



Measure M2 Audit Subcommittee Teleconference Notice

Committee Members:

Frank Davies: Orange County Auditor-Controller
Mark Kizzar
Tuan Nguyen
Larry A. Lang
Michael Pascual

Teleconference Sites:

Orange County Transportation Authority - Headquarters
550 S. Main Street
Conference Room 07
Orange, CA

Guidance for Public Access to this Audit Subcommittee Meeting:

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

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

Instead, members of the public can view a livestream of the February 9, 2021 4p.m. Audit Subcommittee meeting by clicking this [link](#).

Public comments may be submitted for the upcoming February 9, 2021 Audit Subcommittee meeting by emailing them to publiccomments@octa.net. **If you wish to comment on a specific agenda item, please identify the committee name and item number in your email.** All public comments that are timely received will be part of the public record and distributed to the Audit Subcommittee. Public comments will be made available to the public upon request. In order to ensure that staff has the ability to provide comments to the Audit Subcommittee Members in a timely manner, please submit your public comments 30 minutes prior to the start time of the Subcommittee meeting date.

Agenda Descriptions

The Agenda descriptions are intended to give notice to members of the public of a general summary of items of business to be transacted or discussed.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA at (714) 560-5611, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

MEETING AGENDA

- 1. Welcome**
- 2. Approval of Minutes for June 9, 2020**
- 3. Presentation Items**
 - A. Measure M2 Triennial Performance Assessment Update
Francesca Ching, Manager, Measure M2 Program Management Office
- 4. Action Items**
 - A. External Auditor Communication/Annual Audit and Agreed-upon Procedures Reports - Crowe LLP
Kathy Lai, Partner and Erika Alvarez, Manager
 - OCLTA Annual Financial and Compliance Report
 - OCLTA AUP Related to Article XIII-B
 - Measure M2 Status Report AUP, Year Ended June 30, 2020
 - OCTA Management Letter, Year Ended June 30, 2020
 - B. Review of Second Quarter Measure M2 Revenue and Expenditure Report
Sean Murdock, Director, Finance and Administration
- 5. Public Comments***
- 6. Adjournment**

The next meeting is scheduled for April 13, 2021

*Public Comments: At this time, members of the public may address the Taxpayer Oversight Committee (TOC) regarding any items within the subject matter jurisdiction of the TOC, provided that no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to three (3) minutes per person, unless different time limits are set by the Chairman, subject to the approval of the TOC.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

**Measure M Taxpayer Oversight Committee
Audit Subcommittee
Orange County Transportation Authority
550 S. Main Street, Orange CA
Teleconference
June 9, 2020 @ 5:00 p.m.**

MEETING MINUTES

Committee Members Present:

Frank Davies, County of Orange Auditor-Controller
Mark Kizzar, Second District Representative
Larry Tekler, Second District Representative
Larry Lang, Fourth District Representative
Michael Pascual, Fourth District Representative

Orange County Transportation Authority Staff Present:

Alice Rogan, Director, External Affairs
Janet Sutter, Executive Director, Internal Audit
Tamara Warren, Program Manager, M2 Program Management Office

Recorder:

Teri Lepe, Executive Assistant, Internal Audit

1. Welcome

Mr. Frank Davies called the Orange County Transportation Authority (OCTA) Taxpayer Oversight Committee (TOC) Audit Subcommittee (AS) meeting to order at 5:00 p.m.

Mr. Davies stated for the record that Governor Gavin Newsom's executive order authorizes local legislative bodies to hold public meetings via teleconferencing and make public meetings accessible telephonically or electronically to all members of the public to promote social distancing due to the novel coronavirus (COVID-19). Mr. Davies further stated this meeting is accessible to the public through OCTA's website.

Alice Rogan, Director, External Affairs, conducted an attendance roll call and announced full attendance by AS members.

2. Approval of the Minutes for May 12, 2020

A motion was made by Mr. Michael Pascual, seconded by Mr. Larry Tekler, and following a roll call vote, declared passed 5-0, to approve the TOC AS meeting minutes of May 12, 2020.

3. Presentation Item

A. Measure M2 Senior Mobility Program Temporary Guideline Requirement Suspension

Ms. Tamara Warren, Program Manager, M2 Program Management Office, stated that to ensure compliance with Measure M2 (M2), the Senior Mobility Program (SMP) is administered following Board of Directors' (Board)-adopted guidelines. The guidelines specify that when contracting for service, cities are required to use a competitive bidding process. Due to issues outside of cities' control related to the novel coronavirus pandemic (COVID-19), this requirement will not be able to be met.

In late April, OCTA was informed that one of the transit service providers notified six of the cities that they serve, that all transportation services in Orange County would be discontinued effective May 31, 2020. Stopped service was explained as due to unforeseen circumstances and concerns related to the uncertainty surrounding the effects of the COVID-19 pandemic. To assist these cities during this difficult time and to prevent additional service disruption to seniors in need of travel, on May 22, 2020, the Board approved a temporary suspension to the program guideline requirements related to competitive procurement to allow cities the ability to quickly secure a replacement provider in the short term.

The temporary suspension is effective May 31, 2020, and requires that by June 1, 2021, cities would have contracts in place that have been competitively procured, meeting the requirements as specified in the adopted guidelines.

4. Action Items

A. Approve Revisions to M2 Agreed-Upon Procedures

Ms. Janet Sutter, Executive Director, Internal Audit, reminded the AS that proposed revisions to the M2 Agreed-Upon Procedures were presented at the last meeting, and are now being brought to the AS for approval.

As discussed last month, revisions to the M2 City Audits are recommended to align with the anticipated Board action to amend the M2 ordinance to remove the requirement for cities to meet a minimum maintenance of effort (MOE) for the year ending June 30, 2020. Audits will still include testing of MOE expenditures as recommended by the AS, so that OCTA may continue to provide advice to the cities as to what is, or is not, eligible.

