds					Enterprise Funds			
	General	LTA	LTF	LTA Debt	Nonmajor Funds	OCTD	91 EL	Nonmajor Funds	Total
Sales taxes	\$ -	\$57,010	\$30,316	\$ -	\$3,967	\$ -	\$ -	\$ -	\$ 91,293
Projects	2,166	33,511	-	2,416	-	3,321	483	808	42,705
Other	449	-	-	-	3,139	5,529	-	-	9,117
Total	\$2,615	\$90,521	\$30,316	\$2,416	\$7,106	\$8,850	\$483	\$808	\$143,115

Amounts due to other governments as of June 30, 2017 are as follows:

Payables:	Governmental Funds				Enterprise Funds			
	General	LTA	LTF	Nonmajor Funds	OCTD	91 EL	Nonmajor Funds	Total
Projects	\$3,153	\$19,699	\$ -	\$1,036	\$42	\$1,566	\$27	\$25,523
Use taxes	-	-	-	-	9	-	-	9
Other	284	904	438	152	510	-	-	2,288
Total	\$3,437	\$20,603	\$438	\$1,188	\$561	\$1,566	\$27	\$27,820

6. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2017 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	LTA Fund	\$ 626	ARTIC & Placentia Rail Station
Nonmajor Governmental Funds	LTA Fund	51	Local Fair Share funds with-
Nonmajor Governmental Funds	LTA Fund	647	held from City of Placentia
Nonmajor Governmental Funds	Nonmajor Governmental Funds	707	OC Streetcar project
OCTD Fund	Nonmajor Governmental Funds	3,967	Fund Cash Operating deficit
LTA Fund	Nonmajor Enterprise Funds	9,462	OCTD operations
Total		\$ 15,460	I-405 Express Lanes project

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Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	Nonmajor Enterprise Funds	\$ 10,020	I-405 Express Lanes project
Nonmajor Governmental Funds	LTA Fund	2,640	M2 Expenditures
Total		<u>\$ 12,660</u>	

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 (0.79% for fiscal year 2016-17). LTA began repaying OCUTT when Measure M funds were collected.

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
General Fund	OCTD Enterprise Fund	\$ 3,626	Irvine shuttle and Stationlink & rail feeder service
LTA Fund	LTA Debt Service Fund	30,430	Debt service
Nonmajor Governmental Funds	General Fund	65	Transportation projects
LTA Fund	Nonmajor Governmental Funds	2,076	OC Streetcar project
LTA Fund	General Fund	14,726	Placentia Rail Station & CURE cash balance deficit
LTA Fund	OCTD Enterprise Fund	5,061	Fare Stabilization, La Habra Express, Placentia Station and Senior Mobility program
Local Transportation Fund	General Fund	3,537	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	145,367	OCTD and CTSA operations
LTA Debt Service Fund	LTA Fund	8,912	Excess Interest
Nonmajor Governmental Funds	OCTD Enterprise Fund	22,566	OCTD operations
OCTD Enterprise Funds	General Fund	14,328	Bristol Street project
Total		<u>\$ 250,694</u>	

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7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 172,236	\$ -	\$ -	\$ -	\$ 172,236
Construction in progress	8,761	17,293	-	(139)	25,915
Total capital assets, not being depreciated	180,997	17,293	-	(139)	198,151
Capital assets, being depreciated:					
Building and improvements	3,877	-	-	-	3,877
Machinery, equipment and furniture	12,434	1,273	(577)	139	13,269
Total capital assets, being depreciated	16,311	1,273	(577)	139	17,146
Less accumulated depreciation for:					
Buildings and improvements	(2,547)	(169)	-	-	(2,716)
Machinery, equipment and furniture	(9,552)	(1,019)	577	-	(9,994)
Total accumulated depreciation	(12,099)	(1,188)	577	-	(12,710)
Total capital assets, being depreciated, net	4,212	85	-	139	4,436
Governmental activities capital assets, net	\$ 185,209	\$ 17,378	\$ -	\$ -	\$ 202,587
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 52,402	\$ -	\$ -	\$ -	\$ 52,402
Construction in progress	15,874	23,639	-	5,007	44,520
Total capital assets, not being depreciated	68,276	23,639	-	5,007	96,922
Capital assets, being depreciated:					
Building and improvements	146,499	1,241	(169)	2,590	150,161
Transit vehicles	326,969	91,600	(39,430)	(6,411)	372,728
Machinery, equipment and furniture	90,290	4,123	(3,703)	(1,186)	89,524
Total capital assets, being depreciated	563,758	96,964	(43,302)	(5,007)	612,413
Less accumulated depreciation for:					
Buildings and improvements	(77,980)	(4,729)	169	-	(82,540)
Transit vehicles	(215,777)	(24,569)	39,342	-	(201,004)
Machinery, equipment and furniture	(62,334)	(4,834)	3,700	-	(63,468)
Total accumulated depreciation	(356,091)	(34,132)	43,211	-	(347,012)
Total capital assets, being depreciated, net	207,667	62,832	(91)	(5,007)	265,401
Business-type activities capital assets, net	\$ 275,943	\$ 86,471	\$ (91)	\$ -	\$ 362,323

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General Government	\$ 1,066
Motorist services	122
Total depreciation expense - governmental activities	\$ 1,188

Business-type activities:

Fixed route	\$ 22,085
Paratransit	11,423
Toll road	624
Total depreciation expense - business-type activities	\$ 34,132

8. SERVICE CONCESSION ARRANGEMENTS - 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.

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Intangible asset activity for the year ended June 30, 2017 was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Toll facility franchise	\$ 205,264	\$ -	\$ -	\$ 205,264
Less accumulated amortization	(77,223)	(2,587)	-	(79,810)
Total toll facility franchise, net	<u>\$ 128,041</u>	<u>\$ (2,587)</u>	<u>\$ -</u>	<u>\$ 125,454</u>

9. 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:

	<u>2017</u>	<u>2016</u>
General Liability		
Unpaid claims as of July 1	\$ 6,864	\$ 3,582
Incurred claims (including claims incurred but not reported as of June 30)	145	3,232
Payments	(1,731)	(780)
Increase/(decrease) in provision for prior years' events	(1,599)	830
Unpaid claims at June 30	<u>3,679</u>	<u>6,864</u>

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	2017	2016
Workers' Compensation		
Unpaid claims as of July 1	12,803	11,851
Incurred claims (including claims incurred but not reported as of June 30)	1,644	1,817
Payments	(4,418)	(5,081)
Increase in provision for prior years' events	3,189	4,216
Unpaid claims at June 30	13,218	12,803
Total unpaid claims at June 30	16,897	19,667
Less current portion of unpaid claims	3,093	4,022
Total long-term portion of unpaid claims	\$ 13,804	\$ 15,645

10. 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.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)
Issuance date	12/9/10	12/9/10
Original issue amount	\$ 293,540	\$ 59,030
Original issue premium	-	6,023
Net Bond Proceeds	\$ 293,540	\$ 65,053
Issuance costs	\$ 1,905	\$ 274
Interest rates	5.56%-6.91%	3.00%-5.00%
Maturity range	2021-2041	2014-2020
Final maturity	2041	2020

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	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)
Bonds outstanding	\$ 293,540	\$ 24,470
Plus unamortized premium	-	1,807
Total	\$ 293,540	\$ 26,277

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 7,775	\$ 21,018
2019	8,165	20,629
2020	8,530	20,263
2021	8,915	19,879
2022	9,235	19,384
2023-2027	52,025	87,930
2028-2032	64,575	68,621
2033-2037	80,430	44,222
2038-2041	78,360	13,830
Total	\$ 318,010	\$ 315,776

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.

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	\$23,799*
Cash reserve balance	\$23,998
Interest rate range	2% - 5%
Maturity	December 2030
Principal payment date	August 15

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Current balance	\$109,130
Unamortized premium	\$8,666
Deferred amount on refunding	\$(9,011)

*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 \$10,799, Major Maintenance Reserve Fund \$10,000, and Operating Reserve Fund \$3,000.

At June 30, 2017, all reserve requirements have been satisfied.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 5,525	\$ 5,270
2019	5,810	4,986
2020	6,110	4,688
2121	6,420	4,375
2122	6,750	4,046
2023-2027	39,315	14,668
2028-2031	39,200	3,987
Total	\$ 109,130	\$ 42,020

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Sales tax revenue bonds	\$ 325,485	\$ -	\$ (7,475)	\$ 318,010	\$ 7,775
Unamortized premium	2,409	-	(602)	1,807	-
Compensated absences	5,288	5,785	(5,366)	5,707	-
Rent holiday	4,272	339	-	4,611	-
Net pension liability	73,108	10,114	(16,422)	66,800	-
Other postemployment	90	2	-	92	-
Total governmental activities long-term liabilities	\$ 410,652	\$ 16,240	\$ (29,865)	\$ 397,027	\$ 7,775

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	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Business-type activities:					
Tax-exempt bonds	\$ 114,415	\$ -	\$ (5,285)	\$ 109,130	\$ 5,525
Unamortized premium	9,310	-	(644)	8,666	-
Claims payable	19,667	3,379	(6,149)	16,897	3,093
Compensated absences	7,862	9,288	(9,450)	7,700	6,762
Net pension liability	180,348	20,358	(34,822)	165,884	-
Other postemployment	53	1	-	54	-
Total business-type activities					
long-term liabilities	\$ 331,655	\$ 33,026	\$ (56,350)	\$ 308,331	\$ 15,380

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.

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.

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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, 2017, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 239,727	\$ 22,495 *	10.66
91 Express Lanes Net Toll Road Revenue	\$ 25,002	\$ 10,799	2.32

*OCTA recorded \$6,298 in Build America Bonds subsidy to offset annual debt service payments for Measure M2 Sales Tax Revenue Bonds in fiscal year 2016-17.

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, 2017 is presented below:

	OCERS	ARBA	Total
Deferred outflows - pensions	\$ 46,058	\$ 324	\$ 46,382
Net pension liability	\$ 230,261	\$ 2,423	\$ 232,684
Deferred inflows - pensions	\$ 29,399	\$ 1,742	\$ 31,141
Pension Expenses	\$ 29,908	\$ 564	\$ 30,472

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.

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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, 2017 was 27.50% 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 \$23,900 for the year ended June 30, 2017.

Beginning in fiscal year 2013-14, administrative employees pay 25% of the employee contribution to OCERS. This amount will increase by 25% per year until the employee pays 100% of the employee contribution. New employees pay 100% of the employee contribution. The employee contribution rate ranges from 5.44% to 14.00% (depending on age of entry). Employees that are employed under collective bargaining units pay their own employee contributions.

