



Comprehensive Annual Financial Report

For the fiscal year ended June 30, **2012**

Celebrating 40 years of service.





Orange County Transportation Authority



Celebrating 40 years of service.

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2012

Orange County, California

Submitted by: Finance and Administration Division - Kenneth G. Phipps - Executive Director

ORANGE COUNTY TRANSPORTATION AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June, 30 2012

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Transmittal Letter.....	v
Organization Chart.....	xiv
Board of Directors.....	xv
Management Staff.....	xvi
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xvii
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	16
Statement of Activities.....	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Proprietary Funds:	
Statement of Fund Net Assets.....	22
Reconciliation of the Statement of Fund Net Assets of Proprietary Funds to the Statement of Net Assets.....	24
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	25
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities.....	26
Statement of Cash Flows.....	27
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	29
Statement of Changes in Fiduciary Net Assets.....	30
Notes to the Financial Statements.....	31

**ORANGE COUNTY TRANSPORTATION AUTHORITY
TABLE OF CONTENTS**

	Page
Required Supplementary Information (Other than Management’s Discussion and Analysis):	
Budgetary Comparison Schedules (Budgetary Basis):	
General Fund.....	74
Local Transportation Authority Special Revenue Fund	75
Local Transportation Special Revenue Fund	76
Commuter and Urban Rail Endowment Special Revenue Fund	77
Supplemental Pension Plan Trend Data.....	78
Notes to Required Supplementary Information.....	79
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	83
Budgetary Comparison Schedules (Budgetary Basis):	
Local Transportation Authority Debt Service Fund	84
Orange County Unified Transportation Trust Special Revenue Fund	85
Service Authority for Freeway Emergencies Special Revenue Fund	86
Service Authority for Abandoned Vehicles Special Revenue Fund	87
State Transit Assistance Special Revenue Fund	88
Gas Tax Special Revenue Fund	89
General Capital Projects Fund	90
Orange County Transit District Capital Projects Fund	91
Combining Statement of Fund Net Assets – Internal Service Funds	94
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds.....	95
Combining Statement of Cash Flows – Internal Service Funds	96

STATISTICAL SECTION

Net Assets by Component, Last Ten Fiscal Years	98
Changes in Net Assets, Last Ten Fiscal Years	99
Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	101
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	102
Program Revenues by Function/Program, Last Ten Fiscal Years	103
Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years	104
Taxable Sales by Category, Last Ten Calendar Years	105
Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years.....	106
Principal Taxable Sales Generation by City, Current Year and Nine Years Ago	107
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	108
Legal Debt Margin Information, Last Ten Fiscal Years	109
Pledged-Revenue Coverage, Last Ten Fiscal Years.....	110

**ORANGE COUNTY TRANSPORTATION AUTHORITY
TABLE OF CONTENTS**

	Page
Demographic and Economic Statistics, Last Ten Calendar Years	111
Principal Employers, Current Year and Nine Years Ago	112
Full-Time Equivalent Government Employees by Function/Program For Ten Years	113
Operating Indicators by Function/Program	114
Capital Asset Statistics by Function/Program	115



Freeway





AFFILIATED AGENCIES

*Orange County
Transit District*

*Local Transportation
Authority*

*Service Authority for
Freeway Emergencies*

*Consolidated Transportation
Service Agency*

*Congestion Management
Agency*

*Service Authority for
Abandoned Vehicles*

November 26, 2012

The Board of Directors
Orange County Transportation Authority
550 South Main Street
Orange, CA 92863

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Transportation Authority (OCTA) for the fiscal year ended June 30, 2012. The financial statements are presented in conformity with generally accepted accounting principles and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Responsibility for complete and fair presentation of financial information, including all disclosures, rests with OCTA's management. A comprehensive framework of internal control has been designed and implemented to ensure that the assets of OCTA are protected from loss, theft, or misuse, and to ensure that financial information is accurate and complete. Because the cost of internal control should not outweigh the benefits, OCTA's system of internal control has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Vavrinek, Trine, Day and Company, LLP has audited OCTA's financial statements and issued an unqualified ("clean") opinion thereon for the fiscal year ended June 30, 2012. The independent auditors' report is located at the front of the financial section of this report.

The independent audit of the financial statements of OCTA was also designed to meet the broader, federally mandated single audit of federal grantee agencies. A separately issued single audit report of OCTA provides the results of compliance with these federal requirements.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of OCTA

OCTA was established by state law and began serving the public on June 20, 1991. An 18-member Board of Directors (Board) governs OCTA and consists of five members of the Orange County Board of Supervisors, ten city representatives selected by all of the cities within the County, two public members selected by these 15 Board Members, and a representative appointed by the Governor of California serving in a non-voting capacity. A Chief Executive Officer manages OCTA and acts in accordance with the directions, goals, and policies approved by the Board.

The 11 agencies and funds consolidated to form OCTA include:

- Orange County Transportation Commission
- Orange County Transit District (OCTD)
- Consolidated Transportation Services Agency
- Orange County Local Transportation Authority
- Orange County Service Authority for Freeway Emergencies
- Orange County Congestion Management Agency
- Service Authority for Abandoned Vehicles
- State Transit Assistance Fund
- Orange County Local Transportation Fund
- Orange County Unified Transportation Trust
- Transit Development Reserve

In January 1998, OCTA began regulating taxi operations on behalf of participating Orange County cities through the Orange County Taxi Administration Program (OCTAP). OCTAP simplified Orange County taxicab regulations with centralized permitting of cab companies, drivers, and vehicles.

On January 3, 2003, OCTA acquired the 91 Express Lanes, a ten-mile toll road stretching along the Riverside Freeway (SR-91) between the Riverside/Orange County Line and the Costa Mesa Freeway (SR-55). The purchase was enabled by Assembly Bill 1010 (Correa). The toll road was built by a public-private partnership between the California Private Transportation Company (CPTC) and the California Department of Transportation (Caltrans). The franchise agreement granted CPTC the right to operate the toll facility until 2030 and included a non-compete clause that limited public transportation agencies from increasing highway capacity on other roads within one and one-half miles of the SR-91. OCTA's purchase of the 91 Express Lanes eliminated the non-compete clause, creating possibilities for increasing highway capacity through the Santa Ana Canyon.

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 OCTA Board of Directors approved the assignment of OCTA's franchise rights, interests and obligations in the Riverside County portion to RCTC, the extension of the expiration date to 2065, and a cooperative agreement between OCTA and RCTC that details the joint operation and defines the agencies' roles and responsibilities for the 91 Express Lanes extension.

Annually, OCTA develops a balanced budget for the upcoming fiscal year. The budget details the expected sources and uses of funds. The Board adopts the budget before the beginning of each fiscal year. During the fiscal year, all major budget revisions are presented to the Board for consideration and adoption. On a quarterly basis, financial results are presented to the Board, including all significant variances between actual performance and budget in the areas of revenue, staffing, operating expenditures, and capital expenditures.

Orange County Economy

The State of California continues to cope with unemployment, and Orange County is no exception. However, Orange County's unemployment rate of 7.9 percent has decreased from the 9.2 percent unemployment rate of June 2011. Orange County is also faring significantly better than the State of California, which has an unemployment rate of 10.7 percent as of June 2012.

The real estate sector continues to show some improvement in 2012. Low interest rates and lower home prices continue to have a positive effect on the market. Building permits for new single and multiple housing units are forecasted to increase by 12 percent in 2012 and 15.7 percent in 2013.

For the year-over-year period, ended June 30, 2012, taxable sales are estimated to have increased by 6.9 percent. The estimated sales tax growth rate for fiscal year 2012-13 is 6.3 percent. This rate is based on an average of the growth rates provided by Chapman University, University of California, Los Angeles, and California State University, Fullerton. Like the universities, OCTA anticipates the economy will continue to emerge from the recession.

OCTA is seeing optimistic indicators that suggest the economy is stabilizing. A few examples include positive increases in sales tax receipts and a continuing trend of lower unemployment rates in the first half of 2012.

Long-Term Financial Planning

In an effort to ensure long-term sustainability of transportation programs and services, OCTA developed a Comprehensive Business Plan (CBP). The CBP is a financially constrained business planning tool providing a 20-year cash flow for each of OCTA's transportation programs and serves as the baseline for developing the annual budget. The plan details a comprehensive, multi-modal approach ensuring the financial viability of each of OCTA's programs and is developed consistent with the goals of OCTA's Strategic Plan and Long-Range Transportation Plan.

Relevant Financial Policies

OCTA utilizes several financial policies in guiding day-to-day operations and ensuring long-term financial sustainability. While there are overriding agency wide financial policies, some financial policies are program-specific.

A brief description of the major financial policies follows:

Budget Policy

OCTA's Budget Policy articulates that an annual budget will be prepared in accordance with the CBP, will be subject to a public hearing, and expenses will be controlled at the "Major Object" level. The three Major Objects for expenses at OCTA are: 1) salaries and benefits; 2) services and supplies; and 3) capital expenditures.

Position Control Policy

OCTA's Position Control Policy includes the control, maintenance, and reporting of OCTA's annual allocation of full-time equivalent (FTE) positions as approved by the Board. The Position Control Policy ensures that OCTA does not actively employ more FTEs than approved by the Board and ensures that positions are filled at or below the salary grades approved in the annual budget.

OCTD 45-Day Working Capital Policy

The CBP requires a 45-day working capital reserve fund for transit operations. This reserve fund is in place to accommodate normal fluctuations in revenues and expenditures and protects against significant changes in funding or major expense items.

OCTD Capital Asset Reserve Policy

Each year, OCTA sets aside operating funds derived from the Local Transportation Fund (LTF) ¼-cent sales tax for the local match for capital expenditures to support the transit system. The process of establishing the set-aside involves analyzing available grant revenues and capital requirements for the next 20 years to determine the amount that needs to be set-aside in the upcoming budget year.

91 Express Lanes Financial Policies

In managing the 91 Express Lanes, the Board has adopted a policy on the use of “excess revenues” and the establishment of a capital replacement fund in excess of what is required under the bond indenture. “Excess revenues” are defined as total revenues less operating, capital, senior and subordinated debt service payments, and reserve fund payments. After meeting all debt service requirements, if additional revenues remain, these excess revenues may be used to retire debt early or used for SR-91 corridor improvements.

Major Initiatives

In 1990, Orange County voters approved Measure M (M1), a 20-year, local ½-cent sales tax that expired in April 2011. On November 7, 2006, Orange County voters renewed the Measure M (M2) ½-cent sales tax for an additional 30 years. The allocation of M2 funds remains the same as the original M1 with 43 percent of the funds slated for freeway improvements, 32 percent for streets and roads, and 25 percent for transit projects and programs. Although collection of M2 revenues did not begin until April 2011, OCTA has already begun to deliver on the promises of M2. In August 2007, the Board approved the M2 Early Action Plan (EAP). Under this five-year plan, five M2 freeway projects were under construction, with one project entirely complete, before any revenue was collected. These projects have been advanced using a tax-exempt commercial paper program. By borrowing funds at attractive rates and leveraging state and federal funds, OCTA has been able to start projects early. Early action on M2 projects serves the dual purpose of providing immediate transportation solutions for Orange County, while also creating or saving thousands of jobs during difficult economic times. Additionally, OCTA has been able to take advantage of a very competitive market where construction contracts have been executed at costs significantly below engineering estimates.

During fiscal year 2011-12, OCTA effectively managed its programs and services through an economically challenging period to deliver long-term sustainable transportation solutions for the residents of Orange County. OCTA's accomplishments during the period included:

- Recommending key provisions for the Breaking Down Barriers Act of 2011 introduced to Congress in August 2011 by Gary Miller, (R-CA),

which will break down the bureaucratic barriers to project delivery and expedite project implementation, including making the environmental review process more efficient, integrating planning and programming approaches, and delegating the responsibility for environmental review to the states. Elements of the Act were included in the recently approved federal reauthorization bill, Moving Ahead for Progress in the 21st Century (MAP 21).

- Awarding \$56 million in funds to 46 regional capacity projects that will help highway gap closures.
- Starting construction of two grade separation projects along the Orangethorpe railroad corridor.
- Completing design of the remaining five grade separation projects along the Orangethorpe railroad corridor.
- Completing the environmental phase and starting final design of three freeway HOV projects on Interstate 5 in San Clemente.
- Completing final design of the Interstate 5/Ortega Highway interchange and State Route 91 (WB), Interstate 5 to State Route 57 projects.
- Completing construction of the Avenida Vaquero and El Camino Real sound wall projects along Interstate 5 in San Clemente and one landscape project on Interstate 5.
- Starting construction of the State Route 57 (NB), Katella Avenue to Lincoln Avenue project.
- Beginning preparation of the environmental document for improvements to Interstate 5 in Mission Viejo between State Route 73 and El Toro Road.
- Developing an implementation strategy for the improvements on Interstate 405 between State Route 55 and Interstate 605.
- Starting project development on the conversion of the HOV striping on Interstate 5 and Interstate 405 to continuous access.
- Increasing bus boardings to 52.5 million during the fiscal year, a 2.4 percent increase over the previous fiscal year.
- Reengineered and enhanced fire suppression and electronics systems for the active fixed route fleet.

- Implemented a bus beautification process completing the repainting of forty-three buses.
- Expanding Metrolink rail service to include six new trains on weekdays and expanded seasonal service on weekends during the summer.
- Sales of OCTA's Summer Youth Bus Pass reached 2,450, exceeding previous year sales by seven percent.
- Completing construction of the Fullerton and Tustin Station parking structures.
- Completing construction of video surveillance systems at three Metrolink stations.
- Implementing special event bus service to the Orange County Fair based on a successful Mobile Source Air Pollution Reduction Review Committee grant proposal.
- Preserving five properties totaling 945 acres of wilderness habitat through OCTA's Freeway Environmental Mitigation Program. This effort will conserve and restore Orange County's natural habitat while planning for current and future transportation needs.
- Funding five Habitat Restoration Projects through the M2 mitigation program: Big Bend, Laguna Beach; City Parcel, San Juan Capistrano; Fairview Park Wetlands, Costa Mesa; Irvine Ranch Conservancy, Orange County; and UC Irvine Ecological Reserve, Irvine.
- Receiving a rating upgrade to "AA+" by Fitch Ratings for the M2 program.
- Completing five signal synchronization projects along the Orangethorpe Avenue, Edinger Avenue, Harbor Boulevard, Bristol Street, and Westminster Avenue corridors involving over 400 intersections. In addition, awarding \$7.8 million dollars in M2 grants to local agencies to complete other signal synchronization projects.
- Executing a Cooperative Agreement with RCTC regarding the extension of the 91 Express Lanes into Riverside County.
- Expanding the vanpool program by 15 percent compared to fiscal year 2009-10 to more than 400 active vanpools (February 2012) and

providing more than 1 million passenger trips while reducing more than 30 million vehicle miles traveled.

- Issuing the first Bicycle Corridor Improvement Program Call for Projects for \$9 million of project funding.
- Coordinating and conducting youth, senior and general public outreach events, and presentations, reaching more than 100,000 people with information on OCTA programs and services.
- Completing construction of the M2 Rail-Highway Grade Crossing Safety Enhancement and Quiet Zone project.
- Completion of OCTA's first ever Greenhouse Gas (GHG) Emissions Inventory study. The purpose of the study was to identify and inventory the carbon footprint and global warming impacts associated with OCTA's operations and activities. The project not only strengthened OCTA's reputation as being an environmentally mindful organization, but also demonstrated the true global impact OCTA's activities have on displacing greenhouse gasses.
- Completing the Transit System Study and preparing a bus capital plan to help prioritize future capital investments.
- Participating in Golden Guardian 2012 statewide emergency preparedness exercise.
- Providing opportunities for public and business interactions at major forums such as the Orange County Jobs Now Summit, the Small Business Conference, and Leadership Forums, as well as community-based and business-based events.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCTA for its CAFR for the fiscal year ended June 30, 2011. This was the 29th consecutive year OCTA or its predecessor agency received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the CAFR for the fiscal year ended June 30, 2012, continues to meet the Certificate

of Achievement Program's requirements, and we are submitting it to the GFOA, expecting it to be eligible for another certificate.