Also, minor revisions are recommended to clean up language in the audit steps. For example, one step in the Local Fair Share (LFS) Program audit requires the auditors to confirm cities were found eligible by the TOC Eligibility Committee; however, the actual finding of eligibility is made by the Board. Language for this step has been revised to reflect this. Also, audit of the SMP has been revised to specify testing of monthly reports is applicable only to operational reports. Finally, the Board has temporarily suspended the guideline requirement for the competitive

procurement of transportation providers for the SMP audits; to accommodate this decision, the audit has been adjusted to only test for competitive procurement of agreements executed prior to June 1, 2020, when that decision goes into effect.

A motion was made by Mr. Mark Kizzar, seconded by Mr. Pascual, and following a roll call vote, declared passed 5-0, to approve revisions to the Measure M2 Agreed-Upon Procedures.

B. Selection of Cities for Fiscal Year 2020 Agreed-Upon Procedures

Ms. Sutter stated that this agenda item includes the recommendations for city audits for the fiscal year ended June 30, 2020.

Recommendations are being made based on the amount of time since the city was last audited, the value of total payments made, and cities that were recommended for audit by the TOC Eligibility Committee (only one, the City of Lake Forest).

Recommendations include audits of six cities for the LFS Program, five for the SMP, and the County of Orange for the Senior Non-Emergency Medical Transportation Program. Ms. Sutter told the AS that these are only recommendations, and the AS is welcome to make changes to the listing or direct other audits.

A motion was made by Mr. Tekler, seconded by Mr. Larry Lang, and following a roll call vote, declared passed 5-0, to accept the suggested selection of the cities of Brea, Cypress, Laguna Hills, Lake Forest, La Palma, Placentia, Stanton, Tustin, and the County of Orange for fiscal year 2020 agreed-upon procedures, with the inclusion of the City of Costa Mesa.

5. Public Comments

Ms. Rogan informed the TOC AS that no public comments had been submitted before the deadline.

6. Adjournment

The Measure M TOC AS meeting adjourned at 5:18 p.m. The next regularly scheduled meeting will be at **4 p.m. on Tuesday, October 13, 2020**, in Conference Room 08 of the 550 Building of OCTA Headquarters.

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

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

Year Ended June 30, 2020

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

Audited Financial Statements

Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Local Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of OCLTA as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the Local Transportation Authority Special Revenue Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCLTA's basic financial statements. The budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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



Crowe LLP

Costa Mesa, California
November 16, 2020

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

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year (FY) ended June 30, 2020. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the OCLTA's basic financial statements, which are comprised of three components including government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements. Because the OCLTA is a governmental activity of the Orange County Transportation Authority (OCTA), governmental funds are used to account for its Measure M program activities. The basic financial statements include only the activities of the OCLTA.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the OCLTA's finances using the accrual basis of accounting, in a manner similar to a private-sector business.

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

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

The government-wide financial statements can be found on pages 10-11 of this report.

Orange County Local Transportation Authority Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with Measure M finance-related legal requirements. The OCLTA uses governmental funds.

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

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

The OCLTA maintains two individual governmental funds which are considered to be major funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the OCLTA's major governmental funds.

The governmental funds financial statements and related reconciliations to governmental activities can be found on pages 12-15 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-31 of this report.

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 32 and the LTA debt service fund as other supplementary information on page 34 to demonstrate compliance with the annual appropriated budget.

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2020, the OCLTA's assets and deferred outflows of resources exceeded liabilities by \$539,825, a \$86,094 decrease from June 30, 2019. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the OCLTA's governmental activities.

Table 1
Orange County Local Transportation Authority
Net Position

	Governmental Activities	
	2020	2019
Current and other assets	\$ 1,319,159	\$ 1,428,831
Assets held for resale	10,476	371
Total assets	1,329,635	1,429,202
Deferred outflows of resources		
Deferred charge on refunding	1,430	1,499
Current liabilities	99,430	100,688
Long-term liabilities	691,810	704,094
Total liabilities	791,240	804,782
Total net position	\$ 539,825	\$ 625,919

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

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

Total net position from governmental activities decreased from \$625,919 at June 30, 2019 to \$539,825 at June 30, 2020. This decrease was primarily due to decreased operating grants and contributions and sales tax revenues, in addition to higher program expenses such as infrastructure.

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

Table 2
Orange County Local Transportation Authority
Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 1,195	\$ 454
Operating grants and contributions	77,975	143,173
General revenues:		
Sales taxes	317,964	333,187
Unrestricted investment earnings	53,871	46,824
Other miscellaneous revenue	(67)	110
Total revenues	450,938	523,748
Measure M program expenses	537,032	460,785
Change in net position	(86,094)	62,963
Net position - beginning	625,919	562,956
Net position - end of year	\$ 539,825	\$ 625,919

OCLTA expenses shown on the statement of activities consist of:

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

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

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

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

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

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

Financial Analysis of the OCLTA's Funds

As of June 30, 2020, the OCLTA's governmental funds reported combined ending fund balances of \$1,210,869, a decrease of \$92,678 compared to FY 2018-19. The majority of fund balances, 96.8 percent, are restricted for transportation projects funded by the Measure M Program. The remaining fund balances are restricted for the Environmental Mitigation Program and for debt service on M2 sales tax revenue bonds issued to accelerate funding for transportation projects.

OCLTA's major governmental funds include the following significant changes:

The LTA fund balance decreased by \$74,953 primarily due to an increase in capital expenditures related to the I-405 Improvement Project.

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

Capital Asset and Debt Administration

Capital Assets

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

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

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

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

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

Orange County Local Transportation Authority Management's Discussion and Analysis

Debt Administration

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

The OCLTA maintains an "AA+" rating from Standard & Poor's Corporation (S&P), an "AA+" rating from Fitch Ratings (Fitch) and an "Aa2" rating from Moody's Investors Services (Moody's) for its 2010 M2 Sales Tax Revenue Bonds. The 2019 M2 Sales Tax Revenue Bonds have an "AA+" rating from S&P and an "AA+" from Fitch.

