91 EXPRESS LANES FUND
(An Enterprise Fund of the Orange County Transportation Authority)

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2015

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Financial Statements

For the Fiscal Year Ended June 30, 2015

Contents

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the 91 Express Lanes Fund, an enterprise fund of Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 91 Express Lanes Fund as of June 30, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

25231 Paseo De Alicia, Suite 100 Laguna Hills, CA 92653 Tel: 949.768.0833 www.vtdcpa.com Fax: 949.768.8408

Emphasis of Matter

As described in Note 1 to the financial statements, the financial statements present only the 91 Express Lanes Enterprise Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2015, and the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Laguna Hills, California
October 30, 2015

91 Express Lanes Fund
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2015

As management of the 91 Express Lanes Fund (91 EL), an enterprise fund of the Orange County Transportation Authority, we offer readers of the 91 EL financial statements this narrative overview and analysis of the 91 EL's financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- At the end of fiscal year 2014-15, the total net position of the 91 EL was $128,184 and consisted of net investment in capital assets of $25,200; restricted net position of $13,032; and unrestricted net position of $89,952. Net position increased $21,335 during fiscal year 2014-15, which represents an increase of 20% from the fiscal year 2013-14 ending net position. The increase is primarily due to operating revenues in excess of operating expenses offset by bond interest expense.

- In fiscal year 2014-15, total operating revenues increased by $3,522, which represents an 8% increase from the fiscal year 2013-14, primarily due to a 6% increase in total trips in addition to the collection of violation fees. Total operating expenses increased by $1,168, which represents a 6% increase from the fiscal year 2013-14, primarily due to an increase in professional services paid for road maintenance and repairs, collection services and studies related to road improvement projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 91 EL's financial statements. The financial statements are comprised of the fund financial statements and notes to the financial statements.

The statement of net position presents information on all of the 91 EL's assets, deferred outflows of resources, deferred inflows of resources 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 91 EL is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the 91 EL's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The 91 EL fund financial statements can be found on pages 9-12 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13-30 of this report.

91 Express Lanes Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the 91 EL's financial position. At June 30, 2015, the 91 EL's net position was $128,184, an increase of $21,335 from June 30, 2014. Our analysis below focuses on net position (Table 1) and changes in net position (Table 2) of the 91 EL's financial activities.

Table 1
91 Express Lanes Fund
Net Position

	2015	2014
Current and other assets	$ 101,000	$ 80,476
Restricted assets	23,831	23,813
Capital assets, net	2,868	3,094
Intangible asset – toll road franchise, net	130,628	133,215
Total assets	258,327	240,598
Total deferred outflows of resources	10,350	11,020
Current liabilities	16,124	14,681
Long-term liabilities	124,369	130,088
Total liabilities	140,493	144,769
Net position:		
Net investment in capital assets	25,200	23,114
Restricted	13,032	13,015
Unrestricted	89,952	70,720
Total net position	$ 128,184	$ 106,849

In fiscal year 2014-15, total assets increased by $17,729, which represents an increase of 7% from the fiscal year 2013-14, due to an increase in cash, investments and receivables. Refer to notes 4 and 5 for changes in capital and intangible assets. Total liabilities decreased by $4,276 primarily due to principal and interest paid during the fiscal year for bonds payable.

The 91 EL's net investment in capital assets was $25,200 compared to $23,114 in 2014. The 91 EL's net position reflects its investment in capital assets (i.e., intangible assets; improvements; communications equipment; computer hardware and software; equipment, furniture and fixtures; and transponders), less any related outstanding debt used to acquire these assets. The 91 EL uses these capital assets to provide improved mobility for 91 EL customers and commuters along the State Route (SR) 91 corridor. The increase of $2,086 in net investment in capital assets was primarily due to $5,569 reduction in related outstanding debt used to acquire capital assets offset by depreciation and amortization of assets.

Restricted net position, representing resources subject to external restrictions on how they may be used, were 10% and 12% of the total net position at June 30, 2015 and 2014, respectively. The $17 increase in restricted net position is related to investment activity in bond reserve accounts.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position changed from $70,720 at June 30, 2014 to $89,952 at June 30, 2015. This increase of $19,232 was primarily due to operating revenues in excess of operating expenses.