The preparation of the CAFR required the dedication of staff in many OCTA departments. We wish to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Special appreciation is extended to the Board for its support for maintaining the highest standards of professionalism in the management of OCTA's finances.

Respectfully submitted,

A handwritten signature in blue ink that reads "Will Kempton" followed by a long horizontal line.

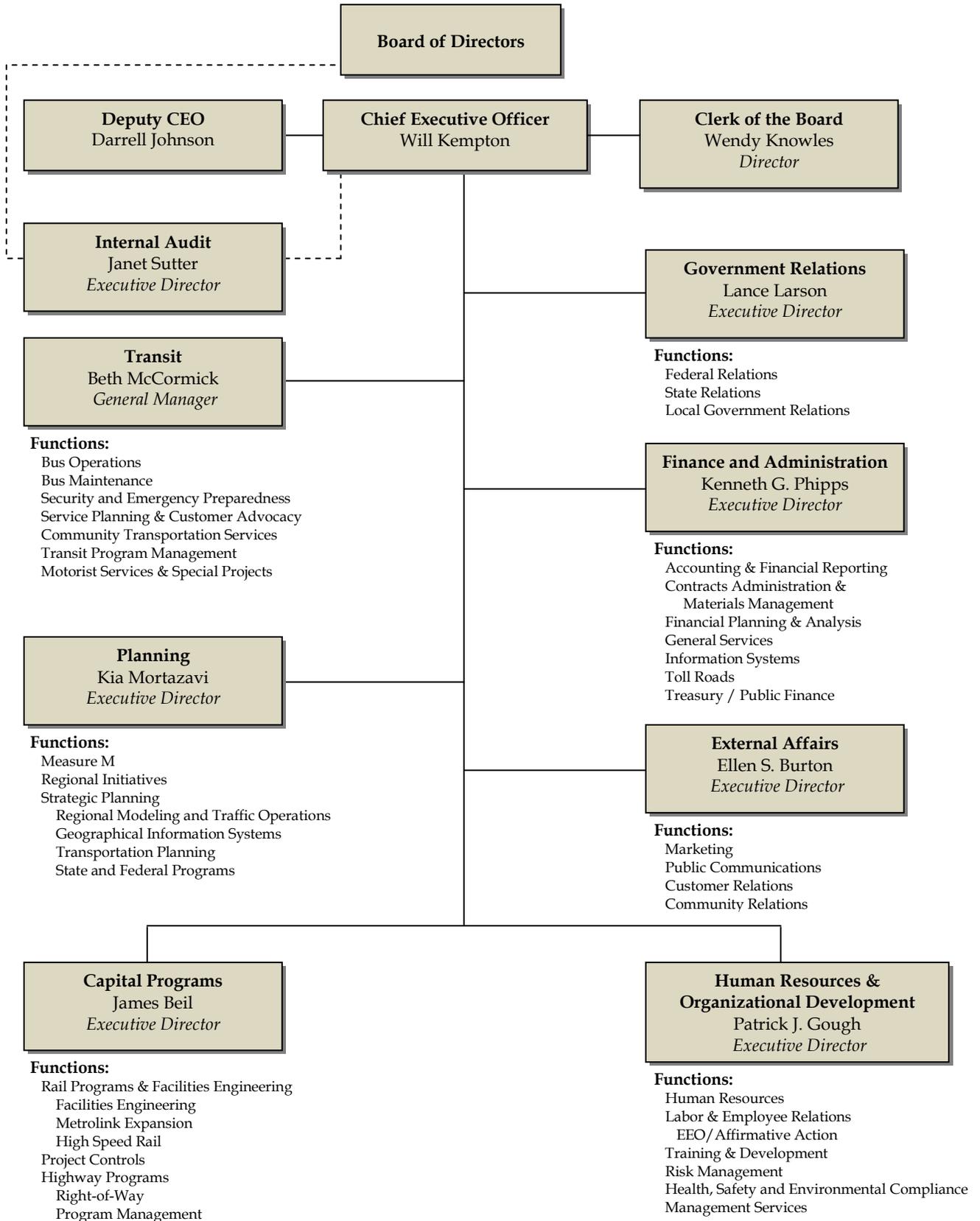
Will Kempton
Chief Executive Officer

A handwritten signature in black ink that reads "Kenneth G. Phipps" in a cursive style.

Kenneth G. Phipps
Executive Director, Finance and Administration

ORANGE COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART



ORANGE COUNTY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

<p>Paul Glaab Chair Mayor, City of Laguna Niguel</p>		<p>Gregory T. Winterbottom Vice Chairman Public Member</p>	
<p>Jerry Amante Director Mayor, City of Tustin</p>		<p>Patricia Bates Director Supervisor, District 5 County of Orange</p>	
<p>Bill Campbell Director Supervisor, District 3 County of Orange</p>		<p>Carolyn Cavecche Director Mayor, City of Orange</p>	
<p>Larry Crandall Director Council Member, City of Fountain Valley</p>		<p>William J. Dalton Director Mayor, City of Garden Grove</p>	
<p>Lorri Galloway Director Council Member, City of Anaheim</p>		<p>Don Hansen Director Mayor, City of Huntington Beach</p>	
<p>Michael Hennessey Director Public Member</p>		<p>Peter Herzog Director Mayor, City of Lake Forest</p>	
<p>John Moorlach Director Supervisor, District 2 County of Orange</p>		<p>Shawn Nelson Director Supervisor, District 4 County of Orange</p>	
<p>Janet Nguyen Director Supervisor, District 1 County of Orange</p>		<p>Miguel Pulido Director Mayor, City of Santa Ana</p>	
<p>Vacant Director</p>		<p>Ryan Chamberlain Governor's Ex-Officio Member Director, Caltrans District 12</p>	

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT STAFF

Will Kempton	Chief Executive Officer
Darrell Johnson	Deputy Chief Executive Officer
Wendy Knowles	Clerk of the Board
Janet Sutter	Executive Director, Internal Audit
Kennard R. Smart, Jr.	General Counsel

Ellen S. Burton	Executive Director, External Affairs
Patrick J. Gough	Executive Director, Human Resources & Organizational Development
James Beil	Executive Director, Capital Programs
Beth McCormick	General Manager, Transit
Kia Mortazavi	Executive Director, Planning
Lance Larson	Executive Director, Government Relations
Kenneth G. Phipps	Executive Director, Finance and Administration

Andrew Oftelie	Director, Finance and Administration
Virginia Abadessa	Director, Contracts Administration and Materials Management
Kirk Avila	Treasurer / General Manager, Toll Roads
Carolina Coppolo	Manager, Contracts and Procurement
Meena Katakia	Manager, Capital Projects
William Mao	Chief Information Officer, Information Systems
Sean Murdock	Manager, Financial Planning and Analysis
Lori Parsel	Section Manager, General Services
Tom Wulf	Manager, Accounting and Financial Reporting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

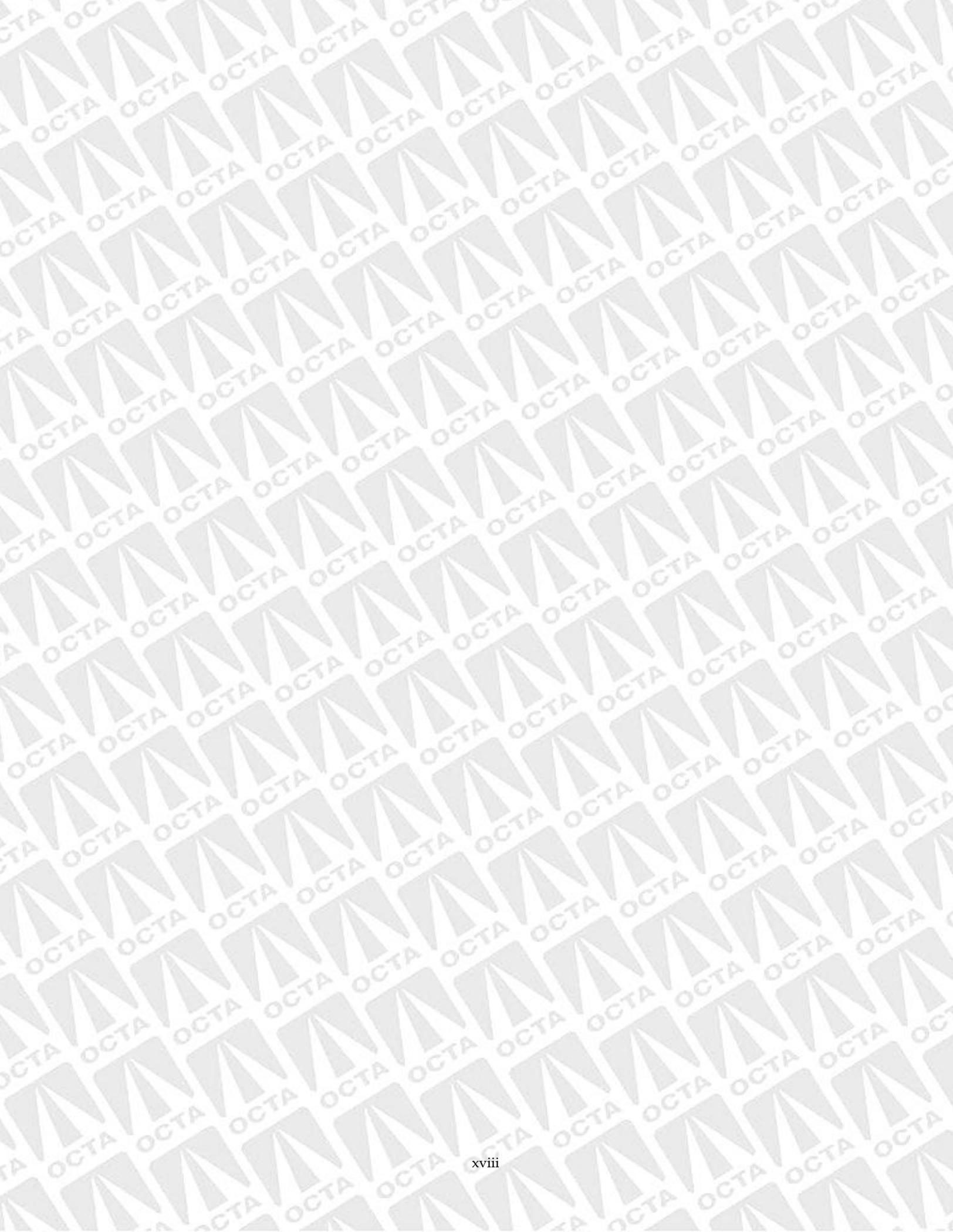


Christopher P. Morinell

President

Jeffrey R. Enow

Executive Director



Bus Transit





INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2012, which collectively comprise OCTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, the budgetary comparison information on pages 74 through 77, and the schedules of funding progress and employer contributions and related notes on pages 78 through 79 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCTA's financial statements. The accompanying supplementary information, such as the combining and individual non-major fund financial statements and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCTA's basic financial statements. The accompanying other information, such as the introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Laguna Hills, California
October 29, 2012

ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)
For the Fiscal Year Ended June 30, 2012

As management of the Orange County Transportation Authority (OCTA), we offer readers of OCTA's financial statements this narrative overview and analysis of OCTA's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-xiii and OCTA's financial statements that begin on page 16. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net assets of OCTA were \$1,188,624 and consisted of net assets invested in capital assets, net of related debt, of \$469,441; restricted net assets of \$272,160; and unrestricted net assets of \$447,023.
- Beginning net assets for Business-type Activities were restated \$5,882 due to grant revenue not recorded on expenses incurred in the prior fiscal year (see note 20). Net assets increased \$68,094 during fiscal year 2011-12. The increase in net assets from governmental activities of \$14,811 was primarily due to an increase in sales tax revenue and operating grants and contributions for the Measure M program offset by an increase in expenditures. The increase in net assets from business-type activities of \$53,283 was primarily related to the receipt of State Transit Assistance in fiscal year 2011-12 and the end of the TDA diversion for the County of Orange bankruptcy recovery (see note 3).
- Total capital assets, net of accumulated depreciation, were \$599,624 at June 30, 2012, representing a decrease of \$33,922, or 5%, over June 30, 2011. This decrease in capital assets was primarily due to continued depreciation offset by the radio communication system upgrade.
- OCTA's governmental funds reported combined ending fund balances of \$777,871, an increase of \$23,178 compared to fiscal year 2010-11. Approximately 73% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OCTA's basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information and other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of OCTA's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of OCTA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

net assets may serve as a useful indicator of whether the financial position of OCTA is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of OCTA that are principally supported by taxes and intergovernmental revenues, or governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, or business-type activities. The governmental activities of OCTA include general government, the Measure M program, motorist services and commuter rail. The business-type activities of OCTA include fixed route transit services, paratransit services, tollroad operations and the taxicab administration program.

The government-wide financial statements include only OCTA and its blended component units. The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of OCTA's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

OCTA maintains 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for OCTA's major governmental funds comprised of the General fund; Local Transportation Authority (LTA), Local Transportation Fund (LTF), and Commuter and Urban Rail Endowment (CURE) special revenue funds; and LTA Debt Service fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information section of this report.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTA adopts an annual budget for all funds. Budgetary comparison schedules have been provided for the General fund and the LTA, LTF and CURE special revenue funds as required supplementary information to demonstrate compliance with the annual appropriated budgets.

The governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds consist of enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. OCTA uses enterprise funds to account for its transit, tollroad and taxicab administration operations. Internal service funds are an accounting mechanism used to accumulate and allocate costs internally to the departments benefiting from OCTA's risk management activities, which include general liability and workers' compensation. Since these risk management activities predominantly benefit business-type rather than governmental functions, they have been included within business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Orange County Transit District (OCTD) and 91 Express Lanes, which are considered to be major enterprise funds of OCTA. Additionally, data from the General Liability and Workers' Compensation internal service funds are combined into a single, aggregated presentation.

The proprietary fund financial statements can be found on pages 22-28 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside OCTA. Fiduciary funds are not reflected in the government-wide financial statements, as the resources of those funds are not available to support OCTA's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-73 of this report.

Other information is in addition to the basic financial statements and accompanying notes. This report also presents certain required supplementary information concerning OCTA's budgetary results for the General fund and major special revenue funds with appropriated budgets. Additionally, trend data for OCTA's supplemental pension plan, Additional Retiree Benefit Account (ARBA), is included. Required supplementary information can be found on pages 74-79 of this report.

The combining statements of nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for the Local Transportation Authority Debt Service Fund and nonmajor governmental funds are located in this section. This other supplementary information can be found on pages 81-96 of this report.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2012, OCTA's assets exceeded liabilities by \$1,188,624, a \$68,094 increase from June 30, 2011. Our analysis below focuses on net assets (Table 1) and changes in net assets (Table 2) of OCTA's governmental and business-type activities.