Additional information on the OCLTA's long-term debt can be found in note 6 to the financial statements.

Economic and Other Factors

The OCLTA is responsible for administering Measure M, the half-cent transportation sales tax, which originally passed in 1990 and was delivered as promised to the residents of Orange County, with over \$4 billion invested in improvements to freeways, streets and roads and transit services. Measure M1 (M1) ended in March 2011, and collection of sales tax under Measure M2 (M2) began in April 2011. M2 was overwhelmingly approved by the voters of Orange County in 2006 because of the tangible results that were realized through M1. The passage of M2 has allowed for the continuation of transportation improvements through March 31, 2041. Allocation of M2 funds remains the same as the original M1 with 43 percent slated for freeway improvements, 32 percent for streets and roads, and 25 percent for transit projects and programs.

Although revenue collection for M2 projects did not begin until April 2011, OCTA began delivering projects early based on the five-year M2 Early Action Plan (EAP) adopted in 2007 and subsequent M2020 Plan adopted in 2012. Both delivery plans were developed to accelerate M2 freeway, streets and roads, transit, and environmental projects. In response to lower actual sales tax revenue, a new forecasting methodology was adopted in March 2016. This prompted the need to revisit the assumptions built into the M2020 plan. A new program/project delivery framework covering FY 2016-17 through FY 2025-26, called the Next 10 Plan, was adopted by the Board of Directors on November 14, 2016. The Next 10 Plan has been annually reviewed and updated, with the latest version adopted by the Board of Directors on November 11, 2019.

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

The OCLTA adopted its FY 2020-21 annual budget on June 8, 2020. Approximately \$726 million in M2 funds are budgeted to improve transportation within Orange County. These funds will provide improvements to freeways and streets and roads throughout Orange County, as well as fund rail and bus transit programs. These funds include \$418 million to make improvements along Interstate 405, Interstate 5, State Route 55, State Route 91, and State Route 57. Approximately \$146 million is budgeted to improve streets and roads, including \$56 million for the Regional Capacity Program, \$49 million to fund the Local Fair Share Program, and \$36 million for Regional Traffic Signal Synchronization. In addition, the M2 transit budget consists of \$60 million in bus and rail projects, including \$32 million to continue the OC Streetcar project.

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

Contacting the OCLTA's Management

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2020

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

See accompanying notes to the financial statements

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Activities
For Year Ended June 30, 2020

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

See accompanying notes to the financial statements

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Balance Sheet - Governmental Funds
June 30, 2020

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

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Net Position (page 10) are different because:

Total fund balances (page 12)	\$	1,210,869
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		10,476
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.		22,226
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(13,366)
Deferred outflows of resources related to deferred charge on refunding are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,430
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$	(626,690)
Plus unamortized bond issuance premium		(65,120)
		(691,810)
Net position of governmental activities (page 10)	\$	539,825

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2020

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

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14) **\$ (92,678)**

The net effect of various miscellaneous transactions involving assets held for resale is to increase net position. 10,105

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (15,290)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

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

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

See accompanying notes to the financial statements.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)
Notes to The Financial Statements
Year Ended June 30, 2020
(in thousands)

1. Summary of Significant Accounting Policies

Reporting Entity

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program. The original Measure M Program (M1) commenced on April 1, 1991 for a period of 20 years.

On November 7, 2006, Orange County voters approved the renewal of Measure M for a period of 30 more years from April 1, 2011 to March 31, 2041. Renewed Measure M (M2) allocates funds to freeway, street and road, transit, and environmental improvements.

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging several agencies and funds, including the OCLTA, a component unit of the OCTA. Accordingly, the OCLTA's financial activities are included with the financial activities of the OCTA for financial reporting purposes.

The OCTA governing board (Board) consists of 17 voting members and one non-voting member and also serves as the OCLTA governing board. Measure M requires that an 11-member Taxpayer's Oversight Committee (TOC) monitor the use of Measure M funds and ensure that all revenues collected from Measure M are spent on voter-approved transportation projects.

These financial statements include only the activities of the OCLTA, a component unit of the OCTA. These financial statements are not intended to present the activities of the OCTA.

Basis of Presentation

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

Government-wide Statements: The statement of net position and the statement of activities report information on all of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales taxes.

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct and indirect expenses, which are identifiable with Measure M. Interest expense related to the sales tax revenue bonds is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the fiscal year ended June 30, 2020, interest expense of \$32,376 was included in Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes, investment earnings and other items are not reported as program revenues and instead are reported as general revenues.

Year Ended June 30, 2020
(in thousands)

Fund Financial Statements: The fund financial statements provide information about the OCLTA's governmental funds. The OCLTA considers all of its Measure M funds as major governmental funds. They are comprised of the following:

- *Local Transportation Authority (LTA) Fund* - This special revenue fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. Financing is provided by a one-half percent sales and use tax assessed for 20 years pursuant to Measure M, which became effective April 1, 1991, and was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance requires that sales tax revenues only be expended on projects included in the ordinance. A decision to use the revenues for any other purpose must be put to the voters in another election.
- *LTA Debt Service Fund* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the OCLTA.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Cash and Investments

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended June 10, 2020. The Policy complies with, or is more restrictive than, the California Government Code (Code). Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

Year Ended June 30, 2020
(in thousands)

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

OCLTA participates in the OCTA comingled investment pool which invests in U.S. government and U.S. agency securities, medium term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities, and corporate notes which are carried at fair value based on quoted prices of similar assets. In addition, OCLTA invests in money market and mutual funds and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal instrumentality securities, federal agencies, municipal debt, banker's acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other mutual funds, mortgage or asset-backed securities, LAIF, OCIP, variable and floating rate securities and bank deposits.