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

As of June 30, 2017, OCTA reported a liability of \$230,261 for its proportionate share of the net pension liability (NPL). The NPL was measured as of December 31, 2016, and determined by rolling forward the total pension liability (TPL) as of December 31, 2015 actuarial valuation date. OCTA's proportion of the NPL was based on the total contribution. 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

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Government Code Section 31581.2 are considered employee contributions and are not included in the proportionate share calculation.

At December 31, 2016, OCTA's proportion was 4.436%, which was an increase of 0.059% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, OCTA recognized pension expense of \$29,908. At June 30, 2017, 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	\$ 22,585	\$ -
Net difference between projected and actual earnings on plan investments	22,627	-
Difference between expected and actual experience	846	18,879
Changes of assumptions	-	10,520
Total	\$ 46,058	\$ 29,399

\$22,585 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, 2018. 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 5.94 years determined as of January 1, 2016 (the beginning of the measurement period ended December 31, 2016). In addition, amounts reported as deferred outflows of resources related to earnings on plan investments will be recognized as pension expense over an initial five-year closed period.

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

Year ended June 30,	Increase/(Decrease) in Pension Expense
2018	\$ 1,544
2019	1,545
2020	(1,432)
2021	(5,350)
2022	(2,233)
Total	\$ (5,926)

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Actuarial Assumptions

Following are the key methods and assumptions used for the TPL as of December 31, 2016:

Actuarial Experience Study	Three year period ending December 31, 2013
Actuarial Cost Method	Entry age normal cost
Actuarial Assumptions:	
Investment Rate of Return	7.25% net of pension plan investment expenses, including inflation
Discount Rate	7.25%
Inflation Rate	3.00%
Cost of Living Adjustment	3.00% of retirement income
Projected Salary Increases	4.25% to 13.50%; Varies by service, including inflation

Mortality Assumptions: The underlying mortality assumptions used in the TPL at December 31, 2016 were based on the results of the actuarial experience study using the RP-2000 Combined Healthy Mortality Table projected with the Society of Actuaries Scale BB to 2020.

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 Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (US Credit)	8.00%	4.97%
Diversified Credit (Non-US Credit)	2.00%	6.76%

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

Discount Rate: The discount rate used to measure the TPL was 7.25%. 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.

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 7.25%, 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 6.25%	Current Rate 7.25%	1% Increase 8.25%
OCTA's Proportionate Share of the NPL	\$ 348,386	\$ 230,261	\$ 133,041

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.

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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, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	634
Inactive plan members entitled to but not yet receiving benefits	0
Active plan Members	1,403
Total	2,037

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, 2016 actuarial valuation. The actuarial determined contribution rate for the year ended June 30, 2017 was 0.83% of annual covered payroll and OCTA's contribution to the plan was \$929. 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.

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The following was the assumed asset allocation as of June 30, 2017:

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

As of June 30, 2017, the plan held investments that represented 5% or more of the plan's fiduciary net position. The plan held 18.36% in Europe, Australia and Far East Equity Index Fund B, 45.73% in Russell 1000 Index Fund B, and 35.91% in U.S. Debt Index Fund B.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.09%. 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, 2017, using a bi-annual actuarial valuation as of January 1, 2016 rolled forward to June 30, 2017 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, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions: The total pension was determined using the following actuarial assumptions:

Valuation Date	January 1, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal cost
Actuarial Assumptions:	
Investment Rate of Return	7.25% net of pension plan investment expenses, including inflation
Discount Rate	7.25%
Inflation Rate	3.00%
Cost of Living Adjustment	Not applicable

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Projected Salary Increases	Inflation plus 0.5% per annum across-the-board salary increase plus merit and promotional increases
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Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.

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 2014 and collected and analyzed data for the period from January 1, 2011 to December 31, 2013.

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, 2017 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	6.5%
Cash	0.0%

Discount Rate: As of June 30, 2017 measurement date, the discount rate used to measure the TPL was 7.25%, which has not changed from June 30, 2016. 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.

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Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/2016	\$ 17,548	\$ 14,285	\$ 3,263
Changes for the year:			
Service Cost	401	-	401
Interest	1,260	-	1,260
Contributions - Employer	-	929	(929)
Net investment income	-	1,596	(1,596)
Benefits payments, including refunds of employee	(1,145)	(1,145)	-
Administrative expense	-	(24)	24
Net changes	516	1,356	(840)
Balance at 6/30/2017	\$ 18,064	\$ 15,641	\$ 2,423

Plan fiduciary net position as a percentage of the total pension liability 86.59%

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 were 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	\$ 3,823	\$ 2,423	\$ 650

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

For the year ended June 30, 2017, OCTA recognized pension expense for the ARBA of \$564. At June 30, 2017, 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	\$ 186	\$ -
Difference between expected and actual experience	-	77
Changes of assumptions	138	1,665
Total	\$ 324	\$ 1,742

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

\$186 reported as deferred outflows 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
2018	\$ (94)
2019	(94)
2020	(189)
2021	(340)
2022	(226)
Thereafter	(475)
Total	\$ (1,418)

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.

OCTA allows Unrepresented Administrative Employees and Transportation Communications International Union Employees to continue participating in the group healthcare insurance program after retirement until age 65 for retirees who retire directly from OCTA at a minimum of age 50 with at least ten years of OCTA service. 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.

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. GASB Statement No. 45 requires that this implied subsidy be reclassified when reporting the contributions for retiree medical costs.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2017, OCTA contributed \$75 in implied subsidies through the active healthcare premiums:

	Amount
Total Active Health Premiums	\$ 9,532
Reclassification for Implied Subsidy	(75)
Net Active Health Premiums	\$ 9,457

Annual OPEB Cost and Net OPEB Obligation: OCTA's annual other postemployment benefit (OPEB) cost is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of OCTA's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the Plan, and changes in OCTA's net OPEB obligation.

	Amount
Annual required contribution	\$ 78
Interest on net OPEB obligation	6
Adjustment to annual required contribution	(7)
Annual OPEB cost	77
Benefit payments made	(75)
Increase in net OPEB obligation	2
Net OPEB obligation - beginning of year	143
Net OPEB obligation - end of year	\$ 145

OCTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net postemployment healthcare plan obligation for the year ended June 30, 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 77	97.4%	\$ 145
6/30/2016	\$ 74	97.3%	\$ 143
6/30/2015	\$ 77	97.4%	\$ 141

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Funded Status: The June 30, 2016 funded status of the OPEB plan is as follows:

	Amount
Actuarial Accrued Liability (AAL)	\$748
Actuarial value of plan assets	-
	\$748
Unfunded Actuarial Accrued Liability (UAAL)	\$748
Funded ratio (Actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$43,782
UAAL as a percentage of covered payroll	1.7%

The above noted actuarial accrued liability was based on the January 1, 2016 actuarial valuation. The actuarial valuations contained in the Report involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. In addition, the actuarial calculations reflect a long-term perspective.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point.

In the January 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), and annual healthcare cost trend rates for medical of 6.5%, decreasing to 5.0% over four years. The salary increase rate assumption is 0.5% per annum, plus a rate which varies by age between 7.0% at age 20 to 0.6% at age 60. The inflation rate assumption is 3.0%. There are assumed to be no across the board salary increases. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on OCERS 2014 actuarial assumptions.

The UAAL is amortized over an initial 30-year closed period as a level percentage of payroll. The remaining amortization period at January 1, 2017 is 21 years. Current trend information about the funding progress is presented in the Required Supplementary Information following the notes to the basic financial statements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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, 2017 are as follows:

	Total Purchase Commitments	Reserve for Encumbrances	Unencumbered Purchase Commitments
Governmental Funds:			
General	\$ 121,775	\$ 10,573	\$ 111,202
LTA	1,481,626	941,316	540,310
LTF	149	-	149
Nonmajor governmental funds	44,342	6,375	37,967
Total Governmental Funds	1,647,892	958,264	689,628
Proprietary Funds:			
OCTD	192,751	26,913	165,838
91 Express Lanes	57,304	572	56,732
I-405 Express Lanes	286,471	255,964	30,507
Internal Service Funds	2,081	1,875	206
Total Proprietary Funds	538,607	285,324	253,283
Total	\$ 2,186,499	\$ 1,243,588	\$ 942,911

The majority of the contracts relate to the expansion of Orange County's freeway and road systems, grade separation projects, expansion of commuter rail service, upgrades to rail facilities, services for the OC Streetcar project, the purchase of buses, 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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

Operating leases

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, 2017 amounted to \$6,766. Future minimum payments for these leases are as follows:

Year Ending June 30,	Amount
2018	\$ 6,764
2019	6,677
2020	6,309
2021	4,187
2022	4,198
2023-2031	28,630
Total	\$ 56,765

15. JOINT VENTURE

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority 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 Associated Governments (SANBAG) 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

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

operating contributions for its pro rata share of rail lines serving Orange County. OCTA expended \$27,444 during fiscal year 2016-17 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 joint powers authority 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 expended \$259 during fiscal year 2016-17. 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 LTA Debt Service Fund, expenditures exceeded appropriations for transfers out in the amount of \$1,954. During the year, an analysis was done on amounts required to be maintained in the LTA Debt Service Fund. It was determined that there was an excess amount of funds in the LTA Debt Service Fund due to the receipt of Build America Bonds subsidy, interest earnings, and the timing of the debt service payment. The excess amount was transferred to the LTA Fund. An analysis is conducted on an annual basis during the fiscal year to determine the appropriate amount to be transferred, if necessary.

In the OCUTT Fund, expenditures exceeded appropriations for supplies and services in the amount of \$9 and for transfers out in the amount of \$65. This was a result of more than anticipated investment fees and transfers to cover expenditures relating to the I-5 HOV project.

In the STAF Fund, expenditures exceeded appropriations for transfers out in the amount \$5,351. This was a result of OCTA receiving prior year STAF revenues in the current fiscal year. Transfers out to OCTD to cover transit capital were increased based on the timing delay of STAF revenues.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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17. FUND DEFICIT

The Orange County Taxi Administration Program (OCTAP) fund, an enterprise fund, had a net position deficit of \$382. The fund deficit was the result of operating expenses exceeding operating revenues due to a decrease in operating revenue from permit fees.

18. SUBSEQUENT EVENTS

TIFIA and Line of Credit Disclosure

During the fiscal year, OCTA continued with its pursuit of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the I-405 Improvement Project. During most of the year, OCTA negotiated key terms and conditions of the loan with the Department of Transportation Build America Bureau Credit Programs Office (Bureau). One key term the Bureau insisted upon was that \$900 million in future Measure M2 (M2) debt issuances be committed funds at the time of closing the TIFIA loan. Therefore, because of this requirement, OCTA issued a Request for Proposal for letter or line of credit services. In May 2017, the OCTA Board of Directors selected Bank of America N.A. (BANA) to provide a \$900 million 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 and the other with a 2021 maturity. 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 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.