The analysis in Table 2 focuses on the changes in net position.

Table 2
91 Express Lanes Fund
Changes in Net Position

	2015	2014
Revenues:		
Operating revenues:		
Tolls, fees, and fines	$ 46,132	$ 42,610
Total operating revenues	46,132	42,610
Operating expenses:		
Management and operational services	8,083	7,878
Administrative overhead	2,606	2,290
Other operating expenses	11	12
Insurance claims and premiums	351	334
Professional services	4,621	3,885
General and administrative	415	348
Depreciation and amortization	3,622	3,794
Total operating expenses	19,709	18,541
Operating income	26,423	24,069
Nonoperating revenues (expenses):		
Investment earnings	702	701
Interest expense	(5,878)	(5,914)
Other	88	108
Total nonoperating revenues (expenses)	(5,088)	(5,936)
Changes in net position	21,335	18,133
Total net position—beginning	106,849	88,716
Total net position—ending	$ 128,184	$ 106,849

91 EL's total operating revenues increased by 8%, while total operating expenses increased by 6%. Total traffic volume on the 91 EL during fiscal year 2014-15 was 13,106,882 trips reflecting an increase of 6% in comparison to fiscal year 2013-14 and contributed to an increase in revenue from toll road fees. The increase in operating expenses is primarily attributable to professional services, management and overhead costs as explained under the financial highlights section.

Capital Assets and Intangible Asset

Capital Assets

As of June 30, 2015, the 91 EL had $2,868 net of accumulated depreciation, invested in a broad range of capital assets including: construction in progress, improvements, computer hardware and software, transponders, and equipment, furniture and fixtures (Table 3). The total decrease in the 91 EL's capital assets for fiscal year 2014-15 was $226, which was primarily due to depreciation.

Table 3
91 Express Lanes Fund
Capital Assets, net of depreciation and amortization

	2015	2014
Construction in progress	264	10
Improvements	1,488	1,670
Computer hardware and software	112	435
Transponders	955	948
Equipment, furniture, and fixtures	49	31
Total capital assets, net	$ 2,868	$ 3,094

Major capital asset deletions during 2015 included $356 and $442 for disposal of transponders and computer equipment respectively. The equipment had reached the end of its useful life.

The 91 EL has outstanding capital expenditure commitments, the most significant of which is $1,529 for transponder purchases.

More detailed information about the 91 EL's capital assets is presented in note 4 to the financial statements.

Intangible Asset

Intangible asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Toll facility franchise	$ 205,264	$ -	$ -	$ 205,264
Less accumulated amortization	(72,049)	(2,587)	-	(74,636)
Total toll facility franchise, net	$ 133,215	$ (2,587)	$ -	$ 130,628

More detailed information about the 91 EL's intangible asset is presented in note 5 to the financial statements.

Debt Administration

As of June 30, 2015, the 91 EL had $119,490 in tax-exempt bonds outstanding compared to $124,415 at June 30, 2014, as presented in Table 4.

Table 4
91 Express Lanes Fund
Outstanding Debt

	2015	2014
Tax-exempt bonds	$ 119,490	$ 124,415

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

Economic and Other Factors

The 91 EL makes up $44,158 or 4.3% of OCTA's fiscal year 2015-16 revenue budget. In fiscal year 2015-16, toll revenue is forecasted to decrease by .13% over the fiscal year 2014-15 budgeted value. This decrease is due to the anticipated closures needed for the pavement rehabilitation and variable message signs replacement project. The average long term rate of growth for toll road revenues beyond fiscal year 2015-16 is 5.7%.

The majority of expenses related to the 91 EL within the fiscal year 2015-16 budget are on-going general costs related to day to day operations of the toll facility. Since the 91 EL is a fully electronic toll facility, motorists pay tolls through the convenient use of windshield mounted FasTrak® transponders that automatically deduct toll charges from a prepaid account. At the end of fiscal year 2014-15, there were 116,813 active customer accounts, with 176,790 transponders assigned to those accounts.