Investment of debt proceeds held by trustees are governed by provisions of the indentures for each obligation, rather than the general provisions of the California Government Code or OCTA's investment policy. The investment of these debt proceeds is in accordance with the Permitted Investments section and applicable account restrictions outlined in the indenture of each debt obligation. Under certain indentures, guaranteed investment contracts are allowed. OCTA's investment in a guaranteed investment contract is carried at fair value.

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

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

Year Ended June 30, 2020
(in thousands)

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

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

Due To/From Other OCTA Funds

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

Contributions To/From Other OCTA Funds

Transfers between OCLTA and other OCTA funds are reported as program expenses and revenues in the statement of activities and as revenues and expenditures in the statement of revenues, expenditures and changes in fund balances.

Administrative Services Costs

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2019-20, \$21,964 of administrative services were charged to the OCLTA and are reported as general government expenditures in the statement of revenues, expenditures and changes in fund balances and as program expenses in the statement of activities.

Assets Held for Resale

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

Capital Assets

Capital assets including land, right-of-way improvements, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than \$5 and a useful life exceeding one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Year Ended June 30, 2020
(in thousands)

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

Right-of-way improvements and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

OCLTA has one item reported as deferred outflow of resources. This item is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This item is reported in the government-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. OCLTA has one type of deferred inflow, unavailable revenue which occurs only under a modified accrual basis of accounting. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for grant reimbursements and reimbursements from others. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Year Ended June 30, 2020
(in thousands)

Contributions to Other Agencies

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

Net Position

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

- *Net investment in capital assets* - This balance reflects the net position of the OCLTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.
- *Restricted net position* - This balance represents net position that is not accessible for general use because use is subject to restrictions enforceable by third parties. The OCLTA government-wide statement of net position reports net position restricted for debt service, Environmental Mitigation Program and transportation projects funded by the Measure M Program.
- *Unrestricted net position* - This balance represents the net position that is available for general use.

Fund Balances

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

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

- *Nonspendable* - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. As of June 30, 2020, OCLTA reported nonspendable balance for condemnation deposits and other assets - prepaids.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. As of June 30, 2020, OCLTA reported restricted fund balance for debt service, Environmental Mitigation Program and transportation projects.
- *Committed* - amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Board removes or modifies the use through the adoption of a subsequent resolution.

Year Ended June 30, 2020
(in thousands)

- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This classification also includes residual amounts assigned for specific projects. The Board establishes and modifies assignments of fund balance through the adoption of the budget and subsequent budget amendments. The Board retains the authority to assign fund balance.

When both restricted and unrestricted resources are available for use, it is the OCLTA’s policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, the OCLTA applies the default established by GASB 54, whereby the committed amounts would be reduced first followed by the assigned amounts.

Use of Estimates

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

Recent Event

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

2. Cash and Investments

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

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

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

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

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2020
(in thousands)

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

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

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

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

The Portfolio Weighted Average Maturity is 1.750 years.

As of June 30, 2020, OCLTA had \$883,153 invested in the OCTA's Commingled Investment Pool (CIP). Refer to the OCTA's CAFR for details on valuation techniques and fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk. Deposits and withdrawals in OCTA's CIP are made on the basis of \$1.00 (absolute dollars) and not fair value. Accordingly, the OCLTA's investment in OCTA's CIP at June 30, 2020 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2020, OCLTA had \$12,420 invested in the CA Community Foundation (CCF) investment fund. The amount invested is valued using significant unobservable inputs and, therefore, classified as Level 3. Unobservable inputs used by CCF include the foundations own assumptions, market comparable rates, capitalization and occupancy rates.

As of June 30, 2020, OCLTA had \$166,900 invested in a guaranteed investment contract. This investment is valued using quoted prices of similar assets and, therefore, classified as Level 2.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three NRSROs: S&P, Moody's, and Fitch. For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services.

Year Ended June 30, 2020
(in thousands)

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2020. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S&P	Moody's	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	72.34 %
CA Community Foundation	NR	NR	1.02
Held by Trustee:			
Money Market Funds	AAA	Aaa	6.27
Commercial Paper	A-1	P-1	6.70
Guaranteed Investment Contract	A	Aa	13.67
Total			<u>100.00 %</u>

3. Due From/To Other Governments

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

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

4. Related Party Transactions and Interfund Transfers

Related party transactions:

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

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

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

OCTA advanced monies to OCLTA to cover expenditures such as election costs, administrative costs, and accrued interest. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (2.13 percent for fiscal year 2019-20). As of June 30, 2020, OCLTA owes OCTA \$618. OCLTA began repaying OCTA when Measure M funds were collected.

Year Ended June 30, 2020
(in thousands)

Contributions from Other OCTA Funds:

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

Contributions to Other OCTA Funds:

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

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

Interfund Transfers:

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

5. Capital Assets

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

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

6. Long-Term Debt

Sales Tax Revenue Bonds

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

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2020
(in thousands)

December 23, 2010. A total of \$75,000 was used to refund outstanding TECP. The Measure M sales tax is the source of revenue for repaying this debt.

On February 12, 2019, OCLTA issued \$376,690 in Measure M2 Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2019 (the "Series 2019 Bonds"), i) to refinance costs of certain transportation projects located in Orange County, consisting of the general purpose lanes of the I-405 Improvement Project; ii) to refund and defease \$43,540 of the 2010 Series A Bonds, which resulted in gross cumulative cash flow savings of approximately \$2,867 and net present value cumulative savings of approximately \$2,584; and to fund costs of issuance related to the Series 2019 Bonds. A reserve fund is not required in connection with the Series 2019 Bonds per the bond indenture. The transaction closed on February 26, 2019.

