

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

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

Year Ended June 30, 2015

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

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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, 2015. 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 Summary (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, 2015 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, 2015 amounts (Column B) by adding the prior year's period from inception through June 30, 2014 amounts with year to date June 30, 2015 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, 2015 (Columns C.1 and C.2) to Schedule 1, Column A.
2. Compared period from inception through June 30, 2015 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, 2015 (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, 2015 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. Re-computed totals and subtotals.

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

1. Compared total net tax revenues (Column F) amount to Schedule 2, Column D.1.
2. Recalculated total net tax revenues (Column F) amounts, by mode and project description, based on the Revised Traffic Improvement and Growth Management Expenditure Plan, as amended (Expenditure Plan).
3. Reconciled expenditures through June 30, 2015 (Column G) to Schedule 1, Column B. Agreed Column G by project description to the project job ledger.
4. Selected a sample of expenditures from Column G and compared them to invoices and supporting documentation to determine whether the expenditures sampled were appropriately accrued and classified.
5. Agreed reimbursements through June 30, 2015 (Column H) to Schedule 1, Column B.
6. Agreed Column H to supporting revenue summary by project. Selected a sample of reimbursements from Column H and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly classified.
7. Recalculated the net project cost (Column I) by subtracting Column H from Column G.
8. Re-computed totals and subtotals.
9. Verified that final modal percentages comply with Measure M Ordinance #2.
10. Verified Board authorization for any balance transfers from Measure M1 for closeout.

Results: All of the above 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.

Vavinich Train, Dmg & Co., LLP

Laguna Hills, California

December 18, 2015

Measure M1
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2015
(Unaudited)

<i>(\$ in thousands)</i>	Year to Date June 30, 2015 (A)	Period from Inception through June 30, 2015 (B)
Revenues:		
Sales taxes	\$ -	\$ 4,003,972
Other agencies' share of Measure M1 costs:		
Project related	8,923	600,511
Non-project related	-	620
Interest:		
Operating:		
Project related	-	1,745
Non-project related	1,386	271,549
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	278	6,868
Proceeds on sale of assets held for resale	2,940	29,771
Miscellaneous:		
Project related	-	27
Non-project related	-	777
Total revenues	<u>13,527</u>	<u>5,338,735</u>
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	-	56,883
Professional services:		
Project related	1,334	209,985
Non-project related	259	36,298
Administration costs:		
Project related	563	24,662
Non-project related	233	96,584
Orange County bankruptcy loss	-	78,618
Other:		
Project related	83	2,204
Non-project related	28	16,004
Payments to local agencies:		
Turnback	909	594,918
Other	7,440	969,592
Capital outlay	6,433	2,108,660
Debt service:		
Principal payments on long-term debt	-	1,003,955
Interest on long-term debt and commercial paper	-	561,842
Total expenditures	<u>17,282</u>	<u>5,760,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,755)</u>	<u>(421,470)</u>
Other financing sources (uses):		
Transfers out:		
Project related	(181,949)	(591,381)
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>(181,949)</u>	<u>421,470</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ (185,704)</u>	<u>\$ -</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, 2015
(Unaudited)

<i>(\$ in thousands)</i>	Year Ended June 30, 2015 (actual) (C.1)	Period from Inception through June 30, 2015 (actual) (D.1)
Tax revenues:		
Sales taxes	\$ -	\$ 4,003,972
Other agencies' share of Measure M1 costs	-	620
Operating interest	1,386	271,549
Orange County bankruptcy recovery	-	20,683
Miscellaneous, non-project related	-	777
Total tax revenues	1,386	4,297,601
Administrative expenditures:		
SBOE fees	-	56,883
Professional services, non-project related	259	27,437
Administration costs, non-project related	233	96,584
Transfers out, non-project related	-	5,116
Orange County bankruptcy loss	-	29,792
Other, non-project related	28	6,904
Total administrative expenditures	520	222,716
Net tax revenues	\$ 866	\$ 4,074,885
<hr/>		
Bond revenues:		
Proceeds from issuance of bonds	\$ -	\$ 1,169,999
Interest revenue from bond proceeds	-	136,067
Interest revenue from debt service funds	-	82,054
Interest revenue from commercial paper	-	6,072
Orange County bankruptcy recovery	-	21,585
Total bond revenues	-	1,415,777
Financing expenditures and uses:		
Professional services, non-project related	-	8,861
Payment to refunded bond escrow	-	153,861
Bond debt principal	-	1,003,955
Bond debt interest expense	-	561,842
Orange County bankruptcy loss	-	48,826
Other, non-project related	-	9,100
Total financing expenditures and uses	-	1,786,445
Net bond revenues (debt service)	\$ -	\$ (370,668)

See Notes to Measure M1 Status Report (Unaudited)

Measure M1
Schedule of Revenues and Expenditures Summary
as of June 30, 2015
(Unaudited)