OCTA's net assets invested in capital assets net of related debt were \$469,441, compared to \$497,031 in 2011. OCTA's net assets reflect its investment in capital assets (i.e., toll facility franchise; land; buildings and improvements; machinery, equipment and furniture; transit vehicles; and transponders), less any related outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transportation and transit services to the residents and business community of Orange County. The decrease of \$2,819 in net assets invested in capital assets, net of related debt, from governmental activities was primarily due to the transfer of the Traffic Signalization component of the Bus Rapid Transit project to those cities along the corridor. The decrease of \$24,771 in net assets invested in capital assets, net of related debt, from business-type activities was primarily related to continued depreciation offset by the new radio system upgrade.

Restricted net assets, representing resources subjected to external restrictions on how they may be used, were 23% and 20% of the total net assets at June 30, 2012 and 2011, respectively. Restricted net assets from governmental activities increased \$52,280 due to the continuing improvement in the economy that resulted in an increase in sales tax revenue as well as an increase in contributions from other agencies for the reimbursement of the Metrolink Service Expansion Program (MSEP) and grade separation projects. The increase in restricted net assets from business-type activities of \$42 is related to investment activity in bond reserve accounts.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets from governmental activities changed from \$234,876 at June 30, 2011 to \$200,226 at June 30, 2012. This decrease was primarily due to the continued funding of the MSEP. The increase of \$78,012 in unrestricted net assets from business-type activities was primarily attributable to the increase in transfers from the State Transit Assistance fund and from the Local Transportation Fund due to the conclusion of the diversion to the County of Orange for bankruptcy recovery.

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

Table 1
Orange County Transportation Authority
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets, as restated	\$929,533	\$924,192	\$316,916	\$231,890	\$1,246,449	\$1,156,082
Restricted assets	-	-	38,975	38,933	38,975	38,933
Prepaid retirement	4,887	4,288	15,019	14,664	19,906	18,952
Assets held for resale	6,623	6,623	-	-	6,623	6,623
Capital assets	191,149	193,968	408,475	439,578	599,624	633,546
Total assets, as restated	1,132,192	1,129,071	779,385	725,065	1,911,577	1,854,136
Current liabilities	127,738	139,196	57,688	50,489	185,426	189,685
Long-term liabilities	361,259	361,491	176,268	182,430	537,527	543,921
Total liabilities	488,997	500,687	233,956	232,919	722,953	733,606
Net assets:						
Invested in capital assets, net of related debt	191,149	193,968	278,292	303,063	469,441	497,031
Restricted	251,820	199,540	20,340	20,298	272,160	219,838
Unrestricted, as restated	200,226	234,876	246,797	168,785	447,023	403,661
Total net assets, as restated	\$643,195	\$628,384	\$545,429	\$492,146	\$1,188,624	\$1,120,530

OCTA's total revenues increased by 20%, while the total cost of all programs increased by 7%. The increase in revenues is primarily due to grants received for the MSEP and grade separation projects, the reinstatement of State Transit assistance, the conclusion of the diversion of TDA revenues for the County of Orange bankruptcy recovery and an increase in sales tax revenues due to the continued improvement in the economy. The increase in program costs is primarily due to an increase in M2 expenditures primarily for the grade separation projects and the continued emphasis on the MSEP program. Approximately 50% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

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

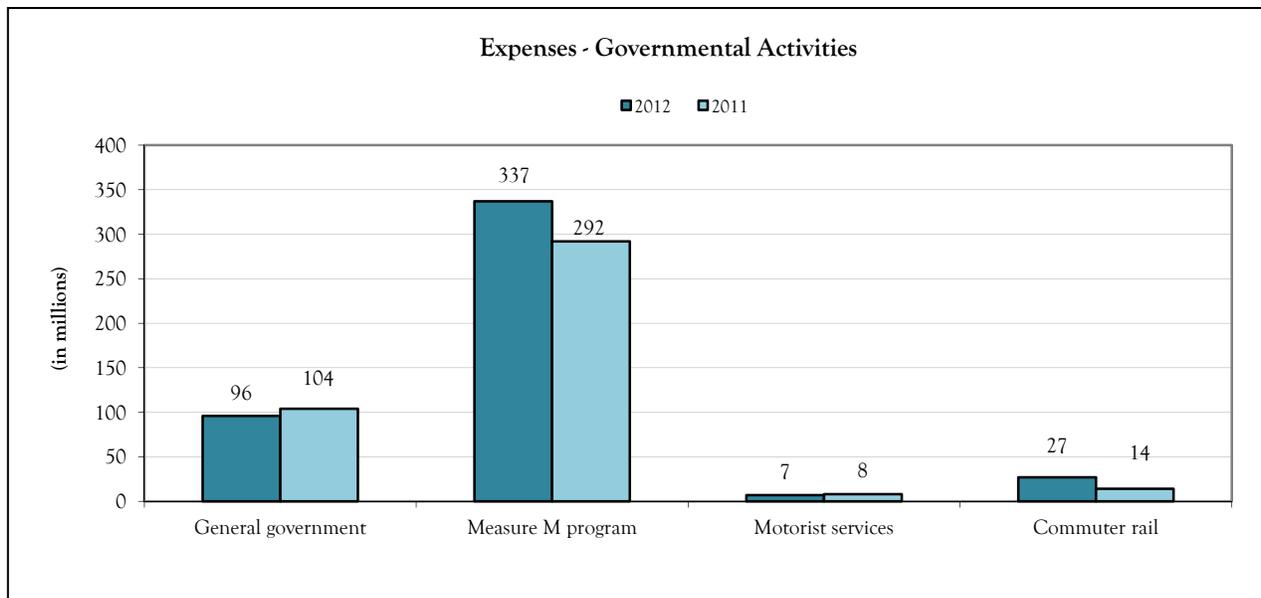
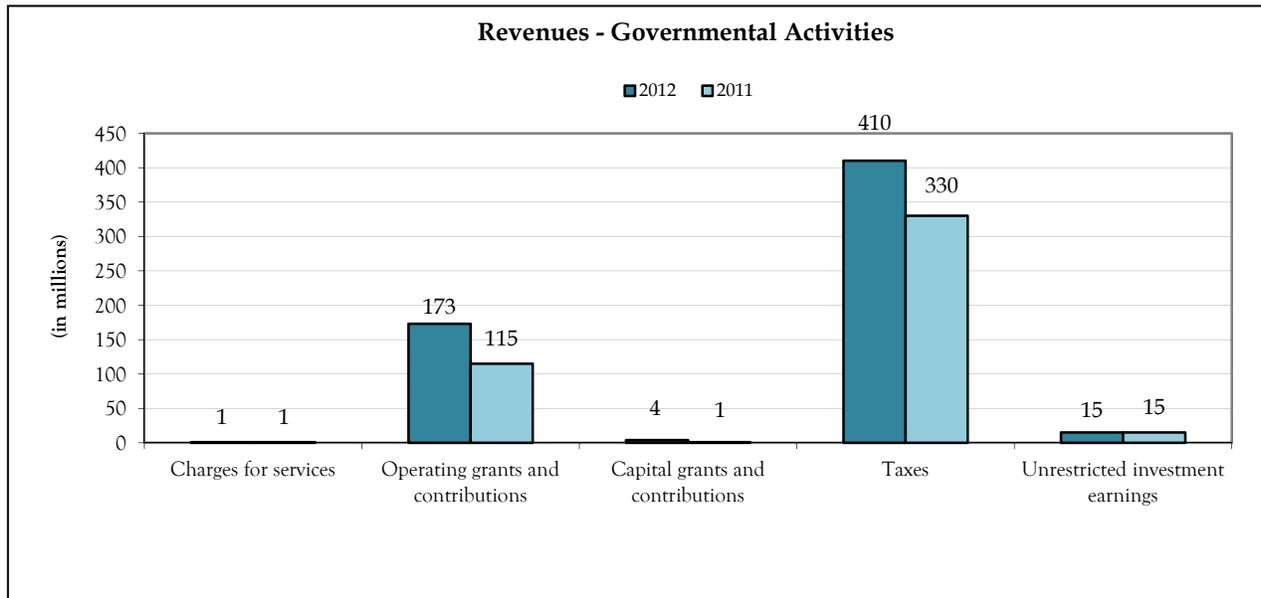
Table 2
Orange County Transportation Authority
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$1,446	\$1,233	\$ 95,449	\$ 98,455	\$ 96,895	\$ 99,688
Operating grants and contributions, as restated	172,733	115,154	90,099	78,323	262,832	193,477
Capital grants and contributions	4,335	1,204	10,023	8,648	14,358	9,852
General revenues:						
Taxes	409,556	329,971	11,193	10,736	420,749	340,707
Unrestricted investment earnings	15,192	14,487	926	15,552	16,118	30,039
Other miscellaneous revenue	355	229	228	2,769	583	2,998
Total revenues, as restated	603,617	462,278	207,918	214,483	811,535	676,761
Expenses:						
General government	95,679	104,305	-	-	95,679	104,305
Measure M program	337,034	291,703	-	-	337,034	291,703
Motorist services	7,347	7,545	-	-	7,347	7,545
Commuter rail	26,806	14,393	-	-	26,806	14,393
Fixed route	-	-	201,629	200,999	201,629	200,999
Paratransit	-	-	51,225	46,151	51,225	46,151
Tollroad	-	-	23,231	31,371	23,231	31,371
Taxicab administration	-	-	490	393	490	393
Total expenses	466,866	417,946	276,575	278,914	743,441	696,860
Indirect expense allocation	(29,340)	(27,248)	29,340	27,248	-	-
Increase (decrease) in net assets before transfers, as restated	166,091	71,580	(97,997)	(91,679)	68,094	(20,099)
Transfers	(151,280)	(66,230)	151,280	66,230	-	-
Changes in net assets, as restated	14,811	5,350	53,283	(25,449)	68,094	(20,099)
Net assets – beginning of year	628,384	623,034	492,146	517,595	1,120,530	1,140,629
Net assets – end of year	\$ 643,195	\$628,384	\$ 545,429	\$ 492,146	\$1,188,624	\$1,120,530

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

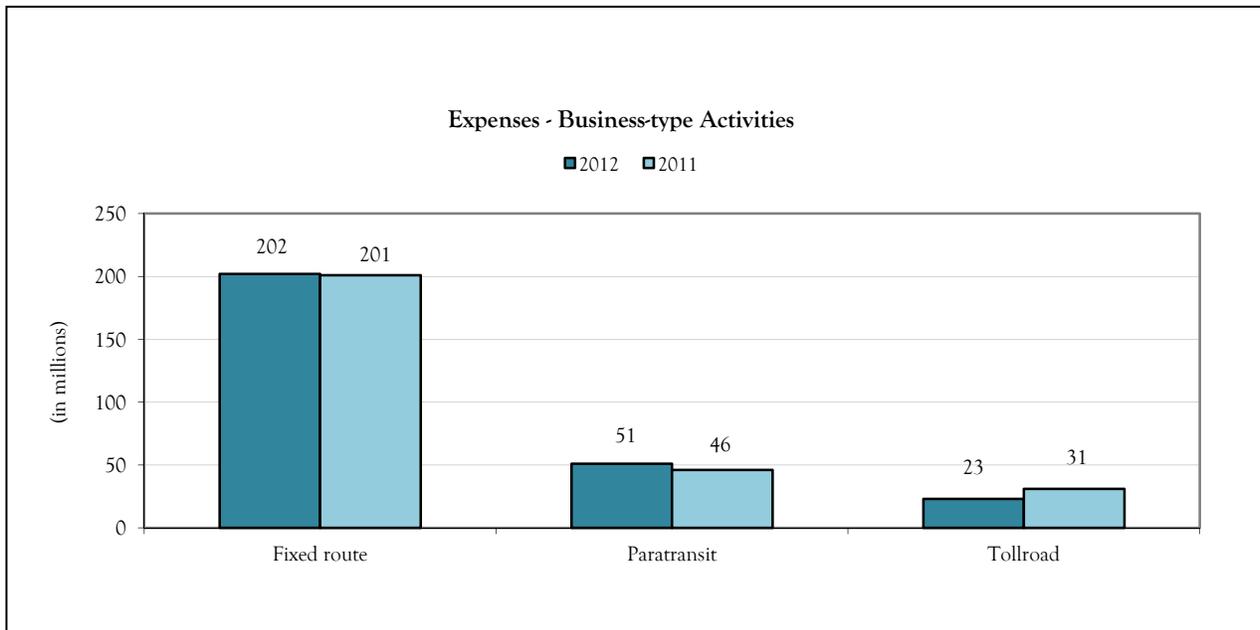
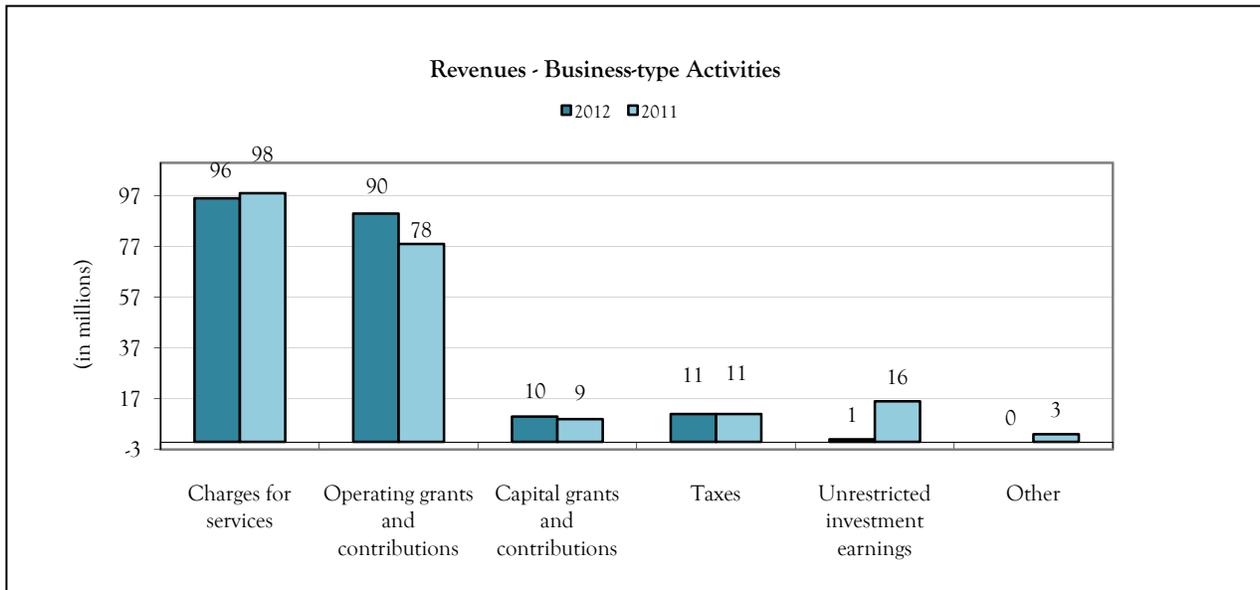
Total revenues for OCTA's governmental activities increased \$141,339 primarily due to an increase in operating grants received for the MSEP and grade separation projects, the reinstatement of the State Transit assistance, the conclusion of the diversion of the TDA monies for the County of Orange bankruptcy and an increase in sales tax revenues due to the continued improvement in the economy. Total expenses increased \$48,920 primarily due to the increase in M2 expenditures related to the grade separation projects and the continued emphasis on the MSEP program.



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

Business-type Activities

Revenues of OCTA's business-type activities decreased \$6,565 due to a decrease in investment earnings primarily resulting from a loss in the derivative investment. This decrease was offset by an increase in operating grants and contributions due to an increase in federal transit grants for capital costs of contracting. Total expenses decreased \$2,339 primarily due to a decrease in tollroad expenses attributable to the extension of the Franchise Agreement resulting in a decrease in amortization (see note 19) and a decrease in interest expense due to the termination of the Series 2003-B-1 swap. This decrease was offset by an increase in contracting fees for paratransit services.



ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of OCTA's Funds

As noted earlier, OCTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of OCTA's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing OCTA's financing requirements.

As of June 30, 2012, OCTA's governmental funds reported combined ending fund balances of \$777,871, an increase of \$23,178 compared to 2011. Approximately 87% or \$680,191 of this amount is restricted, the majority of which relates to the Measure M program. Committed fund balance of \$68,084 or 9% is primarily for the commuter rail program. Nonspendable fund balance of \$24,285 is not in spendable form. Assigned fund balance of \$9,514 is assigned for capital projects. The remainder of fund balance of \$(4,203) is unassigned.

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

The LTA fund increased by \$49,307, primarily due to an increase in operating grants and contributions for the grade separation projects and an increase in sales tax revenue due to the improving economy offset by an increase in expenditures primarily for the grade separation projects.

The CURE fund decreased by \$30,525. This decrease is primarily due to transfers to Southern California Regional Rail Authority (SCRRA) for operations and capital projects.

Proprietary Funds

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

Unrestricted net assets of the enterprise funds were \$227,960 at June 30, 2012 compared to \$149,775 at June 30, 2011. The following are the significant changes in net assets of OCTA's major proprietary funds:

The Orange County Transit District fund net assets increased \$43,794, primarily due to an increase in transfers from STAF and LTF due to the receipt of State Transit assistance in fiscal year 2011-12 and the end of the TDA diversion for the County of Orange bankruptcy recovery, respectively.

The 91 Express Lanes fund net assets increased \$9,537 primarily due to revenues in excess of operating expenses.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

Revenues

The primary sources of revenues for the general fund are from federal, state, and local sources. Throughout the fiscal year, the original budget increased by \$2,400 due to the federal reimbursement of operating expenses related to the iShuttle service, which provides service connectivity between employment centers in the City of Irvine and local Metrolink stations.

Actual revenues were higher than the final budget by \$770. The excess is primarily the result of higher contributions from other agencies. These funds are received on a reimbursement basis. Reimbursements are sought as expenditures are incurred throughout the life of a project. The projects contributing to the excess are the Jeffrey Grade Separation project, the traffic signal synchronization project and the high occupancy vehicle continuous access striping projects.

Expenditures

During the fiscal year, the original budget increased by \$2,731 primarily due to expenses associated with the federal reimbursement operating costs related to iShuttle service.

Actual expenditures were less than the final budget by \$27,976. This was primarily due to project delays arising from changes in scope and changes to plans involving multiple agencies for the following projects: the Bristol street widening project, the bikeway and pedestrian facility program, and the high occupancy vehicle continuous access striping projects.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, OCTA had \$599,624, net of accumulated depreciation, invested in a broad range of capital assets including: the 91 Express Lanes toll facility franchise, transit vehicles, land, buildings and machinery, equipment and furniture (Table 3). The total decrease in OCTA's capital assets for fiscal year 2011-12 was \$33,922, which was comprised of a \$2,819 decrease in capital assets related to governmental activities and a \$31,103 decrease in capital assets related to business-type activities.

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

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 187,627	\$ 187,627	\$ 54,545	\$ 54,545	\$ 242,172	\$ 242,172
Buildings and improvements	2,132	2,340	85,359	89,581	87,491	91,921
Transit vehicles	-	-	110,119	137,700	110,119	137,700
Machinery, equipment and furniture	1,390	1,267	19,998	14,800	21,388	16,067
Toll facility franchise	-	-	138,389	142,952	138,389	142,952
Construction in progress	-	2,734	65	-	65	2,734
Totals	\$ 191,149	\$ 193,968	\$ 408,475	\$ 439,578	\$ 599,624	\$ 633,546

Major capital asset additions during 2012 included:

- \$2,671 for video surveillance systems installed on buses
- \$4,460 for radio replacement systems

Major capital asset deletions during 2012 included:

- \$2,581 for disposal of various communication equipment/systems
- \$2,681 for the transfer of the Traffic Signalization component of the Bus Rapid Transit project to those cities along the corridor

More detailed information about OCTA's capital assets is presented in note 9 to the financial statements.

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$34,749 for the Bristol Street Widening project, \$46,477 for the MSEP, \$16,228 for the Sand Canyon Grade Separation project, \$27,915 for the Kraemer Boulevard Grade Separation project, \$19,401 for the Placentia Avenue Grade Separation project, and \$13,584 for bus radio system replacement.

Debt Administration

As of June 30, 2012, OCTA had \$538,275 in bonds and commercial paper notes outstanding compared to \$543,255 at June 30, 2011, as presented in Table 4.

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

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Sales tax revenue bonds	\$352,570	\$ 352,570	\$ -	\$ -	\$ 352,570	\$ 352,570
Commercial paper notes	25,000	25,000	-	-	25,000	25,000
Revenue refunding bonds	-	-	160,705	165,685	160,705	165,685
Totals	\$377,570	\$377,570	\$160,705	\$165,685	\$538,275	\$543,255

OCTA issued \$293,540 in M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and \$59,030 in 2010 Series B (Tax-exempt Bonds) to fund the M2 program.

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

Additional information on OCTA's short-term debt, interest rate swaps and long-term debt can be found in notes 11, 12 and 13 to the financial statements, respectively.

Economic and Other Factors

On June 11, 2012, OCTA's Board of Directors (Board) adopted the fiscal year 2012-13 budget. The \$1.1 billion budget has been developed consistent with the assumptions and goals of OCTA's Strategic Plan and Comprehensive Business Plan. This balanced budget is a result of OCTA's ongoing effort to deliver long-term sustainable transportation solutions for the residents of Orange County while remaining a responsible steward of limited taxpayer dollars.

The fiscal year 2012-13 budget reflects a multi-year effort by OCTA staff and the Board of Directors to effectively manage OCTA programs and services through the recent recession. The result of these efforts is financial stability across OCTA programs and services, which has provided OCTA the opportunity to make strategic improvements to programs and services. This budget includes the addition of 23,000 revenue hours to bus service levels. The additional service hours will increase bus service frequency in high demand corridors to help address passenger demand and improve on-time performance. The budget also includes increased Metrolink service to support both weekday and weekend service in Orange County.

OCTA remains committed to controlling costs. Growth in General Fund related expenditures remained tightly controlled by Executive Management, and the plan to contract additional fixed route service commensurate with coach operator attrition will continue, with approximately 86,000 revenue hours to be converted during the fiscal year.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTA will continue to honor the commitment made to the residents of Orange County when they passed Measure M. Approximately \$580 million in combined Measure M1 and Measure M2 funds are budgeted for projects to improve transportation within the County. These funds will pay for improvements to freeways and streets and roads throughout the County, as well as fund rail and transit programs.

The fiscal year 2012-13 budget demonstrates OCTA's continued commitment to developing and delivering transportation solutions to enhance quality of life and keep Orange County moving, while remaining a responsible steward of taxpayer dollars.

Contacting OCTA's Management

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Assets
June 30, 2012

<i>(amounts expressed in thousands)</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 776,838	\$ 262,752	\$ 1,039,590
Receivables:			
Interest	2,322	1,176	3,498
Operating grants	19,099	19,306	38,405
Capital grants	-	21	21
Other	760	9,812	10,572
Internal balances	(6,382)	6,382	-
Due from other governments	121,123	7,988	129,111
Condemnation deposits	9,087	-	9,087
Inventory	-	5,333	5,333
Restricted cash and investments:			
Cash equivalents	-	38,975	38,975
Prepaid retirement	4,887	15,019	19,906
Other assets	6,686	4,146	10,832
Assets held for resale	6,623	-	6,623
Capital assets, net:			
Nondepreciable	187,627	54,610	242,237
Depreciable and amortizable	3,522	353,865	357,387
Total Assets	1,132,192	779,385	1,911,577
Liabilities			
Accounts payable	30,773	20,130	50,903
Accrued payroll and related items	1,909	5,987	7,896
Accrued interest payable	8,363	2,123	10,486
Due to other governments	48,648	1,097	49,745
Unearned revenue	12,960	20,182	33,142
Other liabilities	85	405	490
Commercial paper notes	25,000	-	25,000
Derivative instrument	-	7,764	7,764
Noncurrent liabilities:			
Due within one year	6,428	17,474	23,902
Due in more than one year	354,831	158,794	513,625
Total Liabilities	488,997	233,956	722,953
Net Assets			
Invested in capital assets, net of related debt	191,149	278,292	469,441
Restricted for:			
Measure M program	232,312	-	232,312
Debt service	12,002	6,960	18,962
Motorist services	7,506	-	7,506
Capital	-	10,145	10,145
Operating reserve	-	3,235	3,235
Unrestricted	200,226	246,797	447,023
Total Net Assets	\$ 643,195	\$ 545,429	\$ 1,188,624

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Functions/Programs								
Primary government								
Governmental activities:								
General government	\$ 95,679	\$ (46,507)	\$ 149	\$ 32,066	\$ 1,766	\$ (15,191)	\$ -	\$ (15,191)
Measure M program	337,034	15,314	664	133,976	2,569	(215,139)	-	(215,139)
Motorist services	7,347	511	-	5,325	-	(2,533)	-	(2,533)
Commuter rail	26,806	1,342	633	1,366	-	(26,149)	-	(26,149)
Total governmental activities	466,866	(29,340)	1,446	172,733	4,335	(259,012)	-	(259,012)
Business-type activities:								
Fixed route	201,629	26,290	50,553	73,209	10,023	-	(94,134)	(94,134)
Paratransit	51,225	1,065	6,417	16,890	-	-	(28,983)	(28,983)
Tollroad	23,231	1,849	37,742	-	-	-	12,662	12,662
Taxicab administration	490	136	737	-	-	-	111	111
Total business-type activities	276,575	29,340	95,449	90,099	10,023	-	(110,344)	(110,344)
Total primary government	\$ 743,441	\$ -	\$ 96,895	\$ 262,832	\$ 14,358	(259,012)	(110,344)	(369,356)
General Revenues:								
Property taxes						-	11,193	11,193
Sales taxes						409,556	-	409,556
Unrestricted investment earnings						15,192	926	16,118
Other miscellaneous revenue						355	228	583
Transfers						(151,280)	151,280	-
Total general revenues and transfers						273,823	163,627	437,450
Change in net assets						14,811	53,283	68,094
Net assets - beginning, as restated						628,384	492,146	1,120,530
Net assets - ending						\$ 643,195	\$ 545,429	\$ 1,188,624

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Funds
June 30, 2012

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 2,533	\$ 587,078	\$ 2,168	\$ 151,015	\$ 12,000	\$ 22,044	\$ 776,838
Receivables:							
Interest	-	1,498	6	711	2	105	2,322
Operating grants	3,050	16,049	-	-	-	-	19,099
Other	27	681	-	24	-	28	760
Due from other funds	441	-	-	-	-	-	441
Due from other governments	2,040	80,790	25,785	118	-	9,795	118,528
Condemnation deposits	-	9,087	-	-	-	-	9,087
Advances to other funds	-	-	-	-	-	5,627	5,627
Prepaid retirement	4,887	-	-	-	-	-	4,887
Other assets	572	-	-	-	-	4,112	4,684
Total Assets	\$ 13,550	\$ 695,183	\$ 27,959	\$ 151,868	\$ 12,002	\$ 41,711	\$ 942,273
Liabilities and Fund Balances							
Liabilities							
Accounts payable	3,530	26,361	-	396	-	486	30,773
Accrued payroll and related items	1,909	-	-	-	-	-	1,909
Compensated absences	18	-	-	-	-	-	18
Due to other funds	-	-	-	420	-	6,275	6,695
Due to other governments	3,087	38,759	418	3,816	-	2,568	48,648
Deferred revenue	3,709	41,055	-	270	-	613	45,647
Other liabilities	41	44	-	-	-	-	85
Advances from other funds	-	5,627	-	-	-	-	5,627
Commercial paper notes	-	25,000	-	-	-	-	25,000
Total Liabilities	12,294	136,846	418	4,902	-	9,942	164,402
Fund Balances							
Nonspendable:							
Condemnation deposits	-	9,087	-	-	-	-	9,087
Prepaid retirement	4,887	-	-	-	-	-	4,887
Other assets	572	-	-	-	-	4,112	4,684
Advances	-	-	-	-	-	5,627	5,627
Restricted for:							
Transportation programs	-	549,250	27,541	78,882	-	4,164	659,837
Streets and roads	-	-	-	-	-	990	990
Motorist services	-	-	-	-	-	7,362	7,362
Debt service	-	-	-	-	12,002	-	12,002
Committed to:							
Metrolink Operations/Capital	-	-	-	68,084	-	-	68,084
Assigned to:							
Capital project funds	-	-	-	-	-	9,514	9,514
Unassigned	(4,203)	-	-	-	-	-	(4,203)
Total Fund Balances	1,256	558,337	27,541	146,966	12,002	31,769	777,871
Total Liabilities and Fund Balances	\$ 13,550	\$ 695,183	\$ 27,959	\$ 151,868	\$ 12,002	\$ 41,711	\$ 942,273

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2012

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Net Assets (page 16) are different because:

Total fund balances (page 18)	\$	777,871
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		191,149
Interest subsidy on the Build America Bonds is not reported in the funds.		2,595
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		6,623
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.		32,687
Other long-term assets related to costs of issuance are not available to pay for current-period expenditures and, therefore, are deferred.		2,001
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		(128)
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(8,363)
Other liabilities, including other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.		(81)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(361,159)
Net assets of governmental activities (page 16)	\$	643,195

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Sales taxes	\$ -	\$ 252,132	\$ 138,278	\$ -	\$ -	\$ 22,312	\$ 412,722
Gasoline taxes	-	-	-	-	-	23,447	23,447
Vehicle registration fees	-	-	-	-	-	2,610	2,610
Fines	152	-	-	7	-	-	159
Contributions from other agencies	9,134	139,007	756	1,250	-	2,689	152,836
Interest and investment income	24	5,393	33	2,346	6,967	562	15,325
Capital assistance grants	695	-	-	-	-	-	695
Miscellaneous	288	665	-	626	-	63	1,642
Total Revenues	10,293	397,197	139,067	4,229	6,967	51,683	609,436
Expenditures							
Current:							
General government	7,191	64,281	1,669	22,684	-	5,632	101,457
Transportation:							
Contributions to other local agencies	8,696	179,647	3,392	5,464	-	25,286	222,485
Capital outlay	2,157	86,372	-	-	-	-	88,529
Debt service:							
Interest	-	125	-	-	22,383	-	22,508
Total Expenditures	18,044	330,425	5,061	28,148	22,383	30,918	434,979
Excess (deficiency) of revenues over (under) expenditures	(7,751)	66,772	134,006	(23,919)	(15,416)	20,765	174,457
Other financing sources (uses)							
Transfers in	8,994	2,441	-	-	17,223	637	29,295
Transfers out	(637)	(19,906)	(130,414)	(6,606)	-	(23,011)	(180,574)
Total other financing sources (uses)	8,357	(17,465)	(130,414)	(6,606)	17,223	(22,374)	(151,279)
Net change in fund balances	606	49,307	3,592	(30,525)	1,807	(1,609)	23,178
Fund balances - beginning	650	509,030	23,949	177,491	10,195	33,378	754,693
Fund balances - ending	\$ 1,256	\$ 558,337	\$ 27,541	\$ 146,966	\$ 12,002	\$ 31,769	\$ 777,871

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 17) are different because:

Net change in fund balances - total governmental funds (page 20)	\$	23,178
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(134)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(2,685)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds, but are deferred.		(5,819)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		495
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(388)
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		164
Change in net assets of governmental activities (page 17)	\$	14,811