The OCLTA's outstanding debt obligations related to M2 Sales Tax Revenue Bonds contain a provision that in the event of default, bondholders have the right to sue in order to force the OCLTA to cure the event of default, which may result in financial related consequences.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)		2019 Series B (Tax-Exempt Bonds)		Total
Issuance date	12/9/10		2/12/19		
Original issue amount	\$	293,540	\$	376,690	\$ 670,230
Original issue premium		—		69,342	69,342
Net Bond Proceeds	\$	293,540	\$	446,032	\$ 739,572
Issuance costs	\$	1,905	\$	970	\$ 2,875
Interest rates	5.56%-6.91%		3.00%-5.00%		
Maturity range	2021-2041		2021-2041		
Final maturity	2041		2041		
Bonds outstanding	\$	250,000	\$	376,690	\$ 626,690
Plus unamortized premium		—		65,120	65,120
Total		250,000		441,810	\$ 691,810

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2020
(in thousands)

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

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

Changes in Long-Term Liabilities

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

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

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2020, debt service payments in relation to the pledged gross revenue net of the local fair share program and other expenses as required by the debt agreement, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 252,571	\$ 44,123	5.72

Line of Credit (Direct Borrowing)

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

Year Ended June 30, 2020
(in thousands)

of credit to meet the Bureau's requirement. The line of credit was set up as two separate Credit and Fee Agreements, one with a 2019 maturity in the amount of \$400,000 and the other with a 2021 maturity, also in the amount of \$500,000. The cost for the BANA Line is 26 basis points per year for the 2019 maturity and 36 basis points per year for the 2021 maturity. The two Credit and Fee Agreements were also executed on July 26, 2017. The 2019 maturity terminated in 2019. The cost for the \$500,000 2021 maturity BANA Line of credit was 36 basis points per year with an expiration date of July 16, 2021 however, the agreements were amended, effective June 29, 2020, changing the expiration to June 28, 2021, and reducing the commitment fee from 36 basis points to 34 basis points. There were no amounts drawn on the line of credit as of June 30, 2020. The unused portion of line of credit at June 30, 2020 is \$500,000.

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

7. Commitments and Contingencies

Purchase Commitments

The OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2020, were \$1,192,069, the majority of which relate to the expansion of Orange County's freeway and road systems.

Federal Grants

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

8. Effect of New Pronouncements

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement was effective for OCLTA's fiscal year ending June 30, 2020, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCLTA has not determined the effect of this Statement.

Year Ended June 30, 2020
(in thousands)

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement was effective for OCLTA's fiscal year ending June 30, 2021, but was postponed by 18 months per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCLTA has not determined the effect of this Statement.

GASB Statement No. 90

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

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement was effective for OCLTA's fiscal year ending June 30, 2022, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCLTA has not determined the effect of this Statement.

Year Ended June 30, 2020
(in thousands)

GASB Statement No. 92

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

GASB Statement No. 93

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

GASB Statement No. 94

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

GASB Statement No. 95

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

Year Ended June 30, 2020
(in thousands)

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

GASB Statement No. 96

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

GASB Statement No. 97

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Required Supplementary Information
Budgetary Comparison Schedule - LTA Fund (Budgetary Basis)
Year Ended June 30, 2020

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

Reconciliation to GAAP:

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

See accompanying notes to the required supplementary information.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)
Notes to Required Supplementary Information
Year Ended June 30, 2020
(in thousands)

1. Budgetary Data

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA and the debt service governmental funds. The budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2020 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

Excess Expenditures Over Appropriations

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Other Supplementary Information
Budgetary Comparison Schedule - LTA Debt Service Fund (Budgetary Basis)
Year Ended June 30, 2020

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCLTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCLTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCLTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCLTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Costa Mesa, California
November 16, 2020

ORANGE COUNTY LOCALTRANSPORTATION AUTHORITY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES RELATED TO
ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION.

For the fiscal year ended June 30, 2020

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Local Transportation Authority
Orange, California

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

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

The procedures performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCLTA's appropriations limit and compared the 2019-2020 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCLTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCLTA's Board of Directors.

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

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2019-2020 appropriations limit.

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

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

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

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCLTA's Board of Directors.

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

(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
October 29, 2020

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

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

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers' Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

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


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

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

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Measure M2 Status Report. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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


Crowe LLP

Costa Mesa, California
December 8, 2020

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

The procedures and associated findings are as follows:

The Measure M2 Status Report is separated into three sections: Section A describes the procedures applied to Schedule 1; Section B describes the procedures applied to Schedule 2; and Section C describes the procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared year to date June 30, 2020 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund (Fund 17) and the OCLTA Debt Service Fund (Fund 72) and additional detailed information from the underlying accounting records.
2. Compared Period from Inception through June 30, 2020 amounts (Column B) by adding the prior year's Period from Inception through June 30, 2019 amounts with year to date June 30, 2020 amounts (Column A).
3. Re-computed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared year ended June 30, 2020 (Columns C.1 and C.2) to Schedule 1, Column A. For professional services, non-project related amounts, we compared the sum of this caption allocated to Revenues and to Bond Revenues at June 30, 2019 (C.1 and C.2) to Schedule 1, Column A. For Environmental Cleanup, we agreed this amount to the project job ledger.
2. Compared Period from Inception through June 30, 2020 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related, and other non-project related amounts, we compared the total of the amounts allocated to Revenues and to Bond Revenues at June 30, 2020 (D.1 and D.2) to Schedule 1, Column B. For Environmental Cleanup, we agreed this amount to the project job ledger.
3. Compared forecast amounts (Column E.1 and E.2) to Measure M2 Forecast Model Schedule.
4. Re-computed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Net Revenues through June 30, 2020 (Column H) and total net revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Revenues (Totals), respectively.
2. Recalculated Net Revenues through June 30, 2020 (Column H) and Total Net Revenues (Column I) amounts, by mode and project description, based on the Measure M2 Transportation Investment Plan (Investment Plan).
3. Reconciled Expenditures through June 30, 2020 (Column J) to Schedule 1, Column B. Agreed Environmental Cleanup to Schedule 2, Column D.1. Agreed Oversight and Annual Audits to the summary of Measure M2 administrative costs through June 30, 2020. Agreed Column J, by project description, to the project job ledger by fiscal year.