In June 2017, the OCTA Board of Directors approved the terms and conditions for the TIFIA Loan Agreement along with the supporting Indenture and Supplemental Indenture documents. The loan is secured with future I-405 Express Lanes revenues, has a final maturity of December 1, 2057, and has a fixed interest rate of 2.91 percent.

On July 26, 2017, OCTA and the Bureau executed the final TIFIA Loan Agreement in the amount of \$628.93 million. Also on this date, OCTA and BANA executed the two Credit and Fee Agreements.

19. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for OCTA's fiscal year ending June 30, 2017. The implementation of this Statement did not have any material effect on the financial statements.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for OCTA's fiscal year ending June 30, 2018. OCTA has not determined the effect of this Statement.

GASB Statement No. 77

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. This Statement is effective for OCTA's fiscal year ending June 30, 2017. OCTA did not have any tax abatement programs to report for the fiscal year ending June 30, 2017.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

GASB Statement No. 80

In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement is effective for OCTA’s fiscal year ending June 30, 2017. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 81

In March 2016, GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. However, OCTA decided to early implement this Statement. Therefore, this Statement is effective for OCTA’s fiscal year ending June 30, 2017. The implementation of this Statement did not have a material effect on the financial statements.

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. OCTA has not determined the effect of this Statement.

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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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. 85

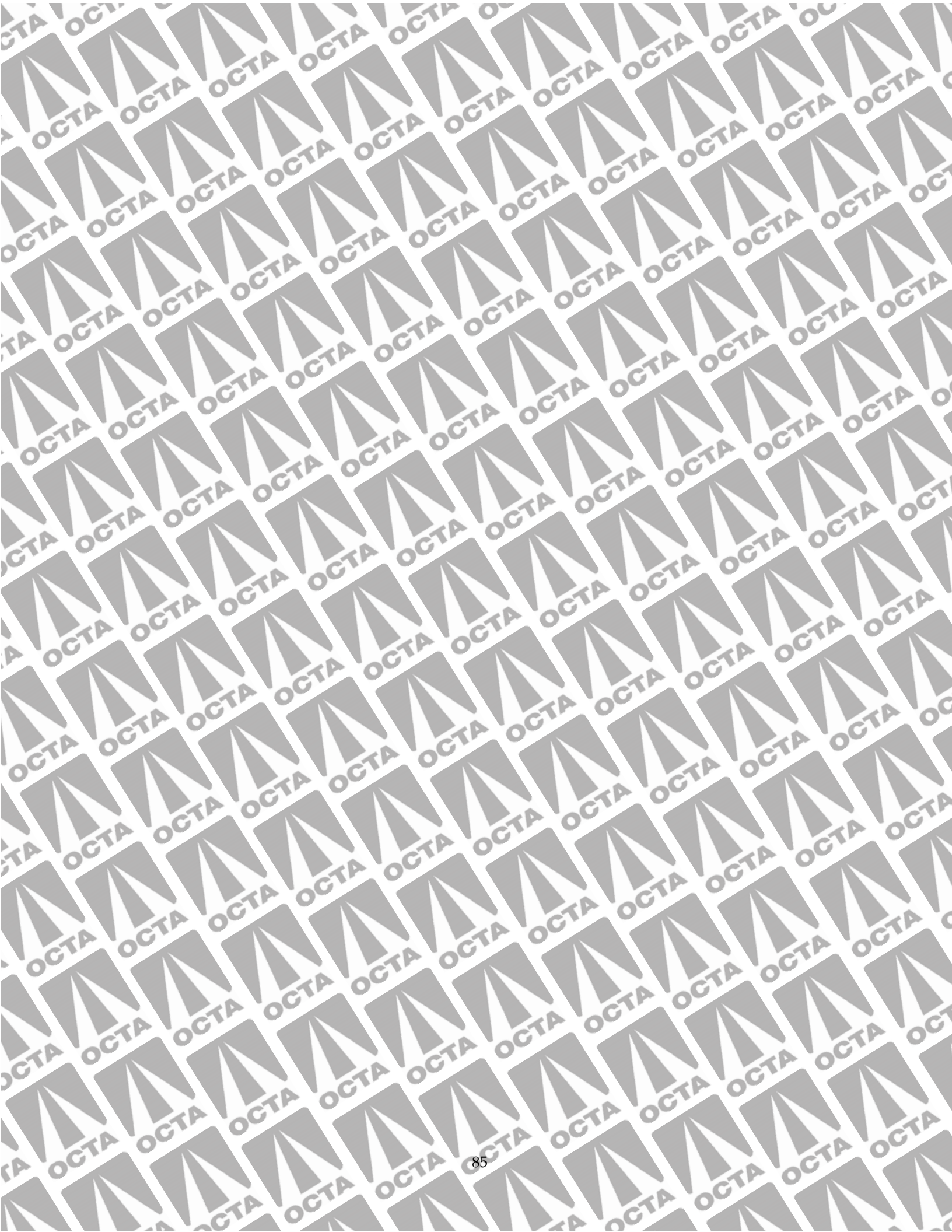
In March 2017, GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement is effective for OCTA's fiscal year ending June 30, 2018. OCTA has not determined the effect of this Statement.

GASB Statement No. 86

In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for OCTA's fiscal year ending June 30, 2018. 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.



ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Budgetary Basis)
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines	\$ 134	\$ 134	\$ 199	\$ 65
Contributions from other agencies	6,678	6,796	6,347	(449)
Interest and investment income	1,807	1,807	335	(1,472)
Capital assistance grants	1,866	1,866	412	(1,454)
Miscellaneous	226	226	117	(109)
Total revenues	10,711	10,829	7,410	(3,419)
Expenditures				
Current:				
General government:				
Salaries and benefits	51,668	51,979	49,653	2,326
Supplies and services	30,437	30,771	27,495	3,276
Interfund reimbursements	(61,370)	(61,370)	(62,627)	1,257
Transportation:				
Contributions to other local agencies	16,533	16,584	16,591	(7)
Capital outlay	18,738	18,732	1,972	16,760
Total expenditures	56,006	56,696	33,084	23,612
Deficiency of revenues under expenditures	(45,295)	(45,867)	(25,674)	20,193
Other financing sources				
Transfers in	35,750	35,750	18,051	(17,699)
Proceeds from sale of capital assets	-	-	108	108
Total other financing sources	35,750	35,750	18,159	(17,591)
Net change in fund balance	\$ (9,545)	\$ (10,117)	\$ (7,515)	\$ 2,602

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (7,515)
Net change in fund balance (budgetary basis) - from CURE fund	(21,981)
Less: Estimated revenues for encumbrances outstanding at June 30	1,753
Less: Estimated revenues for encumbrances outstanding at June 30 - from CURE fund	1,462
Add: Current year encumbrances outstanding at June 30 - from CURE fund	1,936
Add: Current year encumbrances outstanding at June 30	7,441
Net change in fund balance (GAAP basis)	\$ (23,334)

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, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 314,348	\$ 314,348	\$ 308,780	\$ (5,568)
Contributions from other agencies	154,869	300,669	142,103	(158,566)
Interest and investment income	6,528	6,528	2,524	(4,004)
Miscellaneous	104	104	6,898	6,794
Total revenues	475,849	621,649	460,305	(161,344)
Expenditures				
Current:				
General government:				
Supplies and services	142,255	142,321	97,922	44,399
Transportation:				
Contributions to other local agencies	175,978	173,297	123,827	49,470
Capital outlay	237,480	1,132,191	992,379	139,812
Debt service:				
Interest	-	-	25	(25)
Total expenditures	555,713	1,447,809	1,214,153	233,656
Deficiency of revenues under expenditures	(79,864)	(826,160)	(753,848)	72,312
Other financing sources (uses)				
Transfers in	6,958	6,958	8,912	1,954
Transfers out	(80,182)	(80,182)	(52,293)	27,889
Total other financing uses	(73,224)	(73,224)	(43,381)	29,843
Net change in fund balance	\$ (153,088)	\$ (899,384)	\$ (797,229)	\$ 102,155

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (797,229)
Less: Estimated revenues for encumbrances outstanding at June 30	69,860
Add: Current year encumbrances outstanding at June 30	941,321
Net change in fund balance (GAAP basis)	\$ 74,232

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, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 161,006	\$ 161,006	\$ 155,055	\$ (5,951)
Interest and investment income	22	22	28	6
Total revenues	161,028	161,028	155,083	(5,945)
Expenditures				
Current:				
General government:				
Supplies and services	1,752	1,752	1,936	(184)
Transportation:				
Contributions to other local agencies	2,290	2,290	2,172	118
Total expenditures	4,042	4,042	4,108	(66)
Excess of revenues over expenditures	156,986	156,986	150,975	(6,011)
Other financing uses				
Transfers out	(156,986)	(156,986)	(148,904)	8,082
Total other financing uses	(156,986)	(156,986)	(148,904)	8,082
Net change in fund balance	\$ -	\$ -	\$ 2,071	\$ 2,071

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2017

(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*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
OCTA's Proportion of the NPL	4.436%	4.377%	4.006%	4.112%
OCTA's proportionate share of the NPL	\$ 230,261	\$ 250,193	\$ 203,592	\$ 217,569
OCTA's covered payroll	\$ 94,507	\$ 93,110	\$ 95,061	\$ 92,200
OCTA's proportionate share of the NPL as a percentage of its covered payroll	243.64%	268.71%	214.17%	235.98%
Plan fiduciary net position as a percentage of the total pension liability	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*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 23,900	\$ 26,347	\$ 24,722	\$ 22,244
Contributions in relation to the actuarially determined contributions	23,900	26,347	24,722	22,244
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 86,925	\$ 97,616	\$ 92,878	\$ 94,244
Contributions as a percentage of covered payroll	27.50%	26.99%	26.62%	23.60%

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2017

(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*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 401	\$ 361	\$ 423	\$ 388
Interest	1,260	1,294	1,240	1,214
Changes of assumptions	-	(2,140)	207	-
Difference between expected and actual experience	-	(99)	-	-
Benefit payments, including refunds of employee contributions	(1,145)	(1,066)	(980)	(1,010)
Net change in total pension liability	<u>516</u>	<u>(1,650)</u>	<u>890</u>	<u>592</u>
Total pension liability - beginning	<u>17,548</u>	<u>19,198</u>	<u>18,308</u>	<u>17,716</u>
Total pension liability - ending (a)	<u>\$ 18,064</u>	<u>\$ 17,548</u>	<u>\$ 19,198</u>	<u>\$ 18,308</u>
Plan fiduciary net position				
Contributions - employer	\$ 929	\$ 955	\$ 875	\$ 848
Net investment income	1,596	209	467	2,075
Benefit payments, including refunds of employee contributions	(1,145)	(1,066)	(980)	(897)
Administrative expenses	(24)	(24)	(24)	(23)
Net change in plan fiduciary net position	<u>\$ 1,356</u>	<u>\$ 74</u>	<u>\$ 338</u>	<u>\$ 2,003</u>
Plan fiduciary net position - beginning	<u>14,285</u>	<u>14,211</u>	<u>13,873</u>	<u>11,870</u>
Plan fiduciary net position - ending (b)	<u>\$ 15,641</u>	<u>\$ 14,285</u>	<u>\$ 14,211</u>	<u>\$ 13,873</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,423</u>	<u>\$ 3,263</u>	<u>\$ 4,987</u>	<u>\$ 4,435</u>
Plan fiduciary net position as a percentage of the total pension liability	86.59%	81.40%	74.02%	75.78%
Covered payroll	\$ 95,015	\$ 94,011	\$ 92,403	\$ 89,494
Net pension liability as a percentage of covered payroll	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.