OCTA, in concert with Caltrans and Riverside County Transportation Commission (RCTC), issued an annual SR-91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 EL toll revenue and other funds. The total cost for the first set of projects is approximately $1,887,000. One of these projects is the initial SR-91 corridor improvement project that will widen the SR-91 by one general purpose lane in each direction east of Green River Road, adds collector-distributor roads and direct south connectors at Interstate-15 (I-15)/SR-91 and extends the 91 EL to I-15. Construction began in fiscal year 2013-14 and is expected to be completed in fiscal year 2016-17. This project requires close coordination with RCTC in order to minimize impacts to the 91 EL's operations.

Contacting 91 EL's Management

This financial report is designed to provide a general overview of the 91 EL's finances for all those with an interest in the government's finances and to demonstrate the 91 EL's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2015

Assets		
Current Assets:		
Cash and investments	$	92,702,397
Receivables:		
Interest		103,087
Violations, net		6,799,637
Other, net		1,062,832
Other assets		332,428
Total current assets		101,000,381
Noncurrent Assets:		
Restricted cash and investments:		
Cash equivalents		23,830,661
Capital assets, net:		
Nondepreciable		263,476
Depreciable		2,604,274
Intangible asset - toll road franchise, net		130,627,982
Total noncurrent assets		157,326,393
Total Assets		258,326,774
Deferred Outflows of Resources		
Deferred charge on refunding		10,350,308
Total Deferred Outflows of Resources		10,350,308
Liabilities		
Current Liabilities:		
Accounts payable		3,934,479
Accrued interest payable		2,183,334
Due to other governments		212,703
Unearned revenue		4,446,133
Other liabilities		272,172
Bonds payable - due within one year		5,075,000
Total current liabilities		16,123,821
Noncurrent Liabilities:		
Bonds payable - due in more than one year		124,369,194
Total noncurrent liabilities		124,369,194
Total Liabilities		140,493,015
Net Position		
Net investment in capital assets		25,200,370
Restricted for:		
Debt service		14,662
Capital		10,013,442
Operating reserves		3,004,033
Unrestricted		89,951,560
Total Net Position	$	128,184,067

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2015

Operating revenues:		
Tolls, fees, and fines	$	46,132,245
Operating expenses:		
Management and operational services		8,083,194
Administrative overhead		2,606,382
Other operating expenses		11,640
Insurance claims and premiums		350,751
Professional services		4,620,515
General and administrative		414,658
Depreciation and amortization		3,622,123
Total operating expenses		19,709,263
Operating income		26,422,982
Nonoperating revenues (expenses):		
Investment earnings		702,495
Interest expense		(5,878,631)
Other		88,183
Total nonoperating revenues (expenses)		(5,087,953)
Change in net position		21,335,029
Total net position - beginning		106,849,038
Total net position - ending	$	128,184,067

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flows from operating activities:		
Receipts from customers and users	$	45,038,717
Payments to suppliers		(12,383,840)
Payments for OCTA interfund services used		(2,606,382)
Miscellaneous revenue received		88,183
Net cash provided by operating activities		30,136,678
Cash flows from capital and related financing activities:		
Principal payment on long-term debt		(4,925,000)
Interest paid on long-term debt		(5,871,475)
Acquisition and construction of capital assets		(809,022)
Net cash used for capital and related financing activities		(11,605,497)
Cash flows from investing activities:		
Interest received		680,670
Net cash provided by investing activities		680,670
Net increase in cash and cash equivalents		19,211,851
Cash and cash equivalents at beginning of year		97,321,207
Cash and cash equivalents at end of year	$	116,533,058
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and investments	$	92,702,397
Restricted cash and investments		23,830,661
Total cash and cash equivalents	$	116,533,058

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2015

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income	$	26,422,982
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense		1,035,430
Amortization of Franchise Agreement		2,586,693
Amortization of prepaid expense		291,063
Amortization of prepaid insurance		350,751
Miscellaneous		88,183
Change in assets and liabilities:		
Violations receivables, net		(1,292,595)
Other receivables, net		17,135
Other assets		(674,619)
Accounts payable		917,020
Due to other governments		212,703
Unearned revenue		190,212
Other liabilities		(8,280)
Total adjustments		3,713,696
Net cash provided by operating activities	$	30,136,678
Noncash capital, financing and investing activities:		
Amortization of bond premium	$	(643,937)
Amortization of bond deferred charges	$	669,562
Investment earnings	$	22,146

See accompanying notes to the financial statements.

