

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures
Applied to Measure M1 Status Report**

Year Ended June 30, 2012

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**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES TO THE
MEASURE M1 STATUS REPORT**

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M1 Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published documents, Board of Director approved documents or internal documents, for the year ended June 30, 2012. The Measure M1 Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures (Schedule 3). Management of the OCLTA is responsible for the Measure M1 Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Measure M1 Status Report is separated into three sections: Section A describes our procedures applied to Schedule 1; Section B describes our procedures applied to Schedule 2; and Section C describes our 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, 2012 amounts (Column A) to the audited trial balances of the OCLTA special revenue fund 10 and additional detailed information from the underlying accounting records.
2. Recalculated period from inception through June 30, 2012 amounts (Column B) by adding the prior year's period from inception through June 30, 2011 amounts with year to date June 30, 2012 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, 2012 (Columns C.1 and C.2) to Schedule 1, Column A.
 2. Compared period from inception through June 30, 2012 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For the Orange County bankruptcy recovery, professional services, non-project related, Orange County bankruptcy loss and other non-project related amounts, we compared the total of the amounts allocated to tax revenues and to bond revenues at June 30, 2012 (D.1 and D.2) to Schedule 1, Column B. For the payment to refunded bond escrow, we compared the period from inception through June 30, 2012 amount (D.2) to the total of the advance refunding escrow and payment to refunded bond escrow agent amounts at Schedule 1, Column B.
 3. Compared forecast amounts (Column E.1 and E.2) to Measure M1 Forecast Schedule.
 4. Re-computed totals and subtotals.
- C. We obtained Schedule 3 and performed the following procedures:
1. Compared net tax revenues program to date actual (Column H) and total net tax revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, net tax revenues (totals), respectively.
 2. Recalculated net tax revenues program to date actual (Column H) and total net tax revenues (Column I) amounts, by mode and project description, based on the Revised Traffic Improvement and Growth Management Expenditure Plan, as amended (Expenditure Plan).
 3. Compared the project budget (Column J) for freeways to the Measure M Project Funding Responsibility 1996 Strategic Plan in June 2012 dollars. Regional streets and road projects, local streets and road projects, and certain transit projects are not budgeted due to the fact that these projects are funded on a "pay as you go" basis. Therefore, funds are budgeted as they are allocated to projects.
 4. Compared the estimate at completion (Column K) to supporting budget documents.
 5. Recalculated the variance total net tax revenues to estimate at completion (Column L) by subtracting Column K from Column I and the variance project budget to estimate at completion (Column M) by subtracting Column K from Column J.
 6. Reconciled expenditures through June 30, 2012 (Column N) to Schedule 1, Column B. Agreed Column N by project description to the project job ledger.
 7. We haphazardly selected a sample of 40 expenditures from Column N and compared them to invoices and supporting documentation.
 8. Agreed reimbursements through June 30, 2012 (Column O) to Schedule 1, Column B.
 9. Agreed Column O to supporting revenue summary by project. We haphazardly selected a sample of 15 reimbursements from Column O and compared them to invoices and remittance advices. We concluded that the sampled reimbursements were properly classified.
 10. Recalculated the net project cost (Column P) by subtracting Column O from Column N.
 11. Recalculated the percent of budget expended (Column Q) by dividing Column P by Column J.

12. Re-computed total and subtotals.

Results: For procedure C7, of the 40 expenditures tested from Column N, we noted five (5) totaling \$9,941,799 which related to prior year services. All 5 expenditures were reimbursements to the City of Anaheim (City) related to the Anaheim Regional Transportation Intermodal Center project. OCTA Management provided documentation of the estimates prepared by the City that resulted in an under-accrual of \$6,010,062. OCTA management asserted that measures have been taken as of the date of this report to improve the City's estimates. All 5 expenditures related to the same vendor and contract number.

<u>Invoice Date</u>	<u>OCTA Received Date</u>	<u>Invoice Amount</u>
10/18/11	10/25/11	\$ 2,372,472
10/20/11	10/25/11	1,492,505
12/20/11	01/11/12	1,751,369
01/04/12	Jan 2012	1,307,293
01/30/12	Feb 2012	3,018,160

All of the other procedures were performed without exception.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Measure M1 Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M1 Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

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



Laguna Hills, California
December 14, 2012

Measure M1
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2012
(Unaudited)