(Continued)

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

4. Selected a sample of 40 expenditures from Column J and compared them to invoices and supporting documentation to determine whether the sampled expenditures were properly accrued and classified.
5. Agreed Reimbursements through June 30, 2020 (Column K) to Schedule 1, Column B. Agreed Oversight and Annual Audits line item to summary of Measure M2 administrative costs through June 30, 2020.
6. Agreed Column K to the supporting revenue summary by project and fiscal year. Selected a sample of 40 reimbursements from Column K and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly calculated.
7. Recalculated the net M2 cost (Column L) by subtracting Column K from Column J.
8. Recalculated revenues through June 30, 2020 (Column H.1) and the Total Revenues (Column I.1) for Environmental Cleanup (2% of revenues) and Oversight and Annual Audits (1% of revenues) by multiplying sales taxes and operating interest per Schedule 2, Column D.1 and Column F.1 by 2% and 1%, respectively.
9. Recalculated Revenues through June 30, 2020 (Column H.1) and Total Revenues (Column I.1) for Collect Sales Taxes (1.5% of sales taxes) by multiplying Sales Taxes per Schedule 2, Column D.1 and Column F.1 by 1.5%.
10. Re-computed total and subtotals.

Results: No exceptions were found as a result of these procedures.

Management
Orange County Transportation Authority
Orange, California

Management of the Orange County Transportation Authority,

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority ("OCTA") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered OCTA's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain matters that we are required to or wish to communicate to you. Matters communicated in this letter are classified as follows.

- Deficiency – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.
- Significant deficiency – A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- Material weakness – A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the organization, and governmental granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the OCTA's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OCTA's internal control over financial reporting and compliance. Accordingly, this letter is not suitable for any other purpose.

OCTA's written response to the deficiencies identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.


Crowe LLP

Costa Mesa, California
November 16, 2020

2020-001 Accounting for Contingencies

Classification:

Deficiency

Applicable Fund:

91 Express Lanes

Observation:

During our review over contingencies, we noted that OCTA had reached a legal settlement in April 2020. However, management did not initially perform an analysis of the legal settlement impact on the financial statements.

Impact:

Based on generally accepted accounting principles, the legal settlement met the criteria to estimate and recognize related amounts in the June 30, 2020 financial statements. As a result, management recorded an increase in accounts payable and nonoperating expense in the amount of \$1,000,000, a decrease in accounts payable and professional services expense by \$1,250,200, and a decrease in accounts receivable and charges for services by \$3,572,000.

Recommendation:

We recommend that management establish a process for evaluating potential litigation and other related matters with general counsel prior to closing the fiscal year to ensure that any matters meeting the loss contingency criteria in GASB Statement No. 62 are disclosed or recognized in the financial statements timely.

Management Response:

Management concurs with this recommendation. The Accounting and Financial Reporting Department will improve our current review process related to the recording of contingent liabilities by performing this review early in the year-end process to ensure the timely recording of contingent liabilities.

(Continued)

2020-002 Timely Accounting for Capital Assets

Classification:

Deficiency

Applicable Fund:

Local Transportation Authority (LTA)
Governmental Activities

Observation:

Management identified a property acquisition that was recorded within the LTA fund financial statements when title had been transferred to OCTA on April 8, 2019. However, management did not record the impact of the property acquisition in the June 30, 2019 government wide financial statements.

Impact:

While capital assets on the government wide financial statements were understated by \$7,105,000 in the June 30, 2019 financial statements, management corrected the error in the current year.

Recommendation:

We recommend that management implement a procedure to track and monitor property acquisitions at least annually to ensure that any acquisitions meeting the criteria for capitalization are timely recorded in the financial statements. This procedure should include collaboration between the Real Property and Accounting and Financial Reporting departments.

Management Response:

Management concurs with this recommendation. The Accounting and Financial Reporting Department and the Real Property Department will work together to improve our internal controls related to the recording of capital assets. These improvements will include regular meetings to ensure information is communicated between departments and a certification process to ensure both departments agree with the transactions that were recorded in the current fiscal year.

(Continued)

2020-003 Classification of Fuel Tax Credit Revenue

Classification:

Deficiency

Applicable Fund:

Orange County Transit District (OCTD)

Observation:

During our review over grant revenue, we noted an IRS Fuel Tax Credit refund was incorrectly classified as federal grant revenue. As the tax credit is unrelated to federal grant revenue, it would be more appropriately classified as miscellaneous revenue.

Impact:

Revenue for federal grant revenue was overstated and miscellaneous revenue was understated by \$5,849,639. The auditors proposed and management reflected an adjustment to correct the classification. There was no impact on net position as a result of the adjustment.

Recommendation:

As OCTD periodically receives fuel tax credits, we recommend that management add a year-end closing procedure to track such nonrecurring transactions to ensure that they are classified properly in the financial statements.

Management Response:

Management concurs with this recommendation. The Accounting and Financial Reporting Department in coordination with the Revenue Department will develop a procedure to ensure nonrecurring revenues are evaluated and recorded properly and timely. This procedure will include regular meetings and timely communication between both departments.

(Continued)

2020-004 Management Review over Service Organization Controls (SOC) Report

Classification:

Deficiency

Applicable Fund:

Workers' Compensation

Observation:

Reports on controls at a service organization (SOC reports) are intended to meet the needs of entities who use service organizations in evaluating the effect of the service organization's internal controls on the user entity. OCTA uses Intercare as the third-party administrator of the workers' compensation program. While management requested and obtained the SOC report from Intercare and reviewed the SOC report opinion, there was no documentation that the review had been performed.

Impact:

Lack of a formal, documented review of the SOC report may lead to unidentified internal control gaps at a service organization.

Recommendation:

We recommend that management implement procedures to review the SOC report and document management's assessment of relevant internal control findings, their potential impact and complementary user entity controls.