1. Reporting Entity

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for the 91 Express Lanes. See note 5 for further discussion of the service concession arrangement.

These financial statements include only the activities of the 91 Express Lanes Fund, an enterprise fund of OCTA. These financial statements are not intended to present the activities of OCTA.

2. Summary of Significant Accounting Policies

The accounting policies of the 91 Express Lanes Fund are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The financial statements of the 91 Express Lanes Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll amounts are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenue is recognized when the customers utilize the toll road facility.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility. Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the 91 Express Lanes Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

Cash and Investments

The 91 Express Lanes Fund participates in OCTA's Commingled Investment Pool. OCTA maintains cash and investments in accordance with an Investment Policy (Policy) adopted initially by OCTA's Board of Directors (Board) on May 8, 1995, and most recently amended on May 22, 2015. The Policy complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2015, the investment portfolios were maintained at MUFG Union Bank, N.A. as custodial bank. OCTA's Commingled Investment Pool is managed by four private sector investment managers. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes in the OCTA Commingled Investment Pool, with investment earnings allocated to the different accounts based on average daily account balances.

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, commercial paper, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. The Orange County Treasury Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP. The state managed Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF.

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

All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board and as permitted by the Code. OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of the Policy.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, commercial paper, money market mutual funds, certificates of deposit, and the 91 Express Lanes Fund's share of the OCTA Commingled Investment Pool represent cash and cash equivalents for cash flow purposes.

Restricted Cash and Investments

Investments set aside in the Senior Lien Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund are pursuant to the terms of the 2013 Indenture for the $124,415,000 Toll Road Revenue Refunding Bonds and their use is limited by applicable debt covenants.

Permitted investments per the debt covenants include: government obligations, State of California and local agency obligations, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, money market funds, other mutual funds, investment agreements, OCIP, and variable and floating rate securities.

Receivables

Violations receivables include an estimate for outstanding unpaid violations that the 91 Express Lanes Fund anticipates to collect. For violations less than or equal to 90 days old, the receivable is based on a twelve-month average of violations collected, and is recorded net of an allowance for uncollectible accounts of $790,119 at June 30, 2015. For unpaid violations in excess of 90 days, the receivable is estimated using a 3-year average of violations collected and is recorded net of uncollectible accounts as the majority is not considered probable of collection.

Other receivables include amounts due from other California toll road agencies related to their customers' use of the 91 Express Lanes, as well as amounts owed from customers, net of an allowance for uncollectible accounts of $347,442 at June 30, 2015.

An estimated $5.3 million of violation and customer receivables are not expected to be collected within one year. The 91 Express Lanes utilizes an outside collection agency to assist in the recovery of unpaid customer balances and violations exceeding 90 days.

Other Assets

Other assets include prepaid expenses and refundable deposits.

Capital Assets

Capital assets include construction in progress, improvements, equipment, computer hardware, software, furniture and fixtures, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. It is also the 91 Express Lanes Fund's policy to capitalize transponder purchases, as they are considered a significant class of assets even though individually under $5,000. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Type	Useful Life
Improvements	10-30 years
Equipment, furniture and fixtures	3-10 years
Computer hardware and software	3-5 years
Transponders	5-7 years

Intangible Asset – Toll Facility Franchise

OCTA purchased the interest in the Franchise Agreement for the toll facility from CPTC on January 3, 2003. The toll facility franchise is amortized over the remaining life of the Franchise Agreement through December 2065.

Deferred outflows

In addition to assets, the statement of net position 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) until then. As of June 30, 2015, the 91 Express Lanes Fund only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Risk Management

The 91 Express Lanes Fund purchases commercial property insurance including business interruption, earthquake and flood coverage related to the toll facility. Additionally, the 91 Express Lanes Fund participates in OCTA's self-insurance general liability program. Liability claims are resolved by OCTA and are an expense of the 91 Express Lanes Fund.