(\$ in thousands)	Year to Date June 30, 2012 (A)	Period from Inception through June 30, 2012 (B)
Revenues:		
Sales taxes	\$ -	\$ 4,003,972
Other agencies' share of Measure M1 costs:		
Project related	94,196	553,100
Non-project related	6	620
Interest:		
Operating:		
Project related	-	1,052
Non-project related	4,706	267,076
Bond proceeds	-	136,067
Debt service	-	82,054
Commercial paper	-	6,072
Orange County bankruptcy recovery	-	42,268
Capital grants	-	156,434
Right-of-way leases	426	6,009
Proceeds on sale of assets held for resale	-	24,575
Miscellaneous:		
Project related	-	26
Non-project related	2	776
Total revenues	<u>99,336</u>	<u>5,280,101</u>
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	-	56,883
Professional services:		
Project related	5,276	203,762
Non-project related	1,051	35,103
Administration costs:		
Project related	1,290	22,325
Non-project related	2,672	94,138
Orange County bankruptcy loss	-	78,618
Other:		
Project related	154	1,960
Non-project related	10	15,954
Payments to local agencies:		
Turnback	-	594,009
Other	108,810	909,713
Capital outlay	15,218	2,068,115
Debt service:		
Principal payments on long-term debt	-	1,003,955
Interest on long-term debt and commercial paper	-	561,842
Total expenditures	<u>134,481</u>	<u>5,646,377</u>
Deficiency of revenues under expenditures	<u>(35,145)</u>	<u>(366,276)</u>
Other financing sources (uses):		
Transfers out:		
Project related	(363)	(383,264)
Non-project related	-	(5,116)
Transfers in: project related	-	1,829
Bond proceeds	-	1,169,999
Advance refunding escrow	-	(931)
Payment to refunded bond escrow agent	-	(152,930)
Total other financing sources (uses)	<u>(363)</u>	<u>629,587</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ (35,508)</u>	<u>\$ 263,311</u>

See Notes to Measure M1 Status Report (Unaudited)

Measure M1
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2012
(Unaudited)

(\$ in thousands)	Year Ended June 30, 2012 (actual) (C.1)	Period from Inception through June 30, 2012 (actual) (D.1)	Period from July 1, 2012 forward (forecast) (E.1)	Total (F.1)
Tax revenues:				
Sales taxes	\$ -	\$ 4,003,972	\$ -	\$ 4,003,972
Other agencies' share of Measure M1 costs	6	620	-	620
Operating interest	4,706	267,076	2,830	269,906
Orange County bankruptcy recovery	-	20,683	-	20,683
Miscellaneous, non-project related	2	776	-	776
Total tax revenues	<u>4,714</u>	<u>4,293,127</u>	<u>2,830</u>	<u>4,295,957</u>
Administrative expenditures:				
SBOE fees	-	56,883	-	56,883
Professional services, non-project related	1,051	26,242	-	26,242
Administration costs, non-project related	2,672	94,138	743	94,881
Transfers out, non-project related	-	5,116	-	5,116
Orange County bankruptcy loss	-	29,792	-	29,792
Other, non-project related	10	6,854	-	6,854
Total administrative expenditures	<u>3,733</u>	<u>219,025</u>	<u>743</u>	<u>219,768</u>
Net tax revenues	<u>\$ 981</u>	<u>\$ 4,074,102</u>	<u>\$ 2,087</u>	<u>\$ 4,076,189</u>
	(C.2)	(D.2)	(E.2)	(F.2)
Bond revenues:				
Proceeds from issuance of bonds	\$ -	\$ 1,169,999	\$ -	\$ 1,169,999
Interest revenue from bond proceeds	-	136,067	-	136,067
Interest revenue from debt service funds	-	82,054	-	82,054
Interest revenue from commercial paper	-	6,072	-	6,072
Orange County bankruptcy recovery	-	21,585	-	21,585
Total bond revenues	<u>-</u>	<u>1,415,777</u>	<u>-</u>	<u>1,415,777</u>
Financing expenditures and uses:				
Professional services, non-project related	-	8,861	-	8,861
Payment to refunded bond escrow	-	153,861	-	153,861
Bond debt principal	-	1,003,955	-	1,003,955
Bond debt interest expense	-	561,842	-	561,842
Orange County bankruptcy loss	-	48,826	-	48,826
Other, non-project related	-	9,100	-	9,100
Total financing expenditures and uses	<u>-</u>	<u>1,786,445</u>	<u>-</u>	<u>1,786,445</u>
Net bond revenues (debt service)	<u>\$ -</u>	<u>\$ (370,668)</u>	<u>\$ -</u>	<u>\$ (370,668)</u>

See Notes to Measure M1 Status Report (Unaudited)

Measure M1
Schedule of Revenues and Expenditures
as of June 30, 2012
(Unaudited)