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets
Proprietary Funds
June 30, 2012

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 178,319	\$ 46,877	\$ 744	\$ 225,940	\$ 36,812
Receivables:					
Interest	925	63	2	990	186
Operating grants	19,306	-	-	19,306	-
Capital grants	21	-	-	21	-
Violations, net	-	5,602	-	5,602	-
Farebox	1,116	-	-	1,116	-
Other	1,452	1,116	-	2,568	526
Due from other funds	6,254	-	-	6,254	-
Due from other governments	7,988	-	-	7,988	-
Inventory	5,333	-	-	5,333	-
Prepaid retirement	14,977	-	42	15,019	-
Other assets	50	250	-	300	1,225
Total current assets	235,741	53,908	788	290,437	38,749
Noncurrent assets:					
Restricted cash and investments:					
Cash equivalents	-	38,975	-	38,975	-
Unamortized debt issuance costs	-	2,621	-	2,621	-
Capital assets, net:					
Nondepreciable	54,610	-	-	54,610	-
Depreciable and amortizable	210,633	143,232	-	353,865	-
Total noncurrent assets	265,243	184,828	-	450,071	-
Total Assets	500,984	238,736	788	740,508	38,749

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets
Proprietary Funds, Continued
June 30, 2012

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	16,751	2,906	29	19,686	444
Accrued payroll and related items	5,967	-	20	5,987	-
Accrued interest	4	2,119	-	2,123	-
Claims payable	-	-	-	-	4,171
Due to other governments	1,008	87	2	1,097	-
Unearned revenue	16,062	4,118	2	20,182	-
Other liabilities	2	301	-	303	102
Current portion of long-term liabilities	8,037	5,245	21	13,303	-
Total current liabilities	<u>47,831</u>	<u>14,776</u>	<u>74</u>	<u>62,681</u>	<u>4,717</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	15,323
Derivative instrument	-	7,764	-	7,764	-
Long-term liabilities	532	142,937	2	143,471	-
Total noncurrent liabilities	<u>532</u>	<u>150,701</u>	<u>2</u>	<u>151,235</u>	<u>15,323</u>
Total Liabilities	<u>48,363</u>	<u>165,477</u>	<u>76</u>	<u>213,916</u>	<u>20,040</u>
Net Assets					
Invested in capital assets, net of related debt	264,606	13,685	-	278,292	-
Restricted for:					
Debt service	-	6,960	-	6,960	-
Capital	-	10,145	-	10,145	-
Operating reserves	-	3,235	-	3,235	-
Unrestricted	188,015	39,234	712	227,960	18,709
Total Net Assets	<u>\$ 452,621</u>	<u>\$ 73,259</u>	<u>\$ 712</u>	<u>\$ 526,592</u>	<u>\$ 18,709</u>

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Fund Net Assets of Proprietary Funds to the Statement of Net Assets
June 30, 2012

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Net Assets (page 16) are different because:

Total net assets (page 23)	\$ 526,592
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Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund is included in this difference.

18,837

Net assets of business-type activities (page 16)

<u><u>\$ 545,429</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
User fees and charges	\$ 50,611	\$ 37,743	\$ -	\$ 88,354	\$ -
Permit fees	-	-	737	737	-
Charges for services	-	-	-	-	6,537
Total operating revenues	50,611	37,743	737	89,091	6,537
Operating expenses:					
Wages, salaries and benefits	115,695	-	346	116,041	-
Maintenance, parts and fuel	20,764	-	-	20,764	-
Purchased services	60,092	7,222	-	67,314	-
Administrative services	27,218	1,848	136	29,202	138
Other	3,334	153	5	3,492	259
Insurance claims and premiums	11	308	-	319	4,781
Professional services	14,938	2,651	123	17,712	2,169
General and administrative	3,270	439	17	3,726	-
Depreciation and amortization	34,192	5,994	-	40,186	-
Total operating expenses	279,514	18,615	627	298,756	7,347
Operating income (loss)	(228,903)	19,128	110	(209,665)	(810)
Nonoperating revenues (expenses):					
Gas tax exchange	23,000	-	-	23,000	-
State transit assistance	61	-	-	61	-
Federal operating assistance grants	66,757	-	-	66,757	-
Property taxes allocated by the County of Orange	11,193	-	-	11,193	-
Investment earnings	3,537	521	11	4,069	495
Investment loss on derivative instruments	-	(3,639)	-	(3,639)	-
Interest expense	(65)	(6,464)	-	(6,529)	-
Other	6,527	93	4	6,624	306
Total nonoperating revenues (expenses)	111,010	(9,489)	15	101,536	801
Income (loss) before contributions and transfers	(117,893)	9,639	125	(108,129)	(9)
Capital contributions	10,306	-	-	10,306	-
Transfers in	154,337	-	-	154,337	-
Transfers out	(2,956)	(102)	-	(3,058)	-
Change in net assets	43,794	9,537	125	53,456	(9)
Total net assets - beginning, as restated	408,827	63,722	587	473,136	18,718
Total net assets - ending	\$ 452,621	\$ 73,259	\$ 712	\$ 526,592	\$ 18,709

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenses and
Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities
For the Year Ended June 30, 2012

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Activities (page 17) are different because:

Net change in fund net assets - total enterprise funds (page 25)	\$ 53,456
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Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of the general liability and workers' compensation internal service funds are included in business-type activities in the Statement of Net Assets. Additionally, the effect of allocating the workers' compensation Internal Service Fund loss to the governmental activities is included in this difference.

(173)

Change in net assets of business-type activities (page 17)	\$ 53,283
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See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 51,550	\$ 39,839	\$ 761	\$ 92,150	\$ -
Receipts from interfund services provided	-	-	-	-	6,526
Payments to suppliers	(94,802)	(11,419)	(125)	(106,346)	(2,608)
Payments to claimants	(11)	-	-	(11)	(5,902)
Payments to employees	(113,740)	-	(356)	(114,096)	-
Payments for interfund services used	(27,218)	(1,848)	(136)	(29,202)	(138)
Advertising revenue received	3,511	-	-	3,511	-
Miscellaneous revenue received	1,943	93	4	2,040	306
Net cash provided by (used for) operating activities	(178,767)	26,665	148	(151,954)	(1,816)
Cash flows from noncapital financing activities:					
Gas tax exchange received	35,002	-	-	35,002	-
Federal operating assistance grants received	71,751	-	-	71,751	-
Property taxes received	11,940	-	-	11,940	-
State transit assistance funds received	61	-	-	61	-
Transfers from other funds	148,083	-	-	148,083	-
Transfers to other funds	(2,956)	(102)	-	(3,058)	-
Net cash provided by (used for) noncapital financing activities	263,881	(102)	-	263,779	-
Cash flows from capital and related financing activities:					
Federal capital grants for acquisition and construction of capital assets	8,060	-	-	8,060	-
Proceeds from sale of capital assets	(1,553)	-	-	(1,553)	-
Payment of capital lease	(2,230)	-	-	(2,230)	-
Principal payment on long-term debt	-	(4,980)	-	(4,980)	-
Interest paid on long-term debt	(80)	(5,739)	-	(5,819)	-
Acquisition and construction of capital assets	(8,303)	(787)	-	(9,090)	-
Net cash used for capital and related financing activities	(4,106)	(11,506)	-	(15,612)	-
Cash flows from investing activities:					
Investment earnings	3,373	507	11	3,891	525
Net cash provided by investing activities	3,373	507	11	3,891	525
Net increase (decrease) in cash and cash equivalents	84,381	15,564	159	100,104	(1,291)
Cash and cash equivalents at beginning of year	93,938	70,288	585	164,811	38,103
Cash and cash equivalents at end of year	\$ 178,319	\$ 85,852	\$ 744	\$ 264,915	\$ 36,812

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds, Continued
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (228,903)	\$ 19,128	\$ 110	\$ (209,665)	\$ (810)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation expense	34,192	1,431	-	35,623	-
Amortization of franchise agreement	-	4,563	-	4,563	-
Amortization of cost of issuance	-	143	-	143	-
Amortization of prepaid retirement	14,632	-	28	14,660	-
Net OPEB obligation	4	-	-	4	-
Advertising revenue	3,226	-	-	3,226	-
Miscellaneous	3,264	93	4	3,361	-
Insurance recoveries	-	-	-	-	306
Change in assets and liabilities:					
Receivables	(357)	1,715	-	1,358	76
Due from other governments	153	-	24	177	1
Inventory	512	-	-	512	-
Prepaid retirement	(14,973)	-	(42)	(15,015)	-
Other assets	(1)	12	-	11	(6)
Accounts payable	6,951	(792)	20	6,179	(192)
Accrued payroll and related items	856	-	8	864	-
Compensated absences	1,424	-	(4)	1,420	-
Claims payable	-	-	-	-	(1,191)
Due to other governments	253	(9)	-	244	-
Unearned revenue	-	403	-	403	-
Other liabilities	-	(22)	-	(22)	-
Total adjustments	50,136	7,537	38	57,711	(1,006)
Net cash provided by (used for) operating activities	\$ (178,767)	\$ 26,665	\$ 148	\$ (151,954)	\$ (1,816)
Reconciliation of cash and cash equivalents to statement of net assets					
Cash and investments	\$ 178,319	\$ 46,877	\$ 744	\$ 225,940	\$ 36,812
Restricted cash and cash equivalents	-	38,975	-	38,975	-
Total cash and cash equivalents	\$ 178,319	\$ 85,852	\$ 744	\$ 264,915	\$ 36,812
Noncash capital, financing and investing activities:					
Investment loss on derivative instrument	-	(3,639)	-	(3,639)	-
Amortization of bond premium	-	(253)	-	(253)	-
Amortization of bond deferred charges	-	1,068	-	1,068	-

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Assets
June 30, 2012

<i>(amounts expressed in thousands)</i>	Scholarship Trust Fund	ARBA Trust Fund
Assets		
Cash and cash equivalents held in OCTA pool	\$ 19	\$ -
Cash and cash equivalents held in OCERS pool	-	47
Investments at fair value:		
Mutual Funds	-	10,558
Accounts receivable	1	-
Total Assets	20	10,605
Liabilities		
Accounts payable	18	-
Total liabilities	18	-
Net Assets		
Held in trust for future scholarships	2	-
Held in trust for pension benefits	-	10,605
Total Net Assets	\$ 2	\$ 10,605

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Scholarship Trust Fund	ARBA Trust Fund
Additions		
Contributions:		
Employer contributions	\$ -	\$ 844
Private donations	18	-
Total contributions	<u>18</u>	<u>844</u>
Investment income:		
Investment income	-	178
Net investment income	<u>-</u>	<u>178</u>
Total additions	<u>18</u>	<u>1,022</u>
Deductions		
Benefits	-	760
Investment Expense	-	18
Scholarships	18	-
Total deductions	<u>18</u>	<u>778</u>
Change in net assets	<u>-</u>	<u>244</u>
Net assets - beginning	2	10,361
Net Assets - ending	<u><u>\$ 2</u></u>	<u><u>\$ 10,605</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging the following agencies and funds:

- Orange County Transportation Commission (OCTC)
- Orange County Transit District (OCTD)
- Orange County Local Transportation Fund (LTF)
- Orange County Unified Transportation Trust (OCUTT)
- Transit Development Reserve
- Orange County Local Transportation Authority (LTA)
- State Transit Assistance Fund (STAF)
- Orange County Service Authority for Freeway Emergencies (SAFE)
- Orange County Service Authority for Abandoned Vehicles (SAAV)
- Orange County Consolidated Transportation Services Agency (CTSA)
- Orange County Congestion Management Agency

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility on a 10 mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR-55. The purchase was enabled by State Assembly Bill (AB) 1010 (Correa), passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs until 2030, and eliminated noncompete provisions in the franchise agreement for needed improvements on SR-91. The franchise agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

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

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

In December 2011, the OCTA Board of Directors (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.

The Board consists of 18 members. Five members are the Orange County Board of Supervisors, ten members are city representatives (one per supervisorial district selected by population-weighted voting, and one per supervisorial district selected on a one-city, one-vote method), two public members (neither of whom can be an elected official or have been an elected official during the previous four years), and one is a non-voting ex-officio member appointed by the governor (Caltrans District Director).

The Orange County Local Transportation Authority (LTA), a blended component unit of OCTA, was created pursuant to the provisions of the Local Transportation Authority and Improvement Act commencing with Section 180000 of the California Public Utilities Code and pursuant to Ordinance No. 2, adopted by the Board of Directors of the LTA on August 2, 1989. The Board also serves as the Board of Directors for the LTA. Separate financial statements for the LTA are prepared and available from the OCTA Finance and Administration Division.

The Orange County Service Authority for Freeway Emergencies (SAFE), a blended component unit of OCTA, was created by Senate Bill 1199 which authorized the County Board of Supervisors, upon approval from a majority of the cities with a majority of the population, to establish SAFE. In 1986, SAFE began the implementation and operation of a freeway system of call boxes to help with motorist emergencies. SAFE is funded by a \$1.00 fee paid at the time of vehicle registration. The Board also serves as the Board of Directors for SAFE. Separate financial statements are not issued for SAFE.

The Orange County Service Authority for Abandoned Vehicles (SAAV), a blended component unit of OCTA, was created by Senate Bill 4114 which authorized the County Board of Supervisors, upon approval from a majority of the cities with a majority of the population, to establish SAAV. In 1992, SAAV began funding cities' effort to remove unsightly and potentially dangerous abandoned vehicles. SAAV is funded by a \$1.00 fee paid at the time of vehicle registration. The Board also serves as the Board of Directors for SAAV. Separate financial statements are not issued for SAAV. In April 2012, the fee authorization for SAAV expired. SAAV will continue to fund abandoned vehicle abatements until all revenue is expended.

The Orange County Transit District (OCTD), a blended component unit of OCTA, was created by an act of the California State Legislature in 1965 and approved by the voters of Orange County in November 1970. OCTD commenced operating a public transportation system in Orange County in August 1972. OCTD is primarily funded by a one quarter of one percent sales tax. The Board also serves as the Board of Directors for OCTD. Separate financial statements are not issued for OCTD.

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

The Orange County Transit District Financing Corporation (Corporation), a blended component unit of OCTA, was formed as a nonprofit corporation to provide financial assistance to OCTD by acquiring, constructing, financing and refinancing various facilities, land and equipment. The OCTA Board also serves as the Board of Directors for the Corporation. Separate financial statements are not issued for the Corporation.

The accompanying financial statements present the government and its component units, entities for which OCTA is considered accountable. Blended component units are, in substance, part of the government's operations, even though they are legally separate entities.

There are many other governmental agencies, including the County of Orange (County), providing service within the area served by OCTA. These other governmental agencies have independently elected governing boards and are, therefore, not under the direction of OCTA. Financial information for these agencies is not included in the accompanying financial statements.

OCTA is funded primarily by sales taxes, farebox collections, tolls, property taxes, gasoline sales tax and various federal and state grant programs. OCTA oversees most Orange County bus and rail transit and the 91 Express Lanes tollroad operations, administers the Measure M program (one-half percent sales tax revenues), coordinates freeway and regional road projects, and serves as the local advocate and facilitator of state and federal transportation funding programs.