Net Position

Net position represents the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources and is classified into three categories:

- *Net investment in capital assets* - Reflects net position of the 91 Express Lanes Fund invested in capital assets net of related debt. This net position is not accessible for other purposes.

- *Restricted net position* - Represents net position not accessible for general use, with the use subject to restrictions enforceable by third parties. The statement of net position includes restricted net position for the portion of debt attributable to unspent proceeds, restricted by the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust for debt service, capital, and operating expenses.

- *Unrestricted net position* - Represents net position available for general use.

Use of Estimates

The preparation of the 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.

New Effective Accounting Pronouncements

In fiscal year 2015, OCTA implemented the following GASB Statements:

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. There was no current effect on the financial statements of the 91 Express Lanes Fund as a result of implementing this statement.

GASB Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no current effect on the financial statements of the 91 Express Lanes Fund as a result of implementing this statement.

GASB Statement No. 71

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.

This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. There was no current effect on the financial statements of the 91 Express Lanes Fund as a result of implementing this statement.

3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2015:

Deposits:	
Petty cash	$ 550
Deposits	159,321
Total deposits	159,871
Investments:	
With OCTA Commingled Investment Pool	92,559,994
With trustee	23,813,193
Total investments	116,373,187
Total cash and investments	$ 116,533,058

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

Unrestricted cash and investments	$ 92,702,397
Restricted cash and investments:	
Cash equivalents	23,830,661
Total cash and investments	$ 116,533,058

As of June 30, 2015, the 91 Express Lanes Fund had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	$ 92,559,994	$ 92,357,438	0.01% - 4.37%	7/1/15 - 6/1/20	1.90
Held by trustee:					
Money Market Mutual Funds	3,139	3,139	0.01%	7/1/15	1 Day
Certificates of Deposit	13,000,000	13,000,000	0.08%	7/1/15	1 Day
Commercial Paper	10,810,054	10,810,588	0.10%	8/5/15	.10
Total investments	$ 116,373,187	$ 116,171,165			

Portfolio Weighted Average	1.86

Interest Rate Risk

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

As of June 30, 2015, the 91 Express Lanes Fund participated in OCTA's Commingled Investment Pool which had asset-backed securities totaling $91,745,255 recorded in the pool. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized statistical rating organizations.

As of June 30, 2015, OCTA's Commingled Investment Pool had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	$ 1,006,839	LIBOR + 59 basis points	Quarterly
American Express	1,632,412	LIBOR + 51 basis points	Quarterly
American Express	537,975	LIBOR + 55 basis points	Quarterly
Bank of America	300,549	LIBOR + 87 basis points	Quarterly
Bank of Oklahoma	1,395,915	LIBOR + 69 basis points	Quarterly
Barclay's	2,999,430	LIBOR + 34 basis points	Monthly
BNP Paribas	1,292,502	LIBOR + 59 basis points	Quarterly
Citigroup Inc.	498,625	LIBOR + 54 basis points	Quarterly
Citigroup Inc.	628,601	LIBOR + 77 basis points	Quarterly
Citigroup Inc.	2,193,290	LIBOR + 69 basis points	Quarterly
Daimler Finance	1,079,074	LIBOR + 86 basis points	Quarterly
Duke Energy	1,821,292	LIBOR + 20 basis points	Quarterly
Duke Energy	1,876,108	LIBOR + 35 basis points	Quarterly
E-Bay	985,070	LIBOR + 20 basis points	Quarterly
E-Bay	492,535	LIBOR + 20 basis points	Quarterly
Fannie Mae	724,239	LIBOR + 35 basis points	Monthly
Fannie Mae	1,959,926	Variable	Monthly
General Electric	2,994,600	LIBOR + 45 basis points	Monthly
General Electric	1,095,908	LIBOR + 65 basis points	Quarterly
Goldman Sachs	1,354,137	LIBOR + 120 basis points	Quarterly