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2017

(amounts expressed in thousands)

Schedule of Investment Returns

Additional Retiree Benefit Account Plan

Last 10 Fiscal Years*

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

Schedule of OCTA Contributions

Additional Retiree Benefit Account Plan

Last 10 Fiscal Years*

	2017	2016	2015	2014
Actuarially determined contribution	\$ 786	\$ 772	\$ 904	\$ 875
Contributions in relation to the actuarially determined contributions	929	955	874	848
Contribution (deficiency)/excess	\$ 143	\$ 183	\$ (30)	\$ (27)
Covered payroll	\$ 95,015	\$ 94,011	\$ 92,403	\$ 89,494
Contributions as a percentage of covered payroll	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, 18 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 percentage of payroll, closed basis
Remaining amortization:	13 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 RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2017

(amounts expressed in thousands)

Other Post Employment Benefit Trend Data

Presented below is the schedule of funding progress for OCTA's postemployment healthcare plan. This plan is a single-employer defined benefit healthcare plan.

Schedule of Funding Progress for Years Ended June 30

Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2016	\$ -	\$ 748	\$ 748	0%	\$ 43,782	1.7%
2014	\$ -	\$ 775	\$ 775	0%	\$ 41,138	1.9%
2012	\$ -	\$ 726	\$ 726	0%	\$ 36,670	2.0%

*Annual covered payroll represents active employees earning service credit towards eligibility for continuation of health coverage at retirement.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017
(amounts expressed in thousands)

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 2017 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 2016-17 for the General fund and the major special revenue funds. 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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION

June 30, 2017

(amounts expressed in thousands)

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 projects 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.

Capital Projects Funds

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2017

<i>(amounts expressed in thousands)</i>	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	OCUTT	SAFE	SAAV	STAF	Total	General	
Assets							
Cash and investments	\$ 7,414	\$ 1,818	\$ 31	\$ 23	\$ 9,286	\$ 5,681	\$ 14,967
Receivables:							
Interest	62	15	-	-	77	-	77
Capital grants	-	-	-	-	-	3,923	3,923
Other	-	32	-	-	32	-	32
Due from other funds	758	-	-	-	758	647	1,405
Due from other governments	-	3,139	-	3,967	7,106	-	7,106
Condemnation deposits	-	-	-	-	-	4,121	4,121
Note receivable	3,056	-	-	-	3,056	-	3,056
Advances to other funds	2,640	-	-	-	2,640	-	2,640
Total Assets	\$ 13,930	\$ 5,004	\$ 31	\$ 3,990	\$ 22,955	\$ 14,372	\$ 37,327
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 5	\$ 530	\$ -	\$ -	\$ 535	\$ 5,706	\$ 6,241
Due to other funds	-	707	-	3,967	4,674	-	4,674
Due to other governments	-	152	-	-	152	1,036	1,188
Total Liabilities	5	1,389	-	3,967	5,361	6,742	12,103
Deferred Inflows of Resources							
Unavailable revenue - interest on advances	778	-	-	-	778	-	778
Unavailable revenue - grant reimbursements	-	-	-	-	-	2,351	2,351
Total Deferred Inflows of Resources	778	-	-	-	778	2,351	3,129
Fund Balances							
Nonspendable:							
Condemnation deposits	-	-	-	-	-	4,121	4,121
Note receivable	3,056	-	-	-	3,056	-	3,056
Restricted for:							
Transportation programs	10,091	-	-	23	10,114	-	10,114
Motorist services	-	3,615	31	-	3,646	-	3,646
Assigned to:							
Transportation capital projects	-	-	-	-	-	1,158	1,158
Total Fund Balances	13,147	3,615	31	23	16,816	5,279	22,095
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,930	\$ 5,004	\$ 31	\$ 3,990	\$ 22,955	\$ 14,372	\$ 37,327

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	OCUTT	SAFE	SAAV	STAF	Total	General	
Revenues							
Sales taxes	\$ -	\$ -	\$ -	\$ 22,566	\$ 22,566	\$ -	\$ 22,566
Vehicle registration fees	-	2,960	-	-	2,960	-	2,960
Contributions from other agencies	-	5,321	-	-	5,321	-	5,321
Interest and investment income	83	-	-	4	87	-	87
Capital assistance grants	-	-	-	-	-	13,924	13,924
Miscellaneous	-	42	-	-	42	-	42
Total revenues	83	8,323	-	22,570	30,976	13,924	44,900
Expenditures							
Current:							
General government:							
Supplies and services	19	6,577	-	-	6,596	191	6,787
Capital outlay	-	-	-	-	-	17,394	17,394
Total expenditures	19	6,577	-	-	6,596	17,585	24,181
Excess (deficiency) of revenues over (under) expenditures	64	1,746	-	22,570	24,380	(3,661)	20,719
Other financing sources (uses)							
Transfers in	-	1,818	-	-	1,818	258	2,076
Transfers out	(65)	-	-	(22,566)	(22,631)	-	(22,631)
Total other financing sources (uses)	(65)	1,818	-	(22,566)	(20,813)	258	(20,555)
Net change in fund balances	(1)	3,564	-	4	3,567	(3,403)	164
Fund balances - beginning	13,148	51	31	19	13,249	8,682	21,931
Fund balances - ending	\$ 13,147	\$ 3,615	\$ 31	\$ 23	\$ 16,816	\$ 5,279	\$ 22,095

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Commuter and Urban Rail Endowment Fund (Budgetary Basis)
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines	\$ 12	\$ 12	\$ 6	\$ (6)
Contributions from other agencies	23,644	23,644	5,396	(18,248)
Interest and investment income	790	790	(26)	(816)
Capital assistance grants	-	-	1,994	1,994
Miscellaneous	645	645	1,003	358
Total revenues	25,091	25,091	8,373	(16,718)
Expenditures				
Current:				
General government:				
Supplies and services	38,525	38,525	35,509	3,016
Transportation:				
Contributions to other local agencies	2,800	2,800	4,059	(1,259)
Capital outlay	24,903	24,903	4,932	19,971
Total expenditures	66,228	66,228	44,500	21,728
Deficiency of revenues under expenditures	(41,137)	(41,137)	(36,127)	5,010
Other financing sources (uses)				
Transfers in	-	-	14,605	14,605
Transfers out	(3,175)	(3,175)	(3,626)	(451)
Proceeds from sale of capital assets	3,000	3,000	3,167	167
Total other financing sources (uses)	(175)	(175)	14,146	14,321
Net change in fund balance	\$ (41,312)	\$ (41,312)	\$ (21,981)	\$ 19,331

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (21,981)
Less: Estimated revenues for encumbrances outstanding at June 30	1,462
Add: Current year encumbrances outstanding at June 30	1,936
Net change in fund balance (GAAP basis), reported with General fund	\$ (21,507)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest and investment income	\$ 6,492	\$ 6,492	\$ 8,946	\$ 2,454
Total revenues	6,492	6,492	8,946	2,454
Expenditures				
Debt service:				
Principal payments on long-term debt	7,475	7,475	7,475	-
Interest on long-term debt	21,318	21,318	21,318	-
Total expenditures	28,793	28,793	28,793	-
Deficiency of revenues under expenditures	(22,301)	(22,301)	(19,847)	2,454
Other financing sources (uses)				
Transfers in	22,302	22,302	30,430	8,128
Transfers out	(6,958)	(6,958)	(8,912)	(1,954)
Total other financing sources	15,344	15,344	21,518	6,174
Net change in fund balance	\$ (6,957)	\$ (6,957)	\$ 1,671	\$ 8,628

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest and investment income	\$ 159	\$ 159	\$ 83	\$ (76)
Total revenues	159	159	83	(76)
Expenditures				
Current:				
General government:				
Supplies and services	10	10	19	(9)
Total expenditures	10	10	19	(9)
Excess of revenues over expenditures	149	149	64	(85)
Other financing uses				
Transfers out	-	-	(65)	(65)
Total other financing uses	-	-	(65)	(65)
Net change in fund balance	\$ 149	\$ 149	\$ (1)	\$ (150)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Vehicle registration fees	\$ 2,671	\$ 2,671	\$ 2,960	\$ 289
Contributions from other agencies	2,707	2,707	5,321	2,614
Interest and investment income	25	25	-	(25)
Miscellaneous	5	5	42	37
Total revenues	5,408	5,408	8,323	2,915
Expenditures				
Current:				
General government:				
Supplies and services	7,206	7,206	6,758	448
Capital outlay	-	-	-	-
Total expenditures	7,206	7,206	6,758	448
Deficiency of revenues under expenditures	(1,798)	(1,798)	1,565	3,363
Other financing sources				
Transfers in	1,090	1,090	1,818	728
Total other financing sources	1,090	1,090	1,818	728
Net change in fund balance	\$ (708)	\$ (708)	\$ 3,383	\$ 4,091

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ 3,383
Add: Current year encumbrances outstanding at June 30	181
Net change in fund balance (GAAP basis)	\$ 3,564

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 17,215	\$ 17,215	\$ 22,566	\$ 5,351
Interest and investment income	-	-	4	4
Total revenues	17,215	17,215	22,570	5,355
Other financing uses				
Transfers out	(17,215)	(17,215)	(22,566)	(5,351)
Total other financing uses	(17,215)	(17,215)	(22,566)	(5,351)
Net change in fund balance	\$ -	\$ -	\$ 4	\$ 4

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
General Capital Projects Fund (Budgetary Basis)
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Contributions from other agencies	\$ 2,782	\$ 2,782	\$ 1,081	\$ (1,701)
Capital assistance grants	26,007	26,007	18,106	(7,901)
Total revenues	28,789	28,789	19,187	(9,602)
Expenditures				
Current:				
General government:				
Supplies and services	\$ 26,267	\$ 26,282	\$ 5,304	\$ 20,978
Transportation:				
Contributions to other local agencies	700	700	-	700
Capital outlay	56,262	56,262	18,475	37,787
Total expenditures	83,229	83,244	23,779	59,465
Deficiency of revenues under expenditures	(54,440)	(54,455)	(4,592)	49,863
Other financing sources				
Transfers in	41,297	41,297	258	(41,039)
Total other financing sources	41,297	41,297	258	(41,039)
Net change in fund balance	\$ (13,143)	\$ (13,158)	\$ (4,334)	\$ 8,824

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (4,334)
Less: Estimated revenues for encumbrances outstanding at June 30	5,263
Add: Current year encumbrances outstanding at June 30	6,194
Net change in fund balance (GAAP basis)	\$ (3,403)

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017
(amounts expressed in thousands)

NONMAJOR ENTERPRISE FUNDS

I-405 Express Lanes - This fund is used to account for the construction and upcoming operations of the I-405 Express Lanes. The primary source of funding for the operations will be toll revenues and related fees.