Basis of Presentation

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

Government-wide Statements: The statement of net assets and the statement of activities report information for all of the nonfiduciary activities of OCTA. The effect of interfund activity has been removed from these statements. Indirect costs have been allocated to the functions/programs on the statement of activities in a separate column entitled "Indirect Expense Allocation." Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges and fees for support.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Interest expense related to the sales tax revenue bonds and commercial paper, the capital lease, and the taxable bonds and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and tollroad functions, respectively, as it would be misleading to exclude the interest from direct expenses

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

and the borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2012, interest expense of \$21,922, \$65 and \$6,464, was included in Measure M, fixed route, and tollroad program costs, respectively. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other revenues are not reported as program revenues and instead, are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about OCTA's funds, including its fiduciary funds, though the latter are excluded from the government-wide financial statements. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

OCTA reports the following major governmental funds:

- **General Fund** - The General Fund is the general operating fund of OCTA. It is used to account for the financial resources of the general government, except those required to be accounted for in another fund.
- **Local Transportation Authority (LTA) Fund** - This fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan (Measure M). Financing is provided by a one-half percent sales and use tax assessed for twenty years pursuant to Measure M, which became effective April 1, 1991, and more recently was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance, as approved in an election by the voters of Orange County, requires that sales tax revenues only be expended on projects included in the ordinance.
- **Local Transportation Fund (LTF)** - This fund accounts for revenues received and expenditures made for use on certain transit projects within Orange County. Financing is generated from a one-quarter percent state sales and use tax pursuant to the California Transportation Development Act (TDA). Expenditures of these monies must be made in accordance with TDA provisions.
- **Commuter and Urban Rail Endowment (CURE) Fund** - This fund accounts for OCTA's share of the Metrolink commuter rail operations in Orange County. Funding for the CURE consists of Measure M, interest earnings, and local funds which are provided through actions of the Board. The Measure M funds and related interest earnings are restricted.

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

- *LTA Debt Service Fund* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the LTA.

OCTA reports the following major enterprise funds:

- *Orange County Transit District (OCTD) Fund* - This fund accounts for the transit operations of OCTA. The primary sources of funding for transit operations are the TDA one-quarter percent sales tax, farebox collections, gas tax exchange and federal/state grants.
- *91 Express Lanes Fund* - This fund accounts for the operations of the 91 Express Lanes. The primary source of funding for the operations is toll revenues and related fees.

Additionally, OCTA reports the following fund types:

- *Internal Service Funds* - These funds account for the risk management activities of OCTA, which are managed through a combination of purchased insurance and self-insurance. The internal service funds are:

General Liability

Workers' Compensation

OCTA reports the following fiduciary funds:

- *Additional Retiree Benefit Account (ARBA) Trust Fund* - This fund accounts for the resources legally held in trust for additional retiree benefits. Employees who retire directly from OCTA with 10 years or more of service receive an additional \$10 per month for each year of service up to \$150 per month.
- *Private-Purpose Trust Fund* - This fund accounts for the resources legally held in trust for providing scholarships and supporting activities for other organizations' special programs.

Measurement Focus and Basis of Accounting

The government-wide and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tolls are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenues are recognized when customers utilize the toll road facility. Grants and similar items are recognized as revenue as soon as all

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

eligibility requirements imposed by the grantor have been met. Property taxes are recognized as revenues in the year for which they are levied.

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

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). OCTA has elected not to follow subsequent private sector guidance for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of OCTA's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Investments

OCTA maintains cash and investments in accordance with the Annual Investment Policy (AIP) adopted by the Board on May 8, 1995, and most recently amended January 9, 2012. The AIP complies with, or is more restrictive than, the California Government Code (Code). The majority of OCTA's investments are managed by six private sector investment managers. At June 30, 2012, the investment portfolios were held by Union Bank as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each

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

bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily account balances.

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 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 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 AIP 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, bankers 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.

LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. Investments in OCIP are limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is conducted by the County Treasury Oversight Committee.

All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code. OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of the AIP. Outside portfolio managers must review, on an ongoing basis, the portfolio they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines.

Cash and Cash Equivalents

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

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

Receivables

Receivables include an estimate for outstanding unpaid violations of the 91 Express Lanes that OCTA anticipates to collect. For violations less than 90 days old, the receivable is based on a twelve-month average of violations collected during that time and is recorded net of an allowance for uncollectible accounts of \$670. For those violations in excess of 90 days, the receivable is estimated using a 3-year average of violations collected and is recorded net, as the majority is not considered probable of collection. Additionally, the 91 Express Lanes records a receivable for amounts owed from customers, net of an allowance of \$493. Approximately \$4,172 of the violations and customer receivables are not expected to be collected within one year.

Interfund Transactions

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

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2011-12 fiscal year, \$46,520 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers' compensation. Charges for risk management services are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged \$6,537 to OCTA's operating funds.

Inventory

All inventory is valued at cost using the average cost method, which approximates market.

Prepaid Retirement

Orange County Employee Retirement System (OCERS) provides a 7.75 percent discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2012-13 in order to benefit from this discount.

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

Restricted Cash and Investments

Certain proceeds of OCTA's long-term debt, as well as certain resources set aside for their repayment and capital maintenance, are classified as restricted investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

Capital Assets

Capital assets include the toll facility franchise, land, buildings and improvements, machinery, equipment and furniture, transit vehicles, and transponders and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by OCTA as assets with an initial, individual cost of more than \$5 and a useful life exceeding one year. OCTA also capitalizes transponder purchases, as they are considered a significant class of assets even though individually their cost is less than \$5. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

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

<u>Asset Type</u>	<u>Useful Life</u>
Buildings and improvements	10-30 years
Machinery, equipment and furniture	3-10 years
Transit vehicles	3-12 years
Transponders	5 years

The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2065.

Assets Held for Resale

OCTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCTA (see above). These assets are reported as assets held for resale in the governmental activities column in the government-wide financial statements. These assets will

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

be sold and proceeds will be reimbursed to the fund in which the initial expenditure was recorded.

Compensated Absences

Vacation hours accumulated and not taken are accrued at fiscal year-end, and a liability is reported in the government-wide and proprietary fund financial statements.

Sick leave is recorded as an expenditure or expense when taken by the employee. Annually, all administrative, maintenance, and Transportation Communication International Union employees may elect to be paid for sick leave accumulated in excess of 120 hours. Coach operators, on the other hand, may elect to be paid for sick leave accumulated in excess of 80 hours twice a year.

Upon termination, an employee with over 10 years of service is paid any earned but unused sick leave up to a ceiling determined by the employee's applicable union agreement or the personnel and salary resolution. Sick leave is accrued at year-end using the vesting method, and a liability is reported in the government-wide and proprietary fund financial statements.

A liability for vacation and sick leave is reported in the governmental funds as a result of employee terminations.

Long-Term Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts and bond refunding costs, as well as issuance costs and deferred amounts on refundings, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred bond refunding charges. Bond issuance costs are reported as other assets and amortized over the life of the related debt.

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

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

Interest Rate Swap

As a means of lowering borrowing costs on variable rate debt compared to fixed rate bonds at the time of issuance in November 2003, OCTA entered into two parity interest rate swaps totaling \$100,000. The parity swaps were to effectively change OCTA's variable rate bonds to a synthetically fixed rate of 4.06227%. On March 15, 2011, OCTA terminated one of the swaps in the amount of \$75,000. The agreement for the remaining swap is recorded at fair value. Changes in fair value of derivative instruments affect investment earnings or losses. As of June 30, 2012, the derivative instrument is considered ineffective (see note 12).

Risk Management

OCTA accounts for its risk management activities in internal service funds. Separate internal service funds are used for general liability and workers' compensation. Charges by internal service funds to the general fund, certain special revenue funds, OCTD and OCTAP enterprise funds are based on historical cost information and are adjusted over time, so that internal service fund revenues and expenses are approximately equal. Expenses for the actual or estimated loss from claims are recorded when it is probable that a loss will be incurred and the amount can reasonably be determined. OCTA's risk management activities are a combination of purchased insurance coverage and self-insured risk retention. OCTA's real and personal property, including revenue and non-revenue vehicles, are covered under a commercial property insurance policy. The 91 Express Lanes enterprise fund has purchased commercial property insurance, including business interruption, earthquake and flood coverage related to the toll facility.

Property Taxes

Property taxes are allocated to OCTA from the County based upon a percentage of real property taxes levied by the County. Following is the property tax calendar:

Lien Date	January 1
Levy Date	4th Monday in September
Due Dates	November 1 and February 1
Collection Dates	December 10 and April 10

Contributions to Other Agencies

Contributions to other agencies primarily represent sales tax revenues received by LTA and disbursed to cities for competitive projects, the local fair share, the senior mobility program, and to other outside agencies for projects which are in accordance with the Measure M ordinance. Additionally, gas tax monies are transferred to local governmental agencies in exchange for nonrestricted funds and contributions are made to Southern California Regional Rail Authority (SCRRA) from the CURE fund.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are classified into three categories.

- *Invested in capital assets, net of related debt* - This balance reflects the net assets of OCTA that are invested in capital assets, net of related debt. These net assets are generally not accessible for other purposes.
- *Restricted Net Assets* - This balance represents net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports \$239,818 of net assets restricted by enabling legislation for transportation programs and motorist services.
- *Unrestricted Net Assets* - This balance represents those net assets that are available for general use.

Fund Balance Classifications

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

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

- *Nonspendable* - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Directors, as the highest level of decision making authority, has the ability to commit fund balances through formal action taken by the Board. The same formal action must be taken to modify or rescind the commitment.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. OCTA's assigned fund balance represents the remaining amounts reported in governmental funds. For the General Fund, the Board retains the authority to assign fund balance.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

- *Unassigned* – this classification includes the residual fund balance for the General Fund. It also includes the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

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

Use of Estimates

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.” The details of this \$191,149 difference are as follows:

Capital assets	\$ 200,987
Less accumulated depreciation	<u>(9,838)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 191,149</u></u>

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

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.” The details of this \$(361,159) difference are as follows:

Bonds payable	\$ (352,570)
Plus unamortized bond issuance premium (to be amortized to interest expense)	(4,819)
Compensated absences	<u>(3,770)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (361,159)</u></u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide Statement of Activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.” The details of this \$(134) difference are as follows:

Capital outlay	\$ 441
Depreciation expense	<u>(575)</u>
Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net assets - governmental activities	<u><u>\$ (134)</u></u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.” The details of this \$495 difference are as follows:

Change in accrued interest	\$ (16)
Amortization of premium	602
Amortization of issuance costs	<u>(91)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities	<u><u>\$ 495</u></u>

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

3. DIVERSION OF TDA FUNDING

In September 1995, as a result of and to assist the County of Orange in recovering from its December 1994 bankruptcy, the California State Legislature adopted legislation diverting \$38,000 annually to the County from OCTA's TDA sales tax revenue. In return, \$23,000 in annual County gasoline tax revenue is being diverted to OCTA. Diversion from OCTA of the TDA revenue began on July 1, 1996, and ended June 2011. Diversion to OCTA of the gasoline tax revenue began on July 1, 1997, and will end June 2013. The net result of this diversion is a loss of revenue to OCTA of \$202,000. As all anticipated bankruptcy litigation settlements have occurred and been distributed to Orange County Investment Pool participants, OCTA does not anticipate recovery of this loss.

OCTA entered into agreements with nine Orange County cities and the SCRRA effective July 1, 1997 to exchange the gasoline tax funds for flexible funding from each agency.

4. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2012:

Deposits:	
Deposits	\$ 42,686
Petty Cash	6
Total cash	42,692
 Investments:	
With Orange County Treasurer	2,171
With LAIF	10,080
With Trustee	239,540
With Custodian	794,706
Total investments	1,046,497
 Total Cash and Investments	 \$ 1,089,189

Total cash and investments are reported in the following funds:

Unrestricted Cash and Investments:	
Governmental Funds	\$ 776,838
Proprietary Funds:	
Enterprise	225,940
Internal Service	36,812
Fiduciary Funds	10,624

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

Restricted Cash and Investments:

Proprietary Funds:

Enterprise 38,975

Total Cash and Investments \$ 1,089,189

Restricted investments at June 30, 2012, represent reserves for debt service, capital and operations.

As of June 30, 2012, OCTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
Orange County Investment Pool	\$ 2,171	\$ 2,171	.50%-.62%	1 day-5 years	359 days or .99
Local Agency Investment Fund	10,080	10,068	.358%-.448%	237-270 days	270 days or .74
U. S. Treasuries	405,413	403,702	Discount, .125%-4.125%	7/31/12- 5/31/17	1.78
U. S. Agency Notes	262,213	262,021	Discount, .25%-6.045%	7/30/12- 5/12/17	1.56
Medium Term Notes	175,531	176,103	Discount, .55%-8%	7/1/12- 6/26/17	1.62
Mortgage and Asset Backed Securities	39,034	39,273	.299%-6.5%	5/15/13- 6/23/16	2.55
Money Market & Mutual Funds	95,510	95,509	Variable	7/1/12- 2/15/13-	1 Day
Variable Rate Notes	7,037	7,042	0%	7/18/14	1.22
State of CA & Local Agencies	1,552	1,536	2.605%	3/15/14	1.71
Commercial Paper	47,956	47,956	0%-.05%	7/2/12- 11/19/12	.06
Total Investments	\$ 1,046,497	\$ 1,045,381			

Portfolio Weighted Average 1.60

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

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

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 OCTA investment 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, 2012, mortgage and asset-backed securities totaled \$39,034. 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 (NRSROs).

As of June 30, 2012, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	\$ 941	LIBOR + 170 basis points	Monthly
Caterpillar Financial	702	LIBOR + 26 basis points	Quarterly
Citigroup	680	LIBOR + 85 basis points	Quarterly
Goldman Sachs	642	LIBOR + 100 basis points	Quarterly
Morgan Stanley	838	LIBOR + 98 basis points	Quarterly
New York Life	999	LIBOR + 26 basis points	Quarterly
Paccar Financial	632	LIBOR + 45 basis points	Monthly
Target Corporate Series	1,103	LIBOR + 17 basis points	Quarterly
VF Corporate Notes	500	LIBOR + 75 basis points	Quarterly
Total Variable Rate Notes	\$ 7,037		

OCTA is invested in a pay-fixed, receive-variable interest rate swap with a notional amount totaling \$25,000. OCTA makes semiannual fixed payments to the counterparty of 4.06227% and receives monthly variable payments based on 67% of London Interbank Offered Rate (LIBOR) if LIBOR is equal to or greater than 4.0% or the Securities Industry Financial Markets Association (SIFMA) Index if LIBOR is less than 4.0%. The interest rate swap was executed in November 2003 and matures in December 2030. At June 30, 2012, the interest rate swap had a negative fair value of \$7,764.

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

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

trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2012, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The AIP sets minimum acceptable credit ratings for investments from any of the three NRSROs: Standard & Poor's (S & P), Moody's Investor Service (Moody's), and Fitch Rating's (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S & P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services. LAIF is not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2012. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S & P	Moody's	Fitch	% of Portfolio
Orange County Investment Pool	AAA	NR	NR	0.21%
Local Agency Investment Fund	NR	NR	NR	0.96%
U.S. Treasuries	US	US	US	38.74%
U.S. Agency Notes	AA	Aaa	AAA	25.06%
Medium Term Notes				
Corporate Notes	AAA	Aaa	AAA	0.12%
Corporate Notes	AAA	Aaa	AA	0.26%
Corporate Notes	AA	AAa	AAA	0.61%
Corporate Notes	AA	Aa	AA	0.82%
Corporate Notes	AA	Aa	A	0.89%
Corporate Notes	AA	Aa	NR	1.84%
Corporate Notes	AA	A	A	0.19%
Corporate Notes	AA	A	NR	0.96%
Corporate Notes	A	Aa	AA	0.74%
Corporate Notes	A	Aa	A	0.87%
Corporate Notes	A	A	AA	0.71%
Corporate Notes	A	A	A	5.79%
Corporate Notes	A	A	BBB	0.08%
Corporate Notes	A	A	NR	1.83%
Corporate Notes	A	Baa	AA	0.04%
Corporate Notes	A	Baa	A	0.83%
Corporate Notes	A	NR	A	0.06%
Corporate Notes	BBB	A	A	0.13%
Mortgage and Asset Backed Securities				
Securities	AAA	Aaa	AAA	1.77%

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

Investments	S & P	Moody's	Fitch	% of Portfolio
Securities	AAA	Aaa	NR	0.97%
Securities	AA	Aaa	AAA	0.03%
Securities	NR	Aaa	AAA	0.83%
Securities	NR	Aaa	NR	0.13%
Variable Rate Notes				
Notes	AA	Aaa	AAA	0.10%
Notes	A	A	AAA	0.06%
Notes	A	A	A	0.36%
Notes	A	Baa	A	0.15%
Money Market and Mutual Funds	AAA	Aaa	AAA	9.13%
State of CA & Local Agency	AA	Aaa	NR	0.15%
Commercial Paper				
Various	A-1	P-1	F1	2.94%
Various	A-1	P-1	NR	1.64%
Total				100%

At June 30, 2012, JP Morgan Chase Bank, N.A., the counterparty for the pay-fixed interest rate swap Series 2003-B-2 was rated A+ by S & P, Aa3 by Moody's, and A+ by Fitch. In addition, OCTA's investment derivative instrument was not in an asset position at June 30, 2012. Thus, OCTA was not exposed to loss due to credit risk.