Investment	**Fair Value**	**Coupon Multiplier**	**Coupon Reset Date**
HSBC USA	823,313	LIBOR + 88 basis points	Quarterly
HSBC USA	1,354,696	LIBOR + 61 basis points	Quarterly
IBM	170,476	LIBOR + 37 basis points	Quarterly
Johnson & Johnson	1,150,080	LIBOR + 7 basis points	Quarterly
JP Morgan Chase	1,300,442	LIBOR + 45 basis points	Quarterly
JP Morgan Chase	543,553	LIBOR + 90 basis points	Quarterly
JP Morgan Chase	847,636	LIBOR + 95.5 basis points	Quarterly
JP Morgan Chase	1,509,870	LIBOR + 90 basis points	Quarterly
JP Morgan Chase	430,598	LIBOR + 52 basis points	Quarterly
Manufacturers & Traders	1,336,918	LIBOR + 37.5 basis points	Quarterly
Medtronic	1,245,187	LIBOR + 9 basis points	Quarterly
Merck & Company	1,372,783	LIBOR + 37.5 basis points	Quarterly
Morgan Stanley	1,318,694	LIBOR + 128 basis points	Quarterly
Morgan Stanley	1,299,519	LIBOR + 85 basis points	Quarterly
Morgan Stanley	1,348,301	LIBOR + 114 basis points	Quarterly
National City Bank	1,343,344	LIBOR + 37 basis points	Quarterly
PACCAR Financial	230,915	LIBOR + 60 basis points	Quarterly
Rockwell	1,089,586	LIBOR + 35 basis points	Quarterly
Toronto-Dominion Bank	1,368,065	LIBOR + 56 basis points	Quarterly
USB AG Stamford	588,313	LIBOR + 85 basis points	Quarterly
Wells Fargo Bank	1,097,019	LIBOR + 21 basis points	Quarterly
Westpac	833,005	LIBOR + 74 basis points	Quarterly
Total Variable Rate Notes	**$ 49,471,340**		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2015, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services: Standard & Poor's Corporation (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (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 must be rated no less than an "A" by two of the three rating services. LAIF and OCTA's Commingled Investment Pool are not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of fair value of the 91 Express Lanes Fund's portfolio at June 30, 2015. (NR means Not Rated):

Investments	S&P	Moody's	Fitch	% of 91 Express Lanes Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	79.54%
Held by trustee:				
Money Market Mutual Funds	AAAm	Aaa	AAA	0.00%
Certificates of Deposit	A-1	P-1	F-1	11.17%
Commercial Paper:				
U.S. Bank	A-1	P-1	F-1	9.29%
Total				100.00%

Concentration of Credit Risk

At June 30, 2015, OCTA did not exceed the Policy maximum concentrations as stated below:

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

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

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

- 35% for any one Federal Agency or Federal Instrumentalities.

- 50% for any one repurchase agreement counter-party name if the maturity/term is less than or equal to 7 days.

- 35% for any one repurchase agreement counter-party name if the maturity/term is greater than 7 days.

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

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

The following is a summary of the concentration of credit risk by issuer as a percentage of the fair value of the 91 Express Lanes Fund's portfolio at June 30, 2015:

Issuer	Amount	% of 91 Express Lanes Portfolio
Bank of the West (Certificates of Deposit)	$ 13,000,000	11.17%
U.S. Bank (Commercial Paper)	$ 10,810,054	9.29%

Investment in State Investment Pool

OCTA is a voluntary participant in LAIF which is regulated by the California Government Code. The Investment Advisory Board provides oversight for LAIF, consisting of five members as designated by statute, which includes the Treasurer of the State of California. The fair value of OCTA's investment in this pool is reported in the accompanying financial statements based upon OCTA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. Capital Assets