Project Description (E) (\$ in thousands)	Total Net Tax Revenues (F)	Expenditures through June 30, 2015 (G)	Reimbursements through June 30, 2015 (H)	Net Project Cost (I)
Freeways (43%)				
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	\$ 982,555	\$ 881,984	\$ 91,030	\$ 790,954
I-5 between I-5/I-405 Interchange and San Clemente	68,766	70,294	10,358	59,936
I-5/I-405 Interchange	87,279	98,157	25,082	73,075
SR-55 (Costa Mesa Fwy) between I-5 and SR-91 (Riverside Fwy)	58,186	55,514	6,173	49,341
SR-57 (Orange Fwy) between I-5 and Lambert Road	29,093	25,617	2,859	22,758
SR-91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	125,629	123,995	18,606	105,389
SR-22 (Garden Grove Fwy) between SR-55 and Valley View St.	400,692	697,929	359,099	338,830
Subtotal Projects	1,752,200	1,953,490	513,207	1,440,283
Net (Bond Revenue)/Debt Service	-	311,917	-	311,917
Total Freeways	\$ 1,752,200	\$ 2,265,407	\$ 513,207	\$ 1,752,200
%				43.0%
Regional Street and Road Projects (11%)				
Smart Streets	\$ 153,681	\$ 163,441	\$ 12,756	\$ 150,685
Regionally Significant Interchanges	89,647	89,226	146	89,080
Intersection Improvement Program	128,068	131,446	3,946	127,500
Traffic Signal Coordination	64,034	69,303	3,986	65,317
Transportation Systems Management and Transportation Demand Management	12,807	13,463	217	13,246
Subtotal Projects	448,237	466,879	21,051	445,828
Net (Bond Revenue)/Debt Service	-	2,409	-	2,409
Total Regional Street and Road Projects	\$ 448,237	\$ 469,288	\$ 21,051	\$ 448,237
%				11.0%

See Notes to Measure M1 Status Report (Unaudited)

Measure M1
Schedule of Revenues and Expenditures Summary
as of June 30, 2015
(Unaudited)

Project Description (E) (\$ in thousands)	Total Net Tax Revenues (F)	Expenditures through June 30, 2015 (G)	Reimbursements through June 30, 2015 (H)	Net Project Cost (I)
Local Street and Road Projects (21%)				
Master Plan of Arterial Highway Improvements	\$ 160,793	\$ 162,393	\$ 1,600	\$ 160,793
Streets and Roads Maintenance and Road Improvements	594,933	594,933	-	594,933
Growth Management Area Improvements	100,000	101,212	1,212	100,000
Subtotal Projects	855,726	858,538	2,812	855,726
Net (Bond Revenue)/Debt Service	-	-	-	-
Total Local Street and Road Projects	\$ 855,726	\$ 858,538	\$ 2,812	\$ 855,726
%				21.0%
Transit Projects (25%)				
Pacific Electric Right-of-Way	\$ 19,717	\$ 17,513	\$ 3,588	\$ 13,925
Commuter Rail	367,772	428,582	60,805	367,777
High-Technology Advanced Rail Transit	446,923	592,109	158,957	433,152
Elderly and Handicapped Fare Stabilization	20,000	20,000	-	20,000
Transitways	164,310	164,291	36,765	127,526
Subtotal Projects	1,018,722	1,222,495	260,115	962,380
Net (Bond Revenue)/Debt Service	-	56,342	-	56,342
Total Transit Projects	\$ 1,018,722	\$ 1,278,837	\$ 260,115	\$ 1,018,722
%				25.0%
Total Measure M1 Program	\$ 4,074,885	\$ 4,872,070	\$ 797,185	\$ 4,074,885

See Notes to Measure M1 Status Report (Unaudited)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

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. The final M1 expenditures and transfers were recorded in June 2015. 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 through the issuance of quarterly reports on M1 activities. The reports for M1 activities through June 30, 2015 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, 2015 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the M1 special revenue fund for the fiscal year ended June 30, 2015. 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 \$(185,704) 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, 2015.

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.

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Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

Period from Inception through June 30, 2015 (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, 2015. 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 \$0 agrees with the ending fund balance in the M1 special revenue fund, as presented in the trial balance for the year ended June 30, 2015.

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 H) in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" (Column G) 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. The schedule is presented for the latest fiscal year, and for the period from inception through the latest fiscal year.

Calculation of Net Tax Revenues

Year Ended June 30, 2015 (actual) (Column C.1)

This column presents net tax revenues, consisting of total tax revenues less total administrative expenditures, for the year ended June 30, 2015. Tax revenues and administrative expenditures for the year ended June 30, 2015 were obtained from Column A in Schedule 1. Total net tax revenues and administrative expenditures utilized in the calculation of net tax revenues are non-project and non-financing related. For the year ended June 30, 2015, tax revenues consist of operating interest. Administrative expenditures include professional services, administration costs, and other expenditures.

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Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

Period from Inception through June 30, 2015 (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, 2015. Tax revenues and administrative expenditures for the period from inception through June 30, 2015 were obtained from Column B in Schedule 1. Total net tax revenues for the period from inception through June 30, 2015 are presented in Schedule 3 as "Total Net Tax Revenues" (Column F).

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.

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2015 (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, 2015. There were no bond revenues or financing expenditures and uses for the year ended June 30, 2015.

Period from Inception through June 30, 2015 (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, 2015. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2015 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

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Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

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.

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual 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 E)

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

Total Net Tax Revenues (Column F)

This column presents total net tax revenues during the life of M1, 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.

Expenditures through June 30, 2015 (Column G)

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, 2015 (Column H)

This column presents total reimbursements for the period from inception through June 30, 2015, 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.

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Notes to Measure M1 Status Report (Unaudited)

Year Ended June 30, 2015

Net Project Cost (Column I)

Net project cost is a calculation of Column G minus Column H. 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.