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 Fund Net Position - Nonmajor Enterprise Funds
June 30, 2017

<i>(amounts expressed in thousands)</i>	I-405 Express Lanes	OCTAP	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and investments	\$ 17	\$ 198	\$ 215
Due from other governments	808	-	808
Prepaid retirement	-	60	60
Total current assets	825	258	1,083
Noncurrent assets:			
Capital assets, net:			
Nondepreciable	32,478	-	32,478
Total noncurrent assets	32,478	-	32,478
Total Assets	33,303	258	33,561
Deferred Outflows of Resources			
Deferred outflows related to pensions	-	127	127
Total Deferred Outflows of Resources	-	127	127
Liabilities			
Current liabilities:			
Accounts payable	7,682	5	7,687
Accrued payroll and related items	-	15	15
Due to other funds	9,462	-	9,462
Due to other governments	27	-	27
Unearned revenue - other	-	2	2
Current portion of long-term liabilities	-	33	33
Total current liabilities	17,171	55	17,226
Noncurrent liabilities:			
Advances from other funds	10,020	-	10,020
Net pension liability	-	612	612
Long-term liabilities	-	3	3
Total noncurrent liabilities	10,020	615	10,635
Total Liabilities	27,191	670	27,861
Deferred Inflows of Resources			
Deferred inflows - pensions	-	97	97
Total Deferred Inflows of Resources	-	97	97
Net Position			
Net investment in capital assets	32,478	-	32,478
Unrestricted	(26,366)	(382)	(26,748)
Total Net Position	\$ 6,112	\$ (382)	\$ 5,730

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	I-405 Express Lanes	OCTAP	Total Nonmajor Enterprise Funds
Operating revenues:			
Permit fees	\$ -	\$ 420	\$ 420
Total operating revenues	-	420	420
Operating expenses:			
Wages, salaries and benefits	-	469	469
Administrative services	714	213	927
Other	-	1	1
Professional services	1,006	46	1,052
General and administrative	35	9	44
Total operating expenses	1,755	738	2,493
Operating loss	(1,755)	(318)	(2,073)
Nonoperating revenues (expenses):			
Investment earnings	-	5	5
Interest expense	(9)	-	(9)
Other	-	16	16
Total nonoperating revenues (expenses)	(9)	21	12
Loss before contributions and transfers	(1,764)	(297)	(2,061)
Capital contributions	1,180	-	1,180
Change in net position	(584)	(297)	(881)
Total net position - beginning	6,696	(85)	6,611
Total net position - ending	\$ 6,112	\$ (382)	\$ 5,730

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	I-405 Express Lanes	OCTAP	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ -	\$ 420	\$ 420
Payments to suppliers	(1,044)	(53)	(1,097)
Payments to employees	-	(437)	(437)
Payments for interfund services used	(714)	(213)	(927)
Miscellaneous revenue received	-	16	16
Net cash used for operating activities	(1,758)	(267)	(2,025)
Cash flows from noncapital financing activities:			
Transfers from other funds	9,462	-	9,462
Repayment of advances from other funds	9,631	-	9,631
Net cash provided by noncapital financing activities	19,093	-	19,093
Cash flows from capital and related financing activities:			
Federal capital grants for acquisition and construction of capital assets	1,899	-	1,899
Interest paid	(9)	-	(9)
Acquisition and construction of capital assets	(20,236)	-	(20,236)
Net cash used for capital and related financing activities	(18,346)	-	(18,346)
Cash flows from investing activities:			
Investment earnings	2	1	3
Net cash provided by investing activities	2	1	3
Net decrease in cash and cash equivalents	(1,009)	(266)	(1,275)
Cash and cash equivalents at beginning of year	1,026	464	1,490
Cash and cash equivalents at end of year	\$ 17	\$ 198	\$ 215
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (1,755)	\$ (318)	\$ (2,073)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Amortization of prepaid retirement	-	90	90
Pension expense	-	94	94
Miscellaneous	-	16	16
Prepaid retirement	-	(88)	(88)
Deferred outflows of resources related to pensions	-	(23)	(23)
Accounts payable	-	3	3
Accrued payroll and related items	-	(16)	(16)
Compensated absences	-	9	9
Due to other governments	(3)	-	(3)
Unearned revenue	-	3	3
Net pension liability	-	(37)	(37)
Total adjustments	(3)	51	48
Net cash used for operating activities	\$ (1,758)	\$ (267)	\$ (2,025)
Noncash capital, financing and investing activities:			
Investment earnings - accrued interest	\$ (2)	\$ 4	\$ 2

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017
(amounts expressed in thousands)

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 Fund Net Position - Internal Service Funds
June 30, 2017

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 14,622	\$ 24,346	\$ 38,968
Receivables:			
Interest	87	96	183
Other	160	158	318
Other assets	423	917	1,340
Total current assets	<u>15,292</u>	<u>25,517</u>	<u>40,809</u>
Total Assets	<u>15,292</u>	<u>25,517</u>	<u>40,809</u>
Liabilities			
Current liabilities:			
Accounts payable	668	468	1,136
Claims payable	846	2,247	3,093
Total current liabilities	<u>1,514</u>	<u>2,715</u>	<u>4,229</u>
Noncurrent liabilities:			
Claims payable	2,833	10,971	13,804
Total noncurrent liabilities	<u>2,833</u>	<u>10,971</u>	<u>13,804</u>
Total Liabilities	<u>4,347</u>	<u>13,686</u>	<u>18,033</u>
Net Position			
Unrestricted	10,945	11,831	22,776
Total Net Position	<u>\$ 10,945</u>	<u>\$ 11,831</u>	<u>\$ 22,776</u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 1,845	\$ 5,894	\$ 7,739
Total operating revenues	1,845	5,894	7,739
Operating expenses:			
Administrative services	113	64	177
Other	69	241	310
Insurance claims and premiums	(300)	5,189	4,889
Professional services	1,986	429	2,415
Total operating expenses	1,868	5,923	7,791
Operating loss	(23)	(29)	(52)
Nonoperating revenues:			
Investment earnings	69	66	135
Other	276	655	931
Total nonoperating revenues	345	721	1,066
Change in net position	322	692	1,014
Total net position - beginning	10,623	11,139	21,762
Total net position - ending	\$ 10,945	\$ 11,831	\$ 22,776

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2017

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 1,845	\$ 6,192	\$ 8,037
Payments to suppliers	(1,693)	(559)	(2,252)
Payments to claimants	(2,985)	(4,660)	(7,645)
Payments for interfund services used	(113)	(64)	(177)
Miscellaneous revenue received	276	655	931
Net cash provided by (used for) operating activities	(2,670)	1,564	(1,106)
Cash flows from investing activities:			
Investment earnings	54	47	101
Net cash provided by investing activities	54	47	101
Net increase (decrease) in cash and cash equivalents	(2,616)	1,611	(1,005)
Cash and cash equivalents at beginning of year	17,238	22,735	39,973
Cash and cash equivalents at end of year	\$ 14,622	\$ 24,346	\$ 38,968
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (23)	\$ (29)	\$ (52)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Insurance recoveries	276	655	931
Change in assets and liabilities:			
Other receivables	(31)	401	370
Other assets	(19)	11	(8)
Accounts payable	312	111	423
Claims payable	(3,185)	415	(2,770)
Total adjustments	(2,647)	1,593	(1,054)
Net cash provided by (used for) operating activities	\$ (2,670)	\$ 1,564	\$ (1,106)
Noncash capital, financing and investing activities:			
Investment earnings - accrued interest	\$ 16	\$ 20	\$ 36



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ORANGE COUNTY TRANSPORTATION AUTHORITY
STATISTICAL SECTION
June 30, 2017

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.

<u>Contents</u>	<u>Page</u>
Financial Trends	112
These schedules contain trend information to help the reader understand how OCTA’s financial performance and well-being have changed over time.	
Revenue Capacity	118
These schedules contain information to help the reader assess OCTA’s most significant local revenue source, the sales tax.	
Debt Capacity	122
These schedules present information to help the reader assess the affordability of OCTA’s current levels of outstanding debt and OCTA’s ability to issue additional debt in the future.	
Demographic and Economic Information	125
These schedules offer demographic and economic indicators to help the reader understand the environment within which OCTA’s financial activities take place.	
Operating Information	128
These schedules contain service and infrastructure data to help the reader understand how the information in OCTA’s financial report relates to the services OCTA provides and the activities it performs.	