Management Response:

Management concurs with the recommendation and will implement procedures to review the SOC report and document management's assessment of relevant internal control findings, their potential impact and complementary user entity controls.

(Continued)

2020-005 Management Review of Accruals

Classification:

Deficiency

Applicable Fund:

General Capital Project

Observation:

We identified construction payments relating partially to June 2020 and July 2020 in our accounts payable testing procedures. Upon examining management's accrual entries for fiscal year 2020, we determined that no amount was estimated or accrued relating to the portion of the invoice relating to fiscal year 2020.

Impact:

Liabilities and expenditures were understated by \$360,000, representing the portion of the invoice that was attributed to fiscal year 2020.

Recommendation:

For invoices that span between two fiscal years, we recommend that management implement a process to estimate the portion of the invoice relating to the current fiscal period by working with the vendor to determine actual amounts incurred through period end.

Management Response:

The Accounting and Financial Reporting Department will improve our current accrual process to ensure accruals are done properly and timely. This improvement will include communication to all departments related to the requirement to evaluate invoices that include more than one fiscal year to accrue amounts properly and timely.

Measure M2
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of December 31, 2020
(Unaudited)

<i>(\$ in thousands)</i>	Quarter Ended Dec 31, 2020	Year to Date Dec 31, 2020 (A)	Period from Inception to Dec 31, 2020 (B)
Revenues:			
Sales taxes	\$ 80,758	\$ 152,175	\$ 2,883,868
Other agencies' share of Measure M2 costs:			
Project related	17,041	23,731	751,572
Non-project related	-	-	454
Interest:			
Operating:			
Project related	747	1,733	3,893
Non-project related	3,411	8,111	92,631
Bond proceeds	3,675	4,429	78,205
Debt service	-	1	1,062
Commercial paper	-	-	393
Right-of-way leases	55	177	1,321
Proceeds on sale of assets held for resale	-	-	12,201
Donated assets held for resale			
Project related	-	-	2,071
Non-project related	-	-	-
Miscellaneous:			
Project related	-	-	311
Non-project related	-	-	100
Total revenues	<u>105,687</u>	<u>190,357</u>	<u>3,828,082</u>
Expenditures:			
Supplies and services:			
Sales tax administration fees	684	1,408	30,983
Professional services:			
Project related	6,824	8,738	420,090
Non-project related	876	1,408	32,078
Administration costs:			
Project related	2,559	5,119	88,629
Non-project related:			
Salaries and Benefits	700	1,400	29,307
Other	1,451	2,902	50,722
Other:			
Project related	65	71	5,251
Non-project related	15	28	5,047
Payments to local agencies:			
Project related	21,273	36,734	1,076,009
Capital outlay:			
Project related	103,234	124,983	1,412,024
Non-project related	-	-	31
Debt service:			
Principal payments on long-term debt	-	-	59,030
Interest on long-term debt and commercial paper	1	17,888	232,117
Total expenditures	<u>137,682</u>	<u>200,679</u>	<u>3,441,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,995)</u>	<u>(10,322)</u>	<u>386,764</u>
Other financing sources (uses):			
Transfers out:			
Project related	(13,468)	(38,753)	(299,937)
Transfers in:			
Project related	1,358	1,920	175,564
Non-project related	-	-	-
Bond proceeds	-	-	804,625
Payment to refunded bond escrow agent	-	-	(45,062)
Total other financing sources (uses)	<u>(12,110)</u>	<u>(36,833)</u>	<u>635,190</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ (44,105)</u>	<u>\$ (47,155)</u>	<u>\$ 1,021,954</u>

Measure M2
Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)
as of December 31, 2020
(Unaudited)

<i>(\$ in thousands)</i>	Quarter Ended Dec 31, 2020 (actual)	Year to Date Dec 31, 2020 (actual)	Period from Inception through Dec 31, 2020 (actual)	Period from January 1, 2021 through March 31, 2041 (forecast)	Total
	(C.1)	(D.1)	(E.1)	(F.1)	
Revenues:					
Sales taxes	\$ 80,758	\$ 152,175	\$ 2,883,868	\$ 8,725,968	\$ 11,609,836
Operating interest	3,411	8,111	92,631	118,969	211,600
Subtotal	<u>84,169</u>	<u>160,286</u>	<u>2,976,499</u>	<u>8,844,937</u>	<u>11,821,436</u>
Other agencies share of M2 costs	-	-	454	-	454
Miscellaneous	-	-	100	-	100
Total revenues	<u>84,169</u>	<u>160,286</u>	<u>2,977,053</u>	<u>8,844,937</u>	<u>11,821,990</u>
Administrative expenditures:					
Sales tax administration fees	684	1,408	30,983	92,945	123,928
Professional services	876	1,408	28,303	85,379	113,682
Administration costs:					
Salaries and Benefits	700	1,400	29,307	89,052	118,359
Other	1,451	2,902	50,722	152,535	203,257
Other	15	28	2,027	6,263	8,290
Capital outlay	-	-	31	-	31
Environmental cleanup	247	266	44,788	174,491	219,279
Total expenditures	<u>3,973</u>	<u>7,412</u>	<u>186,161</u>	<u>600,665</u>	<u>786,826</u>
Net revenues	<u>\$ 80,196</u>	<u>\$ 152,874</u>	<u>\$ 2,790,892</u>	<u>\$ 8,244,272</u>	<u>\$ 11,035,164</u>
Bond revenues:					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 804,625	\$ 647,725	\$ 1,452,350
Interest revenue from bond proceeds	3,675	4,429	78,205	90,079	168,284
Interest revenue from debt service funds	-	1	1,062	5,560	6,622
Interest revenue from commercial paper	-	-	393	-	393
Total bond revenues	<u>3,675</u>	<u>4,430</u>	<u>884,285</u>	<u>743,364</u>	<u>1,627,649</u>
Financing expenditures and uses:					
Professional services	-	-	3,775	2,267	6,042
Payment to refunded bond escrow	-	-	45,062	-	45,062
Bond debt principal	-	-	59,030	1,321,726	1,380,756
Bond debt and other interest expense	1	17,888	232,117	650,605	882,722
Other	-	-	3,020	-	3,020
Total financing expenditures and uses	<u>1</u>	<u>17,888</u>	<u>343,004</u>	<u>1,974,598</u>	<u>2,317,602</u>
Net bond revenues (debt service)	<u>\$ 3,674</u>	<u>\$ (13,458)</u>	<u>\$ 541,281</u>	<u>\$ (1,231,234)</u>	<u>\$ (689,953)</u>