Project Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2012	Reimbursements through June 30, 2012	Net Project Cost	Percent of Budget Expended
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
(\$ in thousands)										
Freeways (43%)										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	\$ 982,367	\$ 982,870	\$ 810,010	\$ 789,022	\$ 193,848	\$ 20,988	\$ 872,424	\$ 85,645	\$ 786,779	97.1%
I-5 between I-5/I-405 Interchange and San Clemente	68,752	68,788	72,862	74,962	(6,174)	(2,100)	70,294	10,358	59,936	82.3%
I-5/I-405 Interchange	87,263	87,307	72,802	73,075	14,232	(273)	98,157	25,082	73,075	100.4%
SR-55 (Costa Mesa Fwy) between I-5 and SR-91 (Riverside Fwy)	58,175	58,205	44,511	49,349	8,856	(4,838)	55,514	6,172	49,342	110.9%
SR-57 (Orange Fwy) between I-5 and Lambert Road	29,088	29,102	24,128	22,758	6,344	1,370	25,617	2,859	22,758	94.3%
SR-91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	125,605	125,670	116,136	105,389	20,281	10,747	123,995	18,606	105,389	90.7%
SR-22 (Garden Grove Fwy) between SR-55 and Valley View St.	400,615	400,820	313,297	310,943	89,877	2,354	640,630	332,782	307,848	98.3%
Subtotal Projects	1,751,865	1,752,762	1,453,746	1,425,498	327,264	28,248	1,886,631	481,504	1,405,127	
Net (Bond Revenue)/Debt Service	-	-	311,917	311,917	(311,917)	-	311,917	-	311,917	
Total Freeways	\$ 1,751,865	\$ 1,752,762	\$ 1,765,663	\$ 1,737,415	\$ 15,347	\$ 28,248	\$ 2,198,548	\$ 481,504	\$ 1,717,044	45.1%
%				42.8%						
Regional Street and Road Projects (11%)										
Smart Streets	\$ 153,652	\$ 153,731	\$ 151,322	\$ 151,322	\$ 2,409	\$ -	\$ 153,344	\$ 11,739	\$ 141,605	93.6%
Regionally Significant Interchanges	89,630	89,676	89,676	89,676	-	-	73,895	146	73,749	82.2%
Intersection Improvement Program	128,043	128,109	128,109	128,109	-	-	106,727	1,506	105,221	82.1%
Traffic Signal Coordination	64,022	64,054	64,054	64,054	-	-	65,627	2,962	62,665	97.8%
Transportation Systems Management and Transportation Demand Management	12,804	12,811	12,811	12,811	-	-	9,201	149	9,052	70.7%
Subtotal Projects	448,151	448,381	445,972	445,972	2,409	-	408,794	16,502	392,292	
Net (Bond Revenue)/Debt Service	-	-	2,409	2,409	(2,409)	-	2,409	-	2,409	
Total Regional Street and Road Projects	\$ 448,151	\$ 448,381	\$ 448,381	\$ 448,381	\$ -	\$ -	\$ 411,203	\$ 16,502	\$ 394,701	10.4%
%				11.0%						

See Notes to Measure M1 Status Report (Unaudited)