Concentration of Credit Risk

At June 30, 2012, OCTA did not exceed the AIP maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements, and 91 Express Lanes Debt

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

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

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

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

- 35% of any one repurchase agreement counter-party name if maturity/term is > 7 days.

Issuer/Counter-Party Diversification Guidelines for OCTA's 91 Express Lanes Debt

- OCTA can purchase all or a portion of the Orange County Transportation Authority's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing December 15, 2030 providing the purchase does not exceed 25% of the Maximum Portfolio.

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 investment portfolio at June 30, 2012:

<u>Issuer</u>	<u>Amount</u>	<u>% of 91 Express Lanes Portfolio</u>
Enterprise Fund: 91 Express Lanes		
U.S. Bank (commercial paper)	\$ 25,594	29.93%
General Electric (commercial paper)	\$ 13,379	15.65%

Investment in State Investment Pool

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

5. GRANTS AND STATE ASSISTANCE

Operating Assistance Grants

Under provisions of the Federal Transit Administration (FTA), funds are available to OCTD for Americans with Disabilities Act (ADA) paratransit operating assistance, preventive maintenance, capital cost of contracting, demonstration projects, transportation planning, and acquisition and construction of facilities, transit vehicles and related support equipment. On July 18, 2012, the federal government issued the fiscal year 2011-12 appropriations in the amount of \$58,296, of which \$38,884 is for operating assistance. A receivable of \$38,405 is outstanding as of June 30, 2012.

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

Capital Grants

Under the provisions of FTA, appropriations are available for the development and operation of a public transportation system. For fiscal year 2011-12, OCTA received an appropriation of \$19,412 in capital grants and had a receivable of \$21 outstanding as of June 30, 2012.

Local Transportation Fund

In fiscal year 2011-12, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, monies are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In fiscal year 2011-12, OCTA and OCTD became entitled to \$2,991 and \$127,423 in LTF monies, respectively. This revenue was recorded as a transfer from LTF. The remaining revenues received by LTF were contributed to other agencies for use in transit projects. The diversion of \$38,000 of TDA revenue to the County for bankruptcy recovery ended June 30, 2011 (see note 3).

State Transit Assistance Program

State Transit Assistance (STA) revenue is generated by the state sales tax on diesel fuel as specified under the gas tax swap enacted in March 2010. STA revenues are then distributed based on several demographic factors. OCTA received \$22,312 in fiscal year 2011-12.

Proposition 1B

As part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by California voters as Proposition 1B (Prop 1B) on November 7, 2006, OCTA was awarded funding from the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and the Transit System Safety, Security and Disaster Response Account (TSSSDRA). During fiscal year 2011-12, OCTA received \$48,654 and \$3,521 in PTMISEA and TSSSDRA funding, respectively. As of June 30, 2012, OCTA has unspent Prop 1B proceeds and interest of \$6,480 and \$8,708 in PTMISEA and TSSSDRA funds, respectively.

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

6. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2012 are as follows:

Receivables:	Governmental Funds					Enterprise Funds	
	General	LTA	LTF	CURE	Nonmajor Funds	OCTD	Total
Sales taxes	\$ -	\$47,681	\$25,785	\$ -	\$ -	\$ -	\$ 73,466
Project reimbursements	2,028	33,100	-	-	26	61	35,215
Gas tax exchange	-	-	-	-	447	5,751	6,198
Other	12	9	-	118	9,322	2,176	11,637
Total	\$2,040	\$80,790	\$25,785	\$118	\$9,795	\$7,988	\$126,516

Amounts due to other governments as of June 30, 2012 are as follows:

Payables:	Governmental Funds					Enterprise Funds			
	General	LTA	LTF	CURE	Nonmajor Funds	OCTD	91 Express Lanes	Nonmajor Fund OCTAP	Total
Projects	\$3,014	\$38,097	\$ -	\$3,722	\$ 30	\$ 463	\$ -	\$ -	\$45,326
Use taxes	3	-	-	-	-	2	-	-	5
Gas tax exchange	-	-	-	-	1,917	-	-	-	1,917
Other	70	662	418	94	621	543	87	2	2,497
Total	\$3,087	\$38,759	\$418	\$3,816	\$2,568	\$1,008	\$87	\$2	\$49,745

7. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	CURE Fund	\$ 420	VSS Program Metrolink Stations and Irvine Shuttle program
General Fund	Nonmajor Governmental Funds	21	Management fee
OCTD Fund	Nonmajor Governmental Funds	6,254	OCTD Operations
Total		\$ 6,695	

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

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
Nonmajor Governmental Funds	LTA Fund	\$ 5,627	M2 Expenditures
Total		<u><u>\$ 5,627</u></u>	

Beginning with fiscal year 2006-07, OCUTT advanced monies to LTA to cover expenditures such as election costs, administrative costs, and accrued interest. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (1.94% at June 30, 2011). LTA began repaying OCUTT when M2 funds were collected.

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
General Fund	Nonmajor Governmental Funds	\$ 637	SR-55 HOV lane access project
LTA Fund	LTA Debt Service Fund	17,223	Debt service
LTA Fund	OCTD Enterprise Fund	2,683	Fare Stabilization and Senior Mobility program
Local Transportation Fund	General Fund	2,991	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	127,423	OCTD and CTSA operations
CURE Fund	General Fund	2,348	VSS program Metrolink Stations and Irvine Shuttle program
CURE Fund	LTA Fund	2,339	Rail-highway Grade Crossings and Quiet Zone projects
CURE Fund	OCTD Enterprise Fund	1,919	Stationlink and rail feeder service
Nonmajor Governmental Funds	General Fund	699	Transportation projects
Nonmajor Governmental Funds	OCTD Enterprise Fund	22,312	OCTD operations
OCTD Enterprise Funds	General Fund	2,956	Bristol Street Widening project and Laguna Beach Municipal Transit lines
91 Express Lanes Fund	LTA Fund	102	Transportation projects
		<u><u>\$ 183,632</u></u>	

8. RELATED PARTY TRANSACTIONS

In June 2009, OCTA entered into a contract of employment with an officer of OCTA. In August 2009, OCTA amended the contract of employment to include a loan for a down payment on a house in Orange County in an amount not to exceed \$75. The loan bears simple interest on the unpaid principal balance at a percentage equal to the yield on OCTA's short-term portfolio investments plus two percent. The loan amount and interest were to be paid to OCTA no later than July 31, 2012.

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

In August 2010, OCTA amended the contract of employment to state that the loan amount and interest shall be paid to OCTA no later than July 31, 2013. Pursuant to this agreement, OCTA recorded a receivable with a balance of \$68 as of June 30, 2012.

9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 187,627	\$ -	\$ -	\$ -	\$ 187,627
Construction in progress	2,734	-	(2,682)	(52)	-
Total capital assets, not being depreciated	190,361	-	(2,682)	(52)	187,627
Capital assets, being depreciated:					
Building and improvements	4,351	-	-	-	4,351
Machinery, equipment and furniture	8,635	441	(119)	52	9,009
Total capital assets, being depreciated	12,986	441	(119)	52	13,360
Less accumulated depreciation for:					
Buildings and improvements	(2,011)	(208)	-	-	(2,219)
Machinery, equipment and furniture	(7,368)	(367)	116	-	(7,619)
Total accumulated depreciation	(9,379)	(575)	116	-	(9,838)
Total capital assets, being depreciated, net	3,607	(134)	(3)	52	3,522
Governmental activities capital assets, net	\$ 193,968	\$ (134)	\$ 2,685	\$ -	\$ 191,149
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 54,545	\$ -	\$ -	\$ -	\$ 54,545
Construction in progress	-	65	-	-	65
Total capital assets, not being depreciated	54,545	65	-	-	54,610
Capital assets, being depreciated and amortized:					
Building and improvements	149,374	706	1,743	-	148,337
Transit vehicles	289,966	31	1,199	-	288,798
Machinery, equipment and furniture	72,812	8,288	3,950	-	77,150
Toll facility franchise	205,264	-	-	-	205,264
Total capital assets, being depreciated and amortized	717,416	9,025	6,892	-	719,549

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

	Beginning				Ending
	Balance	Increases	Decreases	Transfers	Balance
Less accumulated depreciation and amortization for:					
Buildings and improvements	(59,793)	(4,928)	(1,743)	-	(62,978)
Transit vehicles	(152,266)	(27,612)	(1,199)	-	(178,679)
Machinery, equipment and furniture	(58,012)	(3,083)	(3,943)	-	(57,152)
Toll facility franchise	(62,312)	(4,563)	-	-	(66,875)
Total accumulated depreciation and amortization	(332,383)	(40,186)	(6,885)	-	(365,684)
Total capital assets, being depreciated and amortized, net	385,033	(31,161)	7	-	353,865
Business-type activities capital assets, net	\$ 439,578	\$ (31,096)	\$ 7	\$ -	\$ 408,475

Depreciation and amortization expense was charged to functions/ programs as follows:

Governmental activities:

General government	\$ 529
Measure M program	40
Motorist services	6
Total depreciation expense - governmental activities	\$ 575

Business-type activities:

Fixed route	\$ 28,888
Paratransit	5,304
Tollroad	5,994
Total depreciation and amortization expense - business-type activities	\$ 40,186

10. RISK MANAGEMENT - CLAIMS LIABILITY

OCTA is self-insured for workers' compensation and general liability claims, and also purchases excess workers' compensation and general liability insurance. Workers' compensation claims are self-insured up to a maximum amount of \$500 per claim and have statutory coverage through a commercial insurer. General liability claims are self-insured up to a maximum amount of \$4,000 and have additional coverage of \$35,000 per occurrence through two commercial insurers. No losses have exceeded insurance coverage in the past three fiscal years. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. General liability and workers' compensation reserves are actuarially determined. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Management is of the opinion that the recorded liabilities for OCTA's self-insured claims are adequate.

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

OCTA's liability for claims where it has retained the risk of loss, as recorded in the appropriate internal service funds, is as follows:

	2012	2011
General Liability		
Unpaid claims as of July 1	\$ 9,282	\$ 5,519
Incurred claims (including claims incurred but not reported as of June 30)	225	764
Payments	(1,093)	(549)
Increase/(decrease) in provision for prior years' events	(96)	3,548
Unpaid claims at June 30,	8,318	9,282
 Workers' Compensation		
Unpaid claims as of July 1	11,403	10,499
Incurred claims (including claims incurred but not reported as of June 30)	981	1,263
Payments	(3,703)	(4,808)
Increase/(decrease) in provision for prior years' events	2,495	4,449
Unpaid claims at June 30,	11,176	11,403
 Total unpaid claims at June 30,	19,494	20,685
Less current portion of unpaid claims	4,171	4,587
 Total long-term portion of unpaid claims	\$ 15,323	\$ 16,098

11. SHORT-TERM DEBT

On January 28, 2008, LTA was authorized to issue up to \$400,000 in Renewed Measure M Subordinate Tax-Exempt Commercial Paper Notes Series A and Series B (M2 Notes). As a requirement for the issuance of the M2 Notes, OCTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement, issued on a several and not joint basis, with Dexia Credit Local, Bank of America, N.A., BNP Paribas, and JP Morgan Chase Bank, N. A. as liquidity support for the M2 Notes. The Letter of Credit and Reimbursement Agreement had a termination date of November 2011. In October 2011, the Board approved the selection of JP Morgan Chase Bank, N.A. (JP Morgan) to serve as the successor Letter of Credit provider for the M2 Notes. The JP Morgan Letter of Credit expires in November 2014.

In December 2010, OCTA issued taxable and tax-exempt sales tax revenue bonds for the M2 program (see note 13). A portion of the bonds issued (\$75,000) were used to pay down the outstanding M2 Notes balance of \$100,000. The M2 Notes program and supporting Letter of Credit were reduced from \$400,000 to \$50,000.

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

As of June 30, 2012, LTA had outstanding M2 Notes in the amount of \$25,000. Interest is payable on the respective maturity dates of the M2 Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the M2 Notes is 12.0%. The average issuance rate during fiscal year 2011-12 was 0.32%.

Changes in Short-Term Debt

Short-term debt activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Issued	Redemptions	Ending Balance
Tax exempt commercial paper - M2 Notes	\$ 25,000	\$287,500	\$287,500	\$ 25,000
Total short-term debt	\$ 25,000	\$287,500	\$287,500	\$ 25,000

12. INTEREST RATE SWAP

Interest Rate Swap

As a means to lower its borrowing costs on variable rate debt when compared against fixed rate bonds at the time of issuance in November 2003, OCTA entered into two parity interest rate swaps totaling \$100,000. The parity swaps were entered into to effectively change OCTA's variable rate bonds to a synthetic fixed rate of 4.06227%. \$95,265 was issued on a fixed rate basis and \$100,000 was issued on a variable rate basis. The Series 2003-B-1 swap was for \$75,000 and was terminated on March 15, 2011. The Series 2003-B-2 swap was for \$25,000 and the counterparty was Bear Stearns Capital Markets Incorporated (Bear Stearns). On May 30, 2008, JP Morgan completed its acquisition of The Bear Stearns Companies Incorporated. As a result of the merger, JP Morgan assumed the \$25,000 interest rate swap between OCTA and Bear Stearns Capital Markets Incorporated.

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2012, and the change in fair value of the derivative instrument for the year then ended is as follows:

	<u>Changes in fair value</u>		<u>Fair value at June 30, 2012</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Investment derivative -					
Pay-fixed interest rate swap:					
Series 2003-B-2	Investment loss	\$ (3,639)	Investment	\$ (7,764)	\$ 25,000

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

OCTA's pay-fixed interest rate swap classified as investment derivative instrument did not meet the criteria for effectiveness. The decrease in the fair value of the swap in fiscal year 2011-12 of \$3,639 is reported as an investment loss on derivative instrument for the year ended June 30, 2012 in the 91 Express Lanes enterprise fund.

The fair value of the interest rate swap was estimated using proprietary methodologies developed by DerivActiv, LLC. The pricing valuation was conducted by using the executed trade confirmations for the swap and modeling the trades in DerivActiv's pricing system using the rate structure contained in the confirmation and International Swaps and Derivatives Association (ISDA) agreement. DerivActiv utilized pricing levels from Bloomberg Financial at the market close on June 30, 2012.