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

(accrual basis of accounting - thousands)

	As of June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 155,502	\$ 175,769	\$ 180,131	\$ 193,968	\$ 191,149	\$ 159,539	\$ 159,427	\$ 177,195	\$ 185,209	\$ 202,587
Restricted	531,318	328,463	303,605	199,540	251,820	314,832	352,878	421,285	545,220	621,580
Unrestricted	(63,434)	149,839	133,070	234,876	200,226	207,674	181,216	94,641	67,517	29,578
Total government activities net position	\$ 623,386	\$ 654,071	\$ 616,806	\$ 628,384	\$ 643,195	\$ 682,045	\$ 693,521	\$ 693,121	\$ 797,946	\$ 853,745
Business-type activities:										
Net investment in capital assets	\$ 335,732	\$ 367,144	\$ 331,460	\$ 303,063	\$ 278,292	\$ 257,439	\$ 265,584	\$ 279,153	\$ 300,737	\$ 389,791
Restricted	15,349	19,355	20,219	20,298	20,340	20,383	13,015	13,032	13,075	13,199
Unrestricted	222,926	190,736	170,902	162,903	246,797	317,002	376,340	275,052	305,689	323,682
Total business-type activities net position	\$ 574,007	\$ 577,235	\$ 522,581	\$ 486,264	\$ 545,429	\$ 594,824	\$ 654,939	\$ 567,237	\$ 619,501	\$ 726,672
Primary government:										
Net investment in capital assets	\$ 491,234	\$ 542,913	\$ 511,591	\$ 497,031	\$ 469,441	\$ 416,978	\$ 425,011	\$ 456,348	\$ 485,946	\$ 592,378
Restricted	546,667	347,818	323,824	219,838	272,160	335,215	365,893	434,317	558,295	634,779
Unrestricted	159,492	340,575	303,972	397,779	447,023	524,676	557,556	369,693	373,206	353,260
Total primary government net position	\$ 1,197,393	\$ 1,231,306	\$ 1,139,387	\$ 1,114,648	\$ 1,188,624	\$ 1,276,869	\$ 1,348,460	\$ 1,260,358	\$ 1,417,447	\$ 1,580,417

Source: Accounting and Financial Reporting Department

Note:

In fiscal year 2007-08, the SR-22 freeway project was transferred to Caltrans.

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 the major revenue vehicle purchase.

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,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 105,009	\$ 106,676	\$ 112,138	\$ 104,305	\$ 95,679	\$ 96,925	\$ 68,262	\$ 74,852	\$ 95,155	\$ 94,929
Measure M program	748,962	222,731	302,851	291,703	337,034	314,669	372,137	301,329	272,627	280,154
Motorist services	7,669	7,814	7,497	7,545	7,347	6,004	5,187	5,281	6,355	5,826
Commuter rail	21,585	27,009	29,395	14,393	26,806	34,586	23,556	29,347	34,004	39,736
Total governmental activities expenses	883,225	364,230	451,881	417,946	466,866	452,184	469,142	410,809	408,141	420,645
Business-type activities:										
Fixed route	243,151	224,538	210,526	200,999	201,629	207,363	212,170	201,630	208,851	204,969
Paratransit	35,631	37,980	42,999	46,151	51,225	53,803	51,735	51,392	63,071	64,594
Tollroad	35,375	38,224	33,713	31,371	23,231	20,573	22,996	22,980	25,120	38,455
Taxicab administration	431	299	344	393	490	456	506	584	567	524
Total business-type activities expenses	314,588	301,041	287,582	278,914	276,575	282,195	287,407	276,586	297,609	308,542
Total primary government expenses	\$ 1,197,813	\$ 665,271	\$ 739,463	\$ 696,860	\$ 743,441	\$ 734,379	\$ 756,549	\$ 687,395	\$ 705,750	\$ 729,187
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 47,509	\$ 133	\$ 121	\$ 140	\$ 149	\$ 137	\$ 155	\$ 181	\$ 1,180	\$ 730
Other activities	1,172	967	1,008	1,093	1,297	1,136	1,350	1,644	1,087	1,104
Operating grants and contributions	35,125	36,092	68,015	115,154	172,733	159,069	146,863	122,282	125,220	92,486
Capital grants and contributions	34,142	30,747	8,279	1,204	4,335	10,923	2,222	586	3,897	17,602
Total governmental activities program revenues	117,948	67,939	77,423	117,591	178,514	171,265	150,590	124,693	131,384	111,922
Business-type activities:										
Charges for services:										
Fixed route	50,522	52,641	48,776	49,412	50,553	53,361	56,784	51,265	50,197	42,753
Tollroad	46,236	43,705	43,009	41,837	37,742	39,289	42,610	46,132	52,240	56,005
Other activities	6,593	6,870	7,133	7,206	7,154	7,893	8,579	8,695	8,650	8,656
Operating grants and contributions	53,561	80,242	88,597	72,441	90,099	83,305	63,099	67,356	65,226	74,966
Capital grants and contributions	69,693	56,588	1,841	8,648	10,023	8,821	23,717	14,139	35,848	89,740
Total business-type activities program revenues	226,605	240,046	189,356	179,544	195,571	192,669	194,789	187,587	212,161	272,120
Total primary government program revenues	\$ 344,553	\$ 307,985	\$ 266,779	\$ 297,135	\$ 374,085	\$ 363,934	\$ 345,379	\$ 312,280	\$ 343,545	\$ 384,042

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

In fiscal year 2007-08, the SR-22 freeway project was transferred to Caltrans and OCTD purchased additional CNG buses and paratransit vans.

In fiscal year 2008-09, the decrease in General Government Program Revenues is due to the allocation of indirect costs shown as a reduction of expenditures as opposed to charges for services.

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.

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

(accrual basis of accounting - thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Indirect expenses allocation:										
Governmental activities	- \$	(36,091) \$	(31,187) \$	(27,248) \$	(29,340) \$	(33,654) \$	(34,089) \$	(35,996) \$	(37,748) \$	(41,045) \$
Business-type activities	-	36,091	31,187	27,248	29,340	33,654	34,089	35,996	37,748	41,045
Net (expense) revenue										
Governmental activities	\$ (765,277)	\$ (260,200)	\$ (343,271)	\$ (273,107)	\$ (259,012)	\$ (247,265)	\$ (284,463)	\$ (250,120)	\$ (239,009)	\$ (267,678)
Business-type activities	(87,983)	(97,086)	(129,413)	(126,618)	(110,344)	(123,180)	(126,707)	(124,995)	(123,196)	(77,467)
Total primary government net expense	\$ (853,260)	\$ (357,286)	\$ (472,684)	\$ (399,725)	\$ (369,356)	\$ (370,445)	\$ (411,170)	\$ (375,115)	\$ (362,205)	\$ (345,145)

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:										
Sales taxes	\$ 393,350	\$ 335,465	\$ 326,005	\$ 329,971	\$ 409,556	\$ 428,262	\$ 451,153	\$ 466,127	\$ 476,368	\$ 475,863
Unrestricted investment earnings	49,331	31,501	17,325	14,487	15,192	11,295	13,776	13,301	19,447	9,807
Other miscellaneous revenue	1,271	412	328	229	355	125	288	168	918	99
Transfers	(107,537)	(76,493)	(75,038)	(66,230)	(151,280)	(155,999)	(169,278)	(169,199)	(152,899)	(162,292)
Total governmental activities	336,415	290,885	268,620	278,457	273,823	283,683	295,939	310,397	343,834	323,477

Business-type activities:

Taxes:										
Property taxes	11,178	11,295	10,220	10,736	11,193	13,560	12,366	13,293	14,098	14,943
Unrestricted investment earnings	21,476	12,186	4,184	15,552	926	2,805	4,765	4,531	7,672	2,332
Other miscellaneous revenue	507	340	207	2,769	228	2,832	413	1,218	791	5,071
Transfers	107,537	76,493	75,038	66,230	151,280	155,999	169,278	169,199	152,899	162,292
Total business-type activities	140,698	100,314	89,649	95,287	163,627	175,196	186,822	188,241	175,460	184,638
Total primary government	\$ 477,113	\$ 391,199	\$ 358,269	\$ 373,744	\$ 437,450	\$ 458,879	\$ 482,761	\$ 498,638	\$ 519,294	\$ 508,115

Change in Net Position

Governmental activities	\$ (428,862)	\$ 30,685	\$ (74,651)	\$ 5,350	\$ 14,811	\$ 36,418	\$ 11,476	\$ 60,277	\$ 104,825	\$ 55,799
Business-type activities	52,715	3,228	(39,764)	(31,331)	53,283	52,016	60,115	63,246	52,264	107,171
Total primary government	\$ (376,147)	\$ 33,913	\$ (114,415)	\$ (25,981)	\$ 68,094	\$ 88,434	\$ 71,591	\$ 123,523	\$ 157,089	\$ 162,970

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2007-08, Governmental activities had a negative change in net position due to the transfer of the SR-22 freeway project to Caltrans.

In fiscal year 2008-09, the indirect expense allocation is shown separately.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 3
Fund Balances, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting - thousands)

	As of June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 10,842	\$ 12,895	\$ 10,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(1,754)	(8,260)	(8,378)	-	-	-	-	-	-	-
Nonspendable	-	-	-	4,711	5,459	5,637	7,473	11,038	11,862	20,672
Restricted	-	-	-	-	-	-	-	24,732	23,548	22,992
Assigned	-	-	-	-	-	-	-	25,173	14,453	-
Unassigned	-	-	-	(4,061)	(4,203)	(168)	(210)	22,115	-	(17,135)
Total general fund	\$ 9,088	\$ 4,635	\$ 2,378	\$ 650	\$ 1,256	\$ 5,469	\$ 7,263	\$ 83,058	\$ 49,863	\$ 26,529
All Other Governmental Funds										
Reserved	\$ 599,244	\$ 537,118	\$ 433,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	94,322	92,482	76,653	-	-	-	-	-	-	-
Capital projects funds	(4,976)	(2,082)	(3,851)	-	-	-	-	-	-	-
Nonspendable	-	-	-	10,513	18,826	77,547	56,991	20,575	12,519	7,177
Restricted	-	-	-	663,669	680,191	638,718	707,365	753,071	862,565	953,569
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
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 688,590	\$ 627,518	\$ 506,315	\$ 754,043	\$ 776,615	\$ 795,300	\$ 815,124	\$ 783,115	\$ 883,766	\$ 961,904

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 transfers 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.