**Measure M1
Schedule of Revenues and Expenditures
as of June 30, 2012
(Unaudited)**

Project Description (G)	Net Tax Revenues Program to Date Actual (H)	Total Net Tax Revenues (I)	Project Budget (J)	Estimate at Completion (K)	Variance Total Net Tax Revenues to Est at Completion (L)	Variance Project Budget to Est at Completion (M)	Expenditures through June 30, 2012 (N)	Reimbursements through June 30, 2012 (O)	Net Project Cost (P)	Percent of Budget Expended (Q)
<i>(\$ in thousands)</i>										
Local Street and Road Projects (21%)										
Master Plan of Arterial Highway Improvements	\$ 160,742	\$ 160,876	\$ 160,876	\$ 160,876	\$ -	\$ -	\$ 133,671	\$ 99	\$ 133,572	83.0%
Streets and Roads Maintenance and Road Improvements	594,819	595,124	595,124	595,124	-	-	594,025	-	594,025	99.8%
Growth Management Area Improvements	100,000	100,000	100,000	100,000	-	-	93,290	431	92,859	92.9%
Subtotal Projects	855,561	856,000	856,000	856,000	-	-	820,986	530	820,456	
Net (Bond Revenue)/Debt Service	-	-	-	-	-	-	-	-	-	
Total Local Street and Road Projects	\$ 855,561	\$ 856,000	\$ 856,000	\$ 856,000	\$ -	\$ -	\$ 820,986	\$ 530	\$ 820,456	21.5%
%				21.1%					21.5%	
Transit Projects (25%)										
Pacific Electric Right-of-Way	\$ 19,713	\$ 19,723	\$ 15,000	\$ 14,000	\$ 5,723	\$ 1,000	\$ 17,288	\$ 3,109	\$ 14,179	94.5%
Commuter Rail	367,697	367,895	352,710	361,391	6,504	(8,681)	411,438	60,805	350,633	99.4%
High-Technology Advanced Rail Transit	446,837	447,066	428,613	440,688	6,378	(12,075)	455,332	143,810	311,522	72.7%
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	20,000	-	-	20,000	-	20,000	100.0%
Transitways	164,278	164,362	146,381	126,625	37,737	19,756	162,679	36,765	125,914	86.0%
Subtotal Projects	1,018,525	1,019,046	962,704	962,704	56,342	-	1,066,737	244,489	822,248	
Net (Bond Revenue)/Debt Service	-	-	56,342	56,342	(56,342)	-	56,342	-	56,342	
Total Transit Projects	\$ 1,018,525	\$ 1,019,046	\$ 1,019,046	\$ 1,019,046	\$ -	\$ -	\$ 1,123,079	\$ 244,489	\$ 878,590	23.0%
%				25.1%					23.0%	
Total Measure M1 Program	\$ 4,074,102	\$ 4,076,189	\$ 4,089,090	\$ 4,060,842	\$ 15,347	\$ 28,248	\$ 4,553,816	\$ 743,025	\$ 3,810,791	

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See Notes to Measure M1 Status Report (Unaudited)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2012

Measure M1 Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M (M1). This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. On November 7, 2006, Orange County voters approved the renewal of M1 (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the M1 sales tax program, which commenced on April 1, 1991 for a period of 20 years and the M2 sales tax program, which commenced on April 1, 2011 for a period of 30 years. The final M1 sales tax collections were received in June 2011. While the majority of M1 projects are complete, closeout of a few major projects and administrative expenditures continue to occur. This report includes only the activities of M1 and is not intended to present the activities of M2. Under M1, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

Demonstrating accountability for the receipt and expenditure of M1 funds is accomplished by the issuance of quarterly reports on M1 activities. The reports for M1 activities through June 30, 2012 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined M1 special revenue and debt service funds. Such financial information is derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2012 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M1 special revenue and debt service funds for the fiscal year ended June 30, 2012. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of \$(35,508) agrees with the change in fund balance in the M1 special revenue fund, as presented in the trial balance for the year ended June 30, 2012.

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2012

Period from Inception through June 30, 2012 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M1 special revenue and debt service funds for the period from inception through June 30, 2012. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$263,311 agrees with the ending fund balance in the M1 special revenue fund, as presented in the trial balance for the year ended June 30, 2012.

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

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

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

Calculation of Net Tax Revenues

Year Ended June 30, 2012 (actual) (Column C.1)

This column presents net tax revenues, consisting of total tax revenues less total administrative expenditures, for year ended June 30, 2012. Tax revenues and administrative expenditures for the year ended June 30, 2012 were obtained from Column A in Schedule 1. Tax revenues and administrative expenditures utilized in the calculation of net tax revenues are non-project and non-financing related. Tax revenues consist of other agencies' share of Measure M1 costs, operating interest, and miscellaneous revenues. Administrative expenditures include professional services, administration costs, and other expenditures.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2012

Period from Inception through June 30, 2012 (actual) (Column D.1)

This column presents net tax revenues, consisting of total cumulative tax revenues less total cumulative administrative expenditures, for the period from inception through June 30, 2012. Tax revenues and administrative expenditures for the period from inception through June 30, 2012 were obtained from Column B in Schedule 1. Total net tax revenues for the period from inception through June 30, 2012 are presented in Schedule 3 as "Net Tax Revenues Program to Date Actual" (Column H).

Tax revenues and administrative expenditures utilized in the calculation of net tax revenues are non-project and non-financing related. Tax revenues consist of sales taxes, other agencies' share of Measure M1 costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond revenues based on the cash account balance in the Orange County Treasury Investment Pool (OCIP) at the OCIP bankruptcy date. Administrative expenditures include State Board of Equalization (SBOE) fees, professional services, administration costs, transfers out, Orange County bankruptcy loss, and other expenditures. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date.

Period from July 1, 2012 forward (forecast) (Column E.1)

This column presents net tax revenues, consisting of total projected tax revenues less total projected administrative expenditures, for subsequent years from July 1, 2012 forward. Tax revenues and administrative expenditures for subsequent years from July 1, 2012 forward were obtained from the Orange County Transportation Authority Forecast Model, which is updated annually. Tax revenues and administrative expenditures utilized in the calculation of net tax revenues for subsequent years from July 1, 2012 forward are non-project and non-financing related. Tax revenues consist of projected operating interest. Administrative expenditures consist of projected administration costs.