Measure M2
Schedule of Revenues and Expenditures Summary
as of December 31, 2020
(Unaudited)

Project	Description	Net Revenues through Dec 31, 2020	Total Net Revenues	Expenditures through Dec 31, 2020	Reimbursements through Dec 31, 2020	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	
Freeways (43% of Net Revenues)						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 110,003	\$ 434,952	\$ 10,355	\$ 7,424	\$ 2,931
B	I-5 Santa Ana/SR-55 to El Toro	70,263	277,813	10,549	7,952	2,597
C	I-5 San Diego/South of El Toro	146,749	580,244	197,096	48,267	148,829
D	I-5 Santa Ana/San Diego Interchange Upgrades	60,385	238,761	2,324	527	1,797
E	SR-22 Garden Grove Freeway Access Improvements	28,086	111,052	5	-	5
F	SR-55 Costa Mesa Freeway Improvements	85,662	338,708	39,754	21,301	18,453
G	SR-57 Orange Freeway Improvements	60,549	239,409	51,396	12,429	38,967
H	SR-91 Improvements from I-5 to SR-57	32,767	129,560	34,934	824	34,110
I	SR-91 Improvements from SR-57 to SR-55	97,482	385,442	25,882	24,970	912
J	SR-91 Improvements from SR-55 to County Line	82,432	325,937	7,327	5,897	1,430
K	I-405 Improvements between I-605 to SR-55	251,088	992,802	832,095	129,227	702,868
L	I-405 Improvements between SR-55 to I-5	74,826	295,860	9,195	6,954	2,241
M	I-605 Freeway Access Improvements	4,681	18,509	2,315	16	2,299
N	All Freeway Service Patrol	35,107	138,815	6,021	-	6,021
	Freeway Mitigation	60,004	237,256	55,784	4,728	51,056
	Subtotal Projects	1,200,084	4,745,120	1,285,032	270,516	1,014,516
	Net (Bond Revenue)/Debt Service	-	-	58,294	-	58,294
	Total Freeways	\$ 1,200,084	\$ 4,745,120	\$ 1,343,326	\$ 270,516	\$ 1,072,810
	%					43.4%
Street and Roads Projects (32% of Net Revenues)						
O	Regional Capacity Program	\$ 279,092	\$ 1,103,531	\$ 782,336	\$ 506,691	\$ 275,645
P	Regional Traffic Signal Synchronization Program	111,632	441,393	74,742	6,075	68,667
Q	Local Fair Share Program	502,361	1,986,329	480,205	77	480,128
	Subtotal Projects	893,085	3,531,253	1,337,283	512,843	824,440
	Net (Bond Revenue)/Debt Service	-	-	64,748	-	64,748
	Total Street and Roads Projects	\$ 893,085	\$ 3,531,253	\$ 1,402,031	\$ 512,843	\$ 889,188
	%					36.0%

Measure M2
Schedule of Revenues and Expenditures Summary
as of December 31, 2020
(Unaudited)

Project	Description	Net Revenues through Dec 31, 2020	Total Net Revenues	Expenditures through Dec 31, 2020	Reimbursements through Dec 31, 2020	Net M2 Cost
(G)		(H)	(I)	(J)	(K)	(L)
	<i>(\$ in thousands)</i>					
Transit Projects (25% of Net Revenues)						
R	High Frequency Metrolink Service	\$ 265,762	\$ 1,100,594	\$ 318,149	\$ 98,759	\$ 219,390
S	Transit Extensions to Metrolink	246,371	974,149	117,301	2,133	115,168
T	Metrolink Gateways	32,620	56,403	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	91,008	382,646	86,744	88	86,656
V	Community Based Transit/Circulators	55,803	220,645	13,305	1,320	11,985
W	Safe Transit Stops	6,159	24,354	1,118	26	1,092
	Subtotal Projects	697,723	2,758,791	634,837	163,282	471,555
	Net (Bond Revenue)/Debt Service	-	-	36,211	-	36,211
	Total Transit Projects	\$ 697,723	\$ 2,758,791	\$ 671,048	\$ 163,282	\$ 507,766
	%					20.6%
	Measure M2 Program	\$ 2,790,892	\$ 11,035,164	\$ 3,416,405	\$ 946,641	\$ 2,469,764

Project	Description	Revenues through Dec 31, 2020	Total Revenues	Expenditures through Dec 31, 2020	Reimbursements through Dec 31, 2020	Net M2 Cost
(G)		(H.1)	(I.1)	(J)	(K)	(L)
	<i>(\$ in thousands)</i>					
Environmental Cleanup (2% of Revenues)						
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 59,530	\$ 236,429	\$ 44,788	\$ 292	\$ 44,496
	Net (Bond Revenue)/Debt Service	-	-	-	-	-
	Total Environmental Cleanup	\$ 59,530	\$ 236,429	\$ 44,788	\$ 292	\$ 44,496
	%					1.5%

Taxpayer Safeguards and Audits						
	Collect Sales Taxes (1.5% of Sales Taxes)	\$ 43,258	\$ 174,148	\$ 30,983	\$ -	\$ 30,983
	%					1.1%
	Oversight and Annual Audits (1% of Revenues)	\$ 29,765	\$ 118,214	\$ 29,307	\$ -	\$ 29,307
	%					1.0%