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Sales taxes	\$ 393,350	\$ 335,465	\$ 326,005	\$ 326,804	\$ 412,722	\$ 428,262	\$ 451,153	\$ 466,127	\$ 465,830	\$ 486,401
Gasoline taxes	23,000	23,000	23,000	23,000	23,447	22,553	-	-	-	-
Vehicle registration fees	5,137	5,193	4,993	5,109	2,610	2,588	2,669	2,351	3,401	2,960
Fines	197	157	144	156	159	140	176	197	220	205
Contributions from other agencies	20,894	10,818	38,945	68,130	152,836	135,762	146,216	121,341	103,532	87,870
Charges for services	47,326	-	-	-	-	-	-	-	-	-
Interest and investment income	49,282	31,418	17,167	11,638	15,325	10,702	13,144	12,732	18,917	11,894
Capital assistance grants	22,132	26,998	7,655	1,877	695	1,118	11,075	768	3,220	14,552
Miscellaneous	4,577	3,386	3,949	1,354	1,642	1,351	3,899	4,221	5,090	8,060
Total revenues	565,895	436,435	421,858	438,068	609,436	602,476	628,332	607,737	600,210	611,942
Expenditures										
Current:										
General government	130,155	89,184	101,897	94,155	101,457	94,455	83,294	105,995	126,370	116,183
Transportation:										
Contributions to other local agencies	157,761	174,434	259,623	208,882	222,485	166,899	191,698	133,286	124,230	146,199
Capital outlay	84,201	72,666	56,462	86,106	88,529	135,968	135,747	129,312	103,441	106,921
Debt service:										
Principal payments on long-term debt	71,290	75,355	78,405	82,795	-	6,410	6,600	6,865	7,210	7,475
Interest	18,648	13,829	9,421	8,582	22,508	22,509	22,264	21,961	21,614	21,343
Bond issuance costs	-	-	-	2,181	-	-	-	-	-	-
Total expenditures	462,055	425,468	505,808	482,701	434,979	426,241	439,603	397,419	382,865	398,121
Excess of revenues over expenditures	103,840	10,967	(83,950)	(44,633)	174,457	176,235	188,729	210,318	217,345	213,821
Other financing sources (uses):										
Transfers in	111,507	113,508	128,366	289,776	29,295	37,909	48,196	65,411	56,722	74,074
Transfers out	(218,708)	(190,002)	(203,404)	(356,006)	(180,574)	(193,908)	(217,474)	(234,610)	(209,621)	(236,366)
Proceeds from sale of capital assets	22	2	5	4	-	2,662	2,167	2,667	3,010	3,275
Bond issuance	-	-	-	352,570	-	-	-	-	-	-
Bond premium	-	-	-	6,023	-	-	-	-	-	-
Total other financing sources (uses)	(107,179)	(76,492)	(75,033)	292,367	(151,279)	(153,337)	(167,111)	(166,532)	(149,889)	(159,017)
Net changes in fund balances	\$ (3,339)	\$ (65,525)	\$ (158,983)	\$ 247,734	\$ 23,178	\$ 22,898	\$ 21,618	\$ 43,786	\$ 67,456	\$ 54,804
Debt service as a percentage of noncapital expenditures	24.9%	24.6%	18.2%	19.2%	5.4%	6.8%	6.6%	7.6%	7.7%	7.6%

Source: Accounting and Financial Reporting Department

Notes:

- In fiscal year 2008-09, the decrease in charges for services is due to the allocation of indirect costs shown as a reduction of expenditures as opposed to charges for services provided.
- 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.

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
Governmental activities:										
General government	\$ 82,704	\$ 38,715	\$ 32,876	\$ 30,225	\$ 33,981	\$ 32,585	\$ 5,280	\$ 4,101	\$ 8,963	\$ 22,323
Measure M program	23,267	18,034	33,211	78,206	137,209	120,265	136,929	112,056	111,050	76,881
Motorist services	8,576	8,170	8,042	8,172	5,325	5,259	5,274	5,521	5,648	5,575
Commuter rail	3,401	3,020	3,294	988	1,999	13,156	3,107	3,015	5,723	7,143
Total governmental activities	117,948	67,939	77,423	117,591	178,514	171,265	150,590	124,693	131,384	111,922
Business-type activities:										
Fixed route	166,327	182,941	133,122	120,534	133,785	123,467	123,244	112,721	123,504	173,107
Paratransit	13,524	12,851	12,621	16,350	23,307	29,080	28,130	28,059	28,080	40,777
Tollroad	46,246	43,705	43,048	42,010	37,742	39,289	42,610	46,132	60,059	57,816
Taxicab administration	508	549	565	650	737	833	805	675	518	420
Total business-type activities	226,605	240,046	189,356	179,544	195,571	192,669	194,789	187,587	212,161	272,120
Total primary government	\$ 344,553	\$ 307,985	\$ 266,779	\$ 297,135	\$ 374,085	\$ 363,934	\$ 345,379	\$ 312,280	\$ 343,545	\$ 384,042

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 expenses 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 primary due to decreased funding of RSTP and Proposition 1B as well as closing phase of the grade separation projects.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 6
Tax Revenues by Source, Governmental Activities, Last Ten Fiscal Years
(accrual basis of accounting - thousands)

<u>For the Year Ended June 30,</u>	<u>Sales & Use</u>	<u>Gasoline (a)</u>	<u>Total</u>
2008	\$ 393,350	\$ 23,000	\$ 416,350
2009	335,465	23,000	358,465
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
 Change 2008 - 2017	 21.0%	 -100.0%	 14.3%

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

	Calendar Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<i>(amounts expressed in thousands)</i>											
1 Clothing and Clothing Accessories Stores	\$ 2,217,996	\$ 2,340,116	\$ 2,742,626	\$ 2,923,680	\$ 3,164,857	\$ 3,510,757	\$ 3,764,088	\$ 3,942,629	\$ 4,062,185	\$ 883,126	(a)
2 General Merchandise Stores	5,856,810	5,493,287	4,376,154	4,527,201	4,771,143	5,026,911	5,169,057	5,206,936	4,773,787	1,166,078	
Specialty Stores	4,447,931	3,665,066	1,638,968	1,622,910	1,669,585	1,691,589	1,732,562	1,625,444	-	-	
3 Food and Beverage Stores	1,815,201	1,745,903	1,894,642	1,911,192	1,990,893	2,056,803	2,111,209	2,177,054	2,461,305	596,527	
4 Food Services and Drink Places	5,296,863	5,245,480	5,024,379	5,109,383	5,449,117	5,853,267	6,186,883	6,637,321	7,174,652	1,816,111	
5 Home Furnishings and Appliance Stores	2,079,957	1,900,534	2,829,758	2,928,251	3,229,447	3,501,432	3,539,271	3,340,006	2,995,975	695,071	
6 Building Material & Garden Equipment & Supplies Dealers	2,798,938	2,370,154	2,039,686	2,112,467	2,267,363	2,351,574	2,581,968	2,662,657	2,870,940	699,124	
7 Motor Vehicle and Parts Dealers	11,469,589	10,431,086	8,286,158	9,045,917	10,603,810	11,615,228	11,854,186	12,440,522	8,352,815	2,056,643	
8 Gasoline Stations	-	-	-	-	-	-	-	-	3,767,842	765,957	
9 Other Retail Group	3,004,942	2,576,969	1,061,492	1,064,825	1,087,735	1,180,969	1,210,383	1,219,968	5,130,425	1,207,504	
Business and Personal Services	2,968,831	2,828,005	1,268,759	1,306,282	1,353,844	1,583,927	1,876,321	2,035,999	-	-	
10 All other outlets	15,336,413	15,010,229	14,550,164	15,115,073	16,143,344	16,858,156	17,565,288	18,808,591	19,768,161	4,705,904	
Total	\$ 57,293,471	\$ 53,606,829	\$ 45,712,786	\$ 47,667,181	\$ 51,731,138	\$ 55,230,613	\$ 57,591,216	\$ 60,097,127	\$ 61,358,087	\$ 14,592,045	
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%	

Source: California State Board of Equalization

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) Represents the first quarter 2016 data only.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 8
Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years

<u>Calendar Year</u>	<u>Measure M Direct rate</u>	<u>County of Orange</u>	
2008	0.50%	7.25%	
2009	0.50%	8.25%	(a)
2010	0.50%	8.25%	
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)

Sources: County of Orange information provided by the California State Board of Equalization,

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 2015			Calendar Year 2006		
	Taxable Sales	Rank	Percentage of Total	Taxable Sales	Rank	Percentage of Total
Aliso Viejo	\$ 351,425	26	0.90%	\$ 353,965	27	0.94%
Anaheim	3,528,824	2	9.02%	3,202,190	2	8.53%
Brea	1,253,706	13	3.20%	1,191,378	14	3.18%
Buena Park	1,345,823	10	3.44%	1,497,707	8	3.99%
Costa Mesa	4,024,670	1	10.28%	3,397,404	1	9.05%
Cypress	626,146	19	1.60%	680,458	19	1.81%
Dana Point	324,853	28	0.83%	306,034	28	0.82%
Fountain Valley	810,441	17	2.07%	814,615	17	2.17%
Fullerton	1,344,304	11	3.43%	1,272,881	13	3.39%
Garden Grove	1,443,636	9	3.69%	1,299,800	12	3.46%
Huntington Beach	2,458,381	5	6.28%	2,122,983	6	5.66%
Irvine	3,410,336	3	8.71%	3,197,891	3	8.52%
La Habra	701,554	18	1.79%	775,820	18	2.07%
La Palma	170,732	32	0.44%	394,407	25	1.05%
Laguna Beach	326,928	27	0.84%	299,937	29	0.80%
Laguna Hills	395,955	24	1.01%	512,126	21	1.36%
Laguna Niguel	840,241	16	2.15%	883,276	15	2.35%
Laguna Woods	80,403	33	0.21%	88,816	33	0.24%
Lake Forest	914,729	15	2.34%	879,534	16	2.34%
Los Alamitos	187,768	31	0.48%	185,623	32	0.49%
Mission Viejo	1,305,281	12	3.33%	1,394,587	10	3.72%
Newport Beach	2,241,761	7	5.73%	2,012,924	7	5.36%
Orange	2,334,891	6	5.97%	2,136,439	5	5.69%
Placentia	360,499	25	0.92%	377,304	26	1.01%
Rancho Santa Margarita	453,339	22	1.16%	509,719	22	1.36%
San Clemente	585,872	20	1.50%	451,124	23	1.20%
San Juan Capistrano	554,466	21	1.42%	672,071	20	1.79%
Santa Ana	2,799,397	4	7.15%	2,764,226	4	7.37%
Seal Beach	318,071	29	0.81%	255,074	31	0.68%
Stanton	280,035	30	0.72%	272,955	30	0.73%
Tustin	1,678,089	8	4.29%	1,474,902	9	3.93%
Villa Park	16,832	34	0.04%	13,633	34	0.04%
Westminster	1,221,595	14	3.12%	1,385,469	11	3.69%
Yorba Linda	448,903	23	1.15%	444,358	24	1.18%
Total	<u>39,139,886</u>		<u>100%</u>	<u>37,521,630</u>		<u>100%</u>
Unincorporated Cities	<u>2,450,040</u>			<u>1,552,821</u>		
Total Orange County	\$ <u>41,589,926</u>			\$ <u>39,074,451</u>		

Source: California State Board of Equalization, www.boe.ca.gov

Note:

The most current data available is for 2015.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 10
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
(amounts expressed in thousands except per capita)