Total (Column F.1)

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

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2012 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2012. There were no bond revenues or financing expenditures and uses for the year ended June 30, 2012.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2012

Period from Inception through June 30, 2012 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2012. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2012 were obtained from Column B in Schedule 1.

Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds, interest revenue from bond proceeds, debt service funds, and commercial paper, and Orange County bankruptcy recovery. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond revenues based on the cash account balance in the OCIP at the OCIP bankruptcy date. Financing expenditures and uses consist of professional services, payment to refunded bond escrow, bond debt principal, bond debt interest expense, Orange County bankruptcy loss and other expenditures. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date.

Period from July 1, 2012 forward (forecast) (Column E.2)

This column presents bond revenues (debt service), consisting of total projected bond revenues less total projected financing expenditures and uses, for subsequent years from July 1, 2012 forward. There are no forecasted bond revenues or financing expenditures and uses for the period from July 1, 2012 forward.

Total (Column F.2)

This column presents total net bond revenues (debt service), calculated as the sum of columns D.2 and E.2. The total net bond revenues (debt service) are presented in Schedule 3 as a component of "Project Budget" (Column J) and "Estimate at Completion" (Column K). Net bond revenues (debt service) are allocated to each mode in Schedule 3 based on bond and commercial paper proceeds used to fund the projects.

Schedule 3—Schedule of Revenues and Expenditures

This schedule presents a summary of actual and projected revenues and expenditures, by mode and project description, as specified in the Expenditure Plan. Total M1 program amounts agree with amounts on Schedules 1 and 2. Amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

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

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Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2012

Net Tax Revenues Program to Date Actual (Column H)

This column presents total M1 program net tax revenues for the period from inception through June 30, 2012, which agrees with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues are allocated to each of the four modes based on the allocation percentages specified in M1. The net tax revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Total Net Tax Revenues (Column I)

This column presents total actual and projected net tax revenues (total net tax revenues) during the life of M1, which agree with total net tax revenues in Column F.1 in Schedule 2. Such total net tax revenues are allocated to each of the four modes based on the allocations specified in M1. The net tax revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Project Budget (Column J)

In accordance with M1, bond financing authority was approved as an alternative to the "pay as you go" financing method. As a result, all freeway mode, certain regional street and road mode, and certain transit mode projects have been accelerated using bond financing, while all local street and road and remaining regional street and road mode and transit mode projects have been funded on the "pay as you go" financing method.

Total project budget for each "pay as you go" project are based on the total net tax revenues presented in Column I, except for Growth Management Area (GMA) Improvements in the local street and road projects mode and Fare Stabilization in the transitway projects mode. GMA Improvements and Fare Stabilization are subject to a maximum funding of \$100 million and \$20 million, respectively, per M1. Total project budget for the freeway mode and transitway projects included in the transit mode are based on amounts obtained from the 1996 Freeway Strategic Plan, adjusted to 2012 dollars. Smart street project budget and net (bond revenue)/debt service costs for regional street and road mode projects comprise the total smart street project budget, as such projects have been accelerated using bond financing. Pacific Electric Right-of-Way project budget is in accordance with the Expenditure Plan. The total net (bond revenue)/debt service project budget agrees with the total amount from Column F.2 in Schedule 2. Net (bond revenues)/debt service is allocated based on bond and commercial paper proceeds used to fund the projects.

Estimate at Completion (Column K)

Estimate at completion represents current estimates of costs to complete the projects.

Variance Total Net Tax Revenues to Estimate at Completion (Column L)

This is a calculation of Column I minus Column K.

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Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2012

Variance Project Budget to Estimate at Completion (Column M)

This is a calculation of Column J minus Column K.

Expenditures through June 30, 2012 (Column N)

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

Reimbursements through June 30, 2012 (Column O)

This column presents total reimbursements for the period from inception through June 30, 2012, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M1 costs, operating interest, capital grants, right-of-way leases, proceeds on sale of assets held for resale, miscellaneous revenues and transfers in. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

Net Project Cost (Column P)

Net project cost is a calculation of Column N minus Column O. For each mode, a percentage is calculated as the net project cost per mode divided by the total M1 Program net project cost. Such percentage can be compared to the required percentage included in M1 as an indication of the progress to date for each mode.

Percent of Budget Expended (Column Q)

Percent of budget expended is a calculation of Column P divided by Column J.