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 9,614	$ 253,862	$ -	$ 263,476
Total capital assets, not being depreciated	9,614	253,862	-	263,476
Capital assets, being depreciated:				
Improvements	3,216,883	-	(20,958)	3,195,925
Communications equipment	3,021,080	-	(38,038)	2,983,042
Computer hardware and software	3,338,456	119,338	(442,331)	3,015,463
Transponders	4,307,931	402,377	(356,208)	4,354,100
Equipment, furniture and fixtures	164,272	33,445	(35,792)	161,925
Total capital assets, being depreciated	14,048,622	555,160	(893,327)	13,710,455
Less accumulated depreciation for:				
Improvements	(1,546,533)	(182,191)	20,958	(1,707,766)
Communications equipment	(3,021,080)	-	38,038	(2,983,042)
Computer hardware and software	(2,903,222)	(442,368)	442,331	(2,903,259)
Transponders	(3,360,475)	(395,195)	356,209	(3,399,461)
Equipment, furniture and fixtures	(132,768)	(15,676)	35,791	(112,653)
Total accumulated depreciation	(10,964,078)	(1,035,430)	893,327	(11,106,181)
Total capital assets, being depreciated, net	3,084,544	(480,270)	-	2,604,274
Total capital assets, net	$ 3,094,158	$ (226,408)	$ -	$ 2,867,750

5. Service Concession Arrangements – Toll Facility Franchise

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR-55. The purchase was enabled by State Assembly Bill (AB) 1010 (Correa), passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs until

2030, and eliminated non-compete provisions in the Franchise Agreement for needed improvements on the SR-91. The Franchise Agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

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

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

Intangible asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Toll facility franchise	$ 205,263,668	$ -	$ -	$ 205,263,668
Less accumulated amortization	(72,048,993)	(2,586,693)	-	(74,635,686)
Total toll facility franchise, net	$ 133,214,675	$ (2,586,693)	$ -	$ 130,627,982

6. Bonds Payable

Taxable Senior Secured Bonds

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed $135,000,000 of taxable 7.63% Senior Secured Bonds. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the tax-exempt bond indenture, OCTA paid a $26,428,197 Yield Maintenance Premium in connection with the defeasance of the Senior Secured Bonds, which is deferred and amortized over the life of the Series 2003 tax-exempt bonds on the straight line basis.

Toll Road Revenue Refunding Bonds

On November 12, 2003, OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refund the $135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The $95,265,000 Series 2003-A Bonds were issued as fixed rate bonds. The $75,000,000 Series 2003-B-1 Bonds and the $25,000,000 Series 2003-B-2 Bonds (collectively the "Series 2003-B Bonds") were issued as adjustable rate bonds.

On November 24, 2008, OCTA remarketed the $100,000,000 Series 2003-B Bonds, which were purchased by the Orange County Investment Pool (OCIP). In connection with the mandatory tender of the Series 2003-B Bonds required by the Indenture, the interest rate was converted to a Long Term Interest Rate equal to the OCIP Rate. On December 20, 2010, OCTA entered into a new transaction with OCIP for the Series 2003-B Bonds at a 1.55% rate. The Series 2003-B Bonds had a mandatory tender date of August 15, 2013.

On July 30, 2013, OCTA issued $124,415,000 in Senior Lien Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2. OCTA refunded the outstanding Series 2003-A Bonds to reduce its total debt service payments over the life of the bonds and refunded the Series 2003-B-1 and Series 2003-B-2 Bonds to address the mandatory tender date of August 15, 2013 for the existing private placement with the OCIP. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,366,861. The transaction resulted in a reduction of debt service payments of $26,916,929 over 18 fiscal years and an economic gain (difference between the present values of the debt service payments of the original 2003 and 2013 debt) of $19,271,945. The Series 2013 Bonds were issued as fixed rate bonds. The transaction closed on August 8, 2013.

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

Issuance date	07/30/2013
Closing date	08/08/2013
Original issue amount	$124,415,000
Cash reserve requirements	$23,798,525*
Cash reserve balance	$23,830,661
Interest rate	2%-5%
Maturity	December 2030
Principal payment date	August 15
Balance as of 06/30/15	$119,490,000
Unamortized premium	$9,954,194
Deferred amount on refunding	($10,350,308)

*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, three reserve funds are maintained with required balances as follows: Senior Lien Reserve Fund $10,798,525; Major Maintenance Reserve Fund $10,000,000; and Operating Reserve Fund $3,000,000. At June 30, 2015, all reserve requirements have been satisfied.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2015, are as follows:

Year ending June 30	Principal	Interest	Total
2016	$ 5,075,000	$ 5,720,725	$ 10,795,725
2017	5,285,000	5,513,525	10,798,525
2018	5,525,000	5,269,700	10,794,700
2019	5,810,000	4,986,325	10,796,325
2020	6,110,000	4,688,325	10,798,325
2021-2025	35,570,000	18,409,625	53,979,625
2026-2030	45,645,000	8,338,500	53,983,500
2031	10,470,000	327,187	10,797,187
Total	$119,490,000	$59,253,912	$172,743,912

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Tax-exempt bonds	$124,415,000	$ -	$4,925,000	$119,490,000	$5,075,000
Unamortized premium	10,598,131	-	643,937	9,954,194	-
Total long-term liabilities	$135,013,131	$ -	$5,568,937	$129,444,194	$5,075,000

Pledged Revenue

The 91 Express Lanes debt issuance outstanding is repaid and secured by the pledging of certain revenues, as defined in the debt agreement. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table. The purpose for which the proceeds of the debt issuance were utilized is disclosed in the debt description. Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the 91 Express Lanes Fund will covenant to fix and prescribe toll rates for each type of vehicle and each time of day sufficient to produce adjusted net toll revenues for each fiscal year at least equal to 1.3 times annual debt service on Senior Lien Bonds and Parity Obligations and at least equal to 1.0 times annual debt service on all bonds. Adjusted net toll revenues includes tolls and investment earnings on specified reserve accounts minus operating expenses, excluding depreciation and interest expense.

Pledged revenue for the year ended June 30, 2015, was as follows:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage	Required Debt Coverage
91 Express Lanes Net Toll Road Revenue	$30,825,243	$10,796,475	2.86	1.30

7. Commitments and Contingencies

Operator Agreement

In connection with the purchase of the toll facility interest, OCTA entered into an operating agreement with Cofiroute Global Mobility, subsequently Cofiroute USA, LLC (Cofiroute), to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. The agreement was in effect from January 3, 2003 through January 2, 2006. On January 6, 2006, OCTA entered into a second operating agreement with Cofiroute, effective January 3, 2006 through January 2, 2011. The annual amount of the base contract is $5,448,768 plus inflation adjustments after the first year. The agreement carried two two-year extension options through January 2, 2015. On June 27, 2011, the OCTA Board of Directors approved a subsequent amendment to the operating agreement with Cofiroute, which authorized the addition of two five-year extension options beginning July 1, 2011 through June 30, 2016 for the first extension term and beginning July 1, 2016 through June 30, 2021 as the second extension term. Cofiroute is responsible for the day-to-day operations of the toll facility.

On May 24, 2013 OCTA completed a three-party agreement with Riverside County Transportation Commission (RCTC) and Cofiroute for operations of the 91 Express Lanes. This will help ensure streamlined consistent inter-county travel for motorists on the original ten-mile span of the 91 Express Lanes and the new eight miles that will extend into Riverside County.

Purchase Commitments

The 91 Express Lanes has various outstanding contracts. Total purchase commitments at June 30, 2015 were $49,377,805, the most significant is with Cofiroute as previously noted.

Lease Commitments

The 91 Express Lanes Fund is committed under two non-cancelable leases for office space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2015 were $ 299,611.

Future minimum payments for these leases approximate the following:

For the year ending June 30:		
2016	$	347,117
2017		387,663
2018		399,466
2019		347,433
2020		336,496
2021-2031		4,049,164
Total	$	5,867,339

On April 13, 2015 the OCTA Board of Directors approved a 15-year lease extension for the 91 Express Lanes Anaheim office. A portion of the lease will be funded by RCTC per agreement between OCTA and RCTC entered into in December 2011. The lease extension was executed on July 22, 2015.

8. Effect of New Pronouncements:

GASB Statement No. 72

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for OCTA's fiscal year ending June 30, 2016.

GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for OCTA's fiscal year ending June 30, 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal year ending June 30, 2017.

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This statement is effective for OCTA's fiscal year ending June 30, 2017.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This statement is effective for OCTA's fiscal year ending June 30, 2018.

GASB Statement No. 76

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for OCTA's fiscal year ending June 30, 2016.

GASB Statement No. 77

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. This statement is effective for OCTA's fiscal year ending June 30, 2016.