For Year Ended June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Sales Tax Revenue Bonds	Commercial Paper Notes	Toll Road Revenue Bonds	Capital Leases			
2008	\$ 237,608	\$ 47,600	\$ 184,946	\$ 13,060	\$ 483,214	0.34%	\$ 162.00
2009	161,902	50,000	180,348	9,779	402,029	0.27%	134.06
2010	83,146	100,000	175,581	6,362	365,089	0.23%	121.09
2011	357,991	25,000	170,589	2,802	556,382	0.33%	182.48
2012	357,389	25,000	165,356	571	548,316	0.33%	177.79
2013	350,376	25,000	159,858	-	535,234	0.31%	172.06
2014	343,174	25,000	135,013	-	503,187	0.27%	160.37
2015	335,707	-	129,444	-	465,151	n/a	147.14
2016	327,894	-	123,725	-	451,619	n/a	142.37
2017	319,817	-	117,796	-	437,613	n/a	137.01

Source: Accounting and Financial Reporting Department

Notes:

The fiscal years 2005-13 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. 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 2017	
Debt service	\$ 22,495
Debt coverage (130 % of debt service)	<u>29,244</u>
Sales tax revenue	305,057
Less: local fair share & other expense	<u>(65,330)</u>
Net sales tax revenues	239,727
Legal debt margin	<u>\$ 210,483</u>

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2017	
Debt service	\$ 10,799
Debt coverage (130 % of debt service)	<u>14,039</u>
Toll revenues	56,835
Less: operating expenses	<u>(31,833)</u>
Net toll revenues	25,002
Legal debt margin	<u>\$ 10,963</u>

For Year Ended June 30,	Measure M Ordinance No. 2 (Measure M1)				Measure M Ordinance No. 3 (Measure M2)				Toll Road Revenue Bonds			
	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2008	\$ 198,815	\$ 88,557	\$ 110,258	44.5%	\$ -	\$ -	\$ -	\$ -	\$ 28,786	\$ 12,635	\$ 16,151	43.9%
2009	173,541	87,422	86,119	50.4%	-	-	-	-	26,503	15,504 (a)	10,999	58.5%
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%

Source: Treasury and Accounting and Financial Reporting Departments

Notes:

In fiscal years 2008-09, 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.;

\$3,249, \$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)

For the Year Ended June 30,	Measure M1 Sales Tax Revenue Bonds					Measure M2 Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
	Sales Tax Revenue	Less: Turnback	Debt Service		Coverage	Sales Tax Revenue	Less: Fair Share & Other Expenses	Debt Service		Coverage	Toll Road Revenue	Less: Operating Expenses	Debt Service		Coverage	Grant Revenues	Debt Service		
			Principal	Interest				Principal	Interest				Principal	Interest			Principal	Interest	Coverage
2008	\$ 266,443	\$ (41,061)	\$ 71,290	\$ 17,168	2.55	\$ -	\$ -	\$ -	\$ -	-	\$ 50,649	\$ (13,659)	\$ 4,225	\$ 8,028	3.02	\$ 831	\$ 1,235	\$ 32	0.66
2009	236,128	(36,361)	75,355	13,201	2.26	-	-	-	-	-	46,726	(15,572)	4,345	11,159	2.01	-	-	-	-
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	-	-	-	-

Source: Accounting and Financial Reporting Department

Notes:

The Certificates of Participation matured in July 2007.

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 2008-09, 2009-10, and 2010-11, additional Toll Road Revenue Bonds interest costs of \$3,249, \$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.

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)
2008	2,982,788	\$ 148,492	\$ 50,207	36.1	503,492	5.3%
2009	2,998,816	140,938	47,181	35.8	504,136	9.5%
2010	3,014,962	149,486	49,534	36.1	502,239	9.5%
2011	3,048,993	157,031	51,383	36.2	502,895	9.2%
2012	3,084,036	169,584	54,893	36.2	502,195	7.9%
2013	3,110,802	166,370	53,321	36.4	501,801	6.1%
2014	3,137,744	174,451	55,470	36.7	500,487	5.2%
2015	3,161,218	183,052	57,749	37.1	497,116	4.3%
2016	3,172,152	n/a	n/a	n/a	493,030	4.4%
2017	3,194,024	n/a	n/a	n/a	490,430	3.8%

Notes:

n/a - data not available

Estimates for population for 2010-2016 were revised; personal income and per capita personal income for 2008-2014 were revised for new estimates.

Sources:

- (a) July 1 estimates for 2008-2015 and January 1 estimates for 2016 and 2017 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

Employer	Calendar Year 2017			Calendar Year 2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	29,000	1	1.91%	20,000	1	1.29%
University of California, Irvine	23,605	2	1.55%	17,579	3	1.13%
County of Orange	18,264	3	1.20%	18,748	2	1.20%
St. Joseph Health System	11,925	4	0.78%	10,047	4	0.65%
Allied Universal	8,229	5	0.54%			
Kaiser Permanente	7,694	6	0.51%			
Boeing Co.	6,103	7	0.40%	9,961	5	0.64%
Walmart	6,000	8	0.39%			
California State University, Fullerton	5,781	9	0.38%	5,634	8	0.36%
Bank of America Corp.	5,500	10	0.36%			
Yum! Brands Inc.				7,200	6	0.46%
AT & T Inc.				6,000	7	0.39%
Home Depot, Inc.				5,450	9	0.35%
Memorial Health Services Inc.				4,956	10	0.32%

Source: Orange County Business Journal Book of Lists - County of Orange
<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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	227.0	220.0	219.0	215.0	225.0	224.0	226.0	224.0	238.0	239.0
Measure M program	39.0	43.0	45.0	45.0	40.0	40.0	40.0	40.0	39.5	39.0
Motorist services	1.0	1.0	2.0	2.0	3.0	3.0	3.0	3.0	4.0	4.0
Commuter rail	2.0	15.0	12.0	10.0	12.0	10.0	10.0	9.0	10.5	11.0
Fixed route	1,633.0	1,540.0	1,319.0	1,247.0	1,169.0	1,135.0	1,152.0	1,078.0	1,020.0	981.0
Paratransit	12.0	11.0	11.0	10.0	11.0	12.0	12.0	12.0	5.0	7.5
Tollroad	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Taxicab	3.0	3.0	3.0	4.0	3.0	4.0	4.0	4.0	4.0	3.0
LOSSAN	-	-	-	-	-	-	-	-	6.0	7.0
Total	1,921.0	1,836.0	1,614.0	1,536.0	1,466.0	1,431.0	1,450.0	1,373.0	1,330.0	1,294.5

Source: Financial Planning & Analysis Department

Note:

In fiscal year 2008-09, the Rail Division was created under Commuter Rail; the full-time equivalent positions were reduced from General Government and transferred to the Rail Division. In addition, from fiscal year 2008-09 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.

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

For the Year Ended June 30,

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Measure M1 program (thousands)										
Freeways	\$ 99,599	\$ 53,283	\$ 55,060	\$ 25,890	\$ 12,742	\$ 25,107	\$ 11,318	\$ 30,434	\$ -	\$ -
Regional streets and roads	40,556	24,169	42,591	6,946	11,468	15,017	17,697	25,371	-	-
Local streets and roads	52,681	53,534	61,863	62,348	5,273	8,142	14,614	14,796	-	-
Transit	18,309	63,822	83,677	204,916	101,628	13,256	14,392	128,110	-	-
Total program expenses	\$ 211,145	\$ 194,808	\$ 243,191	\$ 300,100	\$ 131,111	\$ 61,522	\$ 58,021	\$ 198,711	\$ -	\$ -
Measure M2 program (thousands)										
Freeways	\$ 6,300	\$ 16,490	\$ 17,682	\$ 43,210	\$ 34,930	\$ 31,986	\$ 32,387	\$ 58,775	\$ 68,486	\$ 98,652
Streets and roads	25	3,279	15,226	32,453	109,863	168,895	199,311	161,622	163,699	138,388
Transit	3,565	11,570	22,073	41,617	42,576	38,884	82,721	47,876	22,464	16,362
Environmental cleanup	7	175	324	1,086	401	1,961	2,398	2,220	9,578	10,095
Total program expenses	\$ 9,897	\$ 31,514	\$ 55,305	\$ 118,366	\$ 187,770	\$ 241,726	\$ 316,817	\$ 270,493	\$ 264,227	\$ 263,497
Motorist services										
Calls made from call boxes	7,306	4,361	4,138	3,560	3,074	2,744	4,949	2,011	1,717	1,363
Vehicles removed	642	931	1,306	1,390	1,760	1,256	357	-	-	-
Vehicles assisted by FSP	70,128	43,520	60,865	67,267	65,949	64,851	59,014	69,045	68,678	62,527
511 Motorist Assistance Calls	-	-	-	-	-	-	-	2,886	4,023	4,120
Commuter rail										
Weekday trips	44	44	42	42	48	54	54	54	54	54
Annual boardings	4,074,443	4,189,455	3,941,628	3,871,939	4,146,016	4,443,362	4,437,991	4,579,000	4,198,189	4,477,735
Fixed route										
Annual boardings	65,203,611	64,353,673	53,376,023	51,305,266	52,631,935	51,418,393	48,963,660	47,021,445	43,202,265	39,903,682
Vehicle revenue hours	1,938,129	1,894,657	1,842,128	1,707,743	1,543,637	1,556,967	1,603,969	1,613,276	1,618,070	1,629,802
Miles of fixed route	2,943	2,126	2,039	2,038	2,039	2,048	2,045	2,047	2,045	1,820
Paratransit										
Annual boardings	1,375,370	1,464,730	1,482,950	1,554,773	1,570,341	1,631,527	1,654,081	1,714,550	1,779,530	1,864,312
Vehicle revenue hours	656,222	678,340	671,456	678,137	677,645	687,618	718,150	741,291	754,004	780,798
Eligible riders	26,611	26,834	27,104	28,447	29,856	30,992	31,576	31,602	32,173	32,871
Tollroad										
Annual drivers trips	13,477,488	12,036,831	12,659,051	11,998,541	11,944,555	12,085,552	12,326,874	13,106,882	13,772,971	14,384,133
Taxicab										
Permits Issued	2,303	2,364	2,481	2,648	2,773	3,090	3,066	2,513	1,855	1,521

Source: Various departments within OCTA

Notes:

In fiscal year 2009-10, the decrease in Fixed Route annual boardings is primarily due to the decrease in vehicle service hours.

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.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fixed route										
Bus bases	5	5	5	5	5	5	5	5	5	5
Large revenue vehicles	572	530	510 (a)	522	527	527	537	537	537	517
Small revenue vehicles	82	80	19 (a)	19	19	19	19	19	18	11
Paratransit										
Paratransit vehicles	263	263	252 (a)	248	248	248	248	248	248	248
Tollroad										
Transponders in use	176,149	171,485	170,458	168,915	167,329	168,507	171,304	176,790	182,522	196,997

Source: Various departments within the Orange County Transportation Authority

Note:

(a) 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.



Comprehensive Annual Financial Report

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550 S. MAIN ST. • P.O. BOX 14184 • ORANGE, CA 92863-1584