Terms

The bonds and the related outstanding parity swap agreement mature on December 15, 2030. The parity swap was entered into at the same time the bonds were sold (November 2003). Starting in fiscal year 2021-22, the notional amount of the parity swap declines and the principal amount of the associated bonds declines by an identical amount. Under the parity swap, OCTA pays the counterparty a fixed payment of 4.06227% and the counterparty pays OCTA a floating rate equal to 67% of one month LIBOR index if one month LIBOR index is equal to or greater than 4.0% or the SIFMA Index if LIBOR is less than 4.0%.

13. LONG-TERM DEBT

Sales Tax Revenue Bonds

On December 9, 2010, LTA issued \$293,540 in M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and \$59,030 in 2010 Series B (Tax-Exempt Bonds), to finance and refinance the costs of certain transportation projects located in Orange County, to restructure the Tax Exempt Commercial Paper (TECP) Program, and to fund capitalized interest and costs of issuance related to the 2010 Series Bonds. A reserve fund is not required in connection with the 2010 Series Bonds per the bond indenture. The transaction closed on December 23, 2010. A total of \$75,000 was used to refund outstanding TECP.

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

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)
Issuance date	12/9/10	12/9/10
Original issue amount	\$ 293,540	\$ 59,030
Original issue premium	-	6,023
Net Bond Proceeds	\$ 293,540	\$ 65,053
Issuance costs	\$ 1,905	\$ 274
Interest rates	5.56%-6.91%	3.00%-5.00%
Maturity range	2021-2041	2013-2020
Final maturity	2041	2020
Bonds outstanding	\$ 293,540	\$ 59,030
Plus unamortized premium	-	4,819
Total	\$ 293,540	\$ 63,849

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 6,410	\$ 22,383
2014	6,600	22,191
2015	6,865	21,927
2016	7,210	21,584
2017	7,475	21,317
2018-2022	42,620	101,178
2023-2027	52,025	87,930
2028-2032	64,575	68,621
2033-2037	80,430	44,221
2038-2041	78,360	13,830
Total	\$ 352,570	\$ 425,182

Taxable Senior Secured Bonds

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed \$135,000 of taxable 7.63% Senior Secured Bonds. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the indenture, OCTA paid a \$26,428 Yield Maintenance Premium in connection with the defeasance of the Senior Secured Bonds, which is

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

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 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refinance the \$135,000 taxable 7.63% Senior Secured Bonds and to reimburse the OCTA for a portion of its prior payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The Series 2003-A Bonds were issued as fixed rate bonds, the Series 2003-B-1 Bonds and the 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 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-B Bonds, which were purchased by 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 2003-B Bonds have a mandatory tender date of August 15, 2013.

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

Issuance date	11/12/03
Original issue amount	\$ 195,265
Cash reserve requirements	\$ 38,020*
Cash reserve balance	\$ 38,975
Interest rate	1.55% - 5.432% **
Maturity	December 2030
Principal payment date	August 15
Current balance	\$ 160,705
Unamortized premium	\$ 4,651
Deferred amount on refunding	\$ (17,174)

*Pursuant to the 2003 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the following four reserve funds are required to be maintained: Reserve Fund - \$12,635, Supplemental Reserve Fund - \$12,635, Major Maintenance Reserve Fund - \$10,000, and Operating Reserve Fund - \$2,750. At June 30, 2012, all reserve requirements have been satisfied.

**2003 Series B-2 Bonds were issued as variable rate revenue bonds with a floating-to-fixed interest rate swap transaction in place. See note 12 for interest rate swap description.

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

Annual debt service requirements on the tax-exempt bonds as of June 30, 2012, are as follows:

Year ending June 30,	Principal	Interest
2013	\$ 5,245	\$ 5,467
2014	5,525	5,188
2015	5,815	4,897
2016	6,130	4,584
2017	6,460	4,253
2018-2022	37,655	15,980
2023-2027	47,495	8,945
2028-2031	46,380	2,413
Total	\$ 160,705	\$ 51,727

The interest rate used to determine the future annual debt service requirements for the Series 2003-B Bonds was the 1.55% OCIP rate at June 30, 2012. The Series 2003-B-2 bonds net interest rate used was 5.43227%, which also includes net swap interest. As part of the swap agreement, OCTA pays a fixed interest rate of 4.06227% per annum and receives the SIFMA Index which amounted to 0.18% on June 30, 2012. As rates vary, bond interest payments and net swap payments will vary.

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Sales tax revenue bonds	\$ 352,570	\$ -	\$ -	\$ 352,570	\$ 6,410
Unamortized premium	5,421	-	602	4,819	-
Compensated absences	3,426	4,168	3,806	3,788	18
Other post employment benefits	74	8	-	82	-
Total governmental activities long-term liabilities	\$ 361,491	\$ 4,176	\$ 4,408	\$ 361,259	\$ 6,428

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

	Beginning			Ending	Due within
	Balance	Additions	Reductions	Balance	one year
Business-type activities:					
Tax-exempt bonds	\$ 165,685	\$ -	\$ 4,980	\$ 160,705	\$ 5,245
Capital leases	2,802	-	2,231	571	571
Unamortized premium	4,904	-	253	4,651	-
Unamortized deferred amount on refunding	(18,242)	-	(1,068)	(17,174)	-
Claims payable	20,685	3,605	4,796	19,494	4,171
Compensated absences	6,552	13,410	11,990	7,972	7,487
Other post employment benefits	44	5	-	49	-
Total business-type activities long-term liabilities	\$ 182,430	\$ 17,020	\$ 23,182	\$ 176,268	\$ 17,474

Compensated absences will be paid from the general fund for governmental activities and from the OCTD and OCTAP enterprise funds for business-type activities.

Arbitrage Rebate

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Failure to follow the arbitrage regulations could result in the interest paid to bondholders being retroactively rendered taxable.

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, no excess earnings were calculated, therefore, no payments were made.

Pledged Revenue

OCTA has a number of debt issuances outstanding that are repaid and secured by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the summary of bonds outstanding tables. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions. Debt service payments as a ratio of the pledged gross revenue, less certain expenses as required by the debt agreement, for the year ended June 30, 2012, are indicated in the following table:

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

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 197,989	\$ 15,425 *	12.84
91 Express Lanes Net Toll Road Revenue	\$ 25,678	\$ 10,721	2.40

*OCTA received \$6,958 in Build America Bonds subsidy to offset annual debt service payments for Measure M2 Sales Tax Revenue Bonds. OCTA set aside \$11,192 in a capitalized interest account to fund a portion of the annual debt service payments for Measure M2 Sales Tax Revenue Bonds.

14. PENSION PLANS

Plan Description - OCTA contributes to two retirement plans, the Public Employees' Retirement System (PERS) of the State of California and the Orange County Employees Retirement System (OCERS).

Public Employees' Retirement System

PERS is a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and agency ordinance. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by PERS. A copy of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy - Beginning in 1991, OCTA elected to contribute 7% of gross salary to PERS for all participating employees employed as of June 30, 1991. The election is subject to renewal every year. OCTA is required to contribute at an actuarially determined rate. For fiscal year 2011-12, OCTA's actuarially determined contribution requirement was 0.0% of annual covered payroll. The contribution requirements are established and may be amended by PERS. OCTA's contributions to PERS were \$0 for the years ended June 30, 2012, 2011, and 2010, and were equal to the required contribution calculated by the PERS actuary for each year. OCTA's plan and risk pool has a status of being superfunded.

Annual Pension Cost - Annual required contributions for fiscal year 2011-12 were based on the June 30, 2009 actuarial valuation, the latest available from PERS. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% per annum compounded annually and an inflation factor of 3.0%; and (b) projected annual salary increases

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

that vary by duration of service and include a factor of 3.0% for inflation, .25% for annual production growth and various amounts for merit according to longevity.

Orange County Employees Retirement System

Except for two former employees of the OCTC who elected to participate in PERS, all full time employees of OCTA participate in OCERS, a cost-sharing multiple-employer defined benefit plan. OCERS provides for retirement, death, disability and cost-of-living benefits and is subject to provisions of the County Employees Retirement Law of 1937 and other applicable statutes. OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by OCERS. Copies of OCERS' annual financial report may be obtained from its executive office: 2223 Wellington Avenue, Santa Ana, CA 92701.

Funding Policy - OCTA's actuarially determined contribution requirement was 21.29% of total covered payroll. Additionally, OCTA contributes between 4.20% to 11.79% (depending on age of entry) on behalf of the employee.

OCTA's contributions to OCERS for the years ended June 30, 2012, 2011, and 2010 were \$18,882, \$16,755 and \$15,877, respectively, and were equal to the required contribution calculated by the OCERS actuary for each year. In addition, OCTA contributed the employee share for the years ended June 30, 2012, 2011 and 2010, in the amounts of \$7,746, \$8,144 and \$8,811, respectively.

Annual Pension Cost - Annual required contributions for fiscal year 2011-12 were based on the OCERS actuarial valuation as of December 31, 2009, in which the investment return assumption was 7.75%, and the inflation factor was 3.50%. The salary increase rate assumption varies by duration of service between 4.50% and 11.50% for General members, which includes the inflation factor of 3.50%. There are assumed to be no across the board salary increases.

Supplemental Pension Plan

Plan Description - On January 1, 1995, OCTA established the Additional Retiree Benefit Account (Plan). The Plan is a single-employer defined benefit retirement plan. The Plan is administered for OCTA through OCERS. The Plan provides a supplemental retirement benefit to individuals age 50 and over with at least 10 years of service with OCTA. Employees deferring retirement more than 30 days from date of separation from OCTA are not eligible. There is no separate benefit plan report issued.

The Plan provides a lifetime monthly annuity equal to \$10 times the number of years of OCTA continuous service prior to retirement with a maximum of \$150 per month. The Plan requires no employee contributions and has no termination, disability, or survivor benefits.

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

Funding Policy - OCTA's funding policy is to fund an annual required contribution as determined by the Plan's actuary.

Annual Pension Cost - The Plan's Annual Pension Cost for the fiscal year ending June 30, 2012 is \$797 which is equal to OCTA's required and actual contributions.

Three-year Trend Information

Fiscal Year Ending June	Annual Pension Cost	Actual Contribution	Percentage Contribution	Net Pension Obligation
2012	\$ 797	\$ 797	100%	\$ 0
2011	\$ 935	\$ 935	100%	\$ 0
2010	\$ 883	\$ 883	100%	\$ 0

The following information describes the calculation methodology:

- The actuarial liabilities and assets are valued as of January 1, 2012.
- The actuarial funding method used is the entry age normal cost method. Under this method, the plan's normal cost is developed as a level percent of payroll throughout the participants' working lifetime.

The unfunded actuarial liability is the difference between the actuarial accrued liability and Plan assets. This difference is amortized as a level percent of payroll over an initial 20-year closed period. The remaining amortization period at January 1, 2012, is 16 years.

The following is a summary of the actuarial assumptions used in the January 1, 2012 valuation:

- Interest rate: 7.75%
- Mortality: OCERS assumptions
- Termination: Sample rates in the first five years of service are:

Years of	Rate
0	17.0%
1	9.0%
2	8.0%
3	7.0%
4	6.0%

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

Sample rates with 5+ years of service are:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
25	4.0%	45	3.4%
30	4.0%	50	2.7%
35	4.0%	55	1.9%
40	4.0%	60	.6%

- Aggregate Payroll Increases: 3.5%
- Retirement Rates: Same as OCERS assumption. Sample rates are:

<u>Age</u>	<u>Rate</u>
50	3.0%
55	4.0%
60	11.0%
65	25.0%
70	100.0%

The actuarial asset value is the same as market asset value.

Funding Status and Funding Progress - As of January 1, 2012, the most recent actuarial valuation date, the Plan was 69% funded. The actuarial accrued liability for benefits was \$14,868 and the actuarial value of assets was \$10,222 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,646. The covered payroll (annual payroll of active employees covered by the Plan) was \$90,104 and the ratio of the UAAL to the covered payroll was 5.2% percent. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - OCTA sponsors and administers a single-employer defined-benefit postemployment healthcare plan (Plan) to provide medical insurance benefits to eligible retired employees. Benefit provisions are established and may be amended by the Board of Directors of OCTA. OCTA reports the financial activity of the Plan in its basic financial statements. No separate benefit plan report is issued.

OCTA allows Unrepresented Administrative Employees and Transportation Communications International Union Employees to continue participating in the group healthcare insurance program after retirement until age 65 for retirees who retire directly from OCTA at a minimum of age 50 with at least 10 years of OCTA service. The retiree pays the full premium for retiree,

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

spouse and dependents. OCTA does not provide any cash subsidy towards retiree medical benefits.

Funding Policy - Because of the nature of the implied subsidy, OCTA funds the benefits on a pay-as-you-go basis.

OCTA allows retirees to participate in the same medical plan as active employees at the same premium rates. Because the rate is a “blended rate”, payments for the active employees include an implied subsidy of what would normally be a higher rate for retirees if the retirees were in a stand-alone health plan. GASB 45 requires that this implied subsidy be reclassified when reporting the contributions for retiree medical costs.

For fiscal year 2011-12, OCTA contributed \$54 in implied subsidy through the active healthcare premiums:

	Amount
Total Active Health Premiums	\$ 7,417
Reclassification for Implied Subsidy	(54)
Net Active Health Premiums	\$ 7,363

Annual Other Postemployment Benefit Cost and Net Obligation - OCTA’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of OCTA’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the Plan, and changes in OCTA’s net OPEB obligation.

	Amount
Annual required contribution	\$ 67
Interest on net OPEB obligation	5
Adjustment to annual required contribution	(5)
Annual OPEB cost	67
Benefit payments made	54
Increase in net OPEB obligation	13
Net OPEB obligation – beginning of year	118
Net OPEB obligation – end of year	\$ 131

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

OCTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net postemployment healthcare plan obligation for the year ended June 30, 2012 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 67	80.1%	\$ 131
6/30/11	\$ 74	54.1%	\$ 118
6/30/10	\$ 71	45.1%	\$ 84

Funded Status - The June 30, 2012 funded status, based on the January 1, 2012 actuarial valuation was:

	Amount
Actuarial Accrued Liability (AAL)	\$ 726
Actuarial value of plan assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 726
Funded ratio (Actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 36,670
UAAL as a percentage of covered payroll	2.0%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
6/30/12	\$ 67	80.1%
6/30/11	\$ 74	54.1%
6/30/10	\$ 71	45.1%

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

In the January 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), and annual healthcare cost trend rates for medical of 7.8% (8.2% for Preferred Provider Organizations) decreasing to 5% over eight years. The salary increase rate assumption varies by age between 7% at age 20 to 0.6% at age 60. The inflation rate assumption is 3.50%. There are assumed to be no across the board salary increases. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on OCERS assumptions.

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

The UAAL is amortized over an initial 30-year closed period as a level percentage of payroll. The remaining amortization period at January 1, 2012 is 26 years.

Current trend information about the funding progress is presented in the Required Supplementary Information following the notes to the basic financial statements.

16. PURCHASE COMMITMENTS

OCTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2012 are as follows:

	Total Purchase Commitments	Reserve for Encumbrances	Unencumbered Purchase Commitments
Governmental Funds:			
General	\$ 131,454	\$ 4,301	\$ 127,153
LTA	682,004	91,558	590,446
LTF	2,982	-	2,982
CURE	25,821	62	25,759
Nonmajor governmental funds	35,450	78	35,372
Total Governmental Funds	877,711	95,999	781,712
Proprietary Funds:			
OCTD	214,886	17,380	197,506
91 Express Lanes	42,430	1,966	40,464
Internal Service Funds	1,416	1,165	251
Total Proprietary Funds	258,732	20,511	238,221
Total	\$ 1,136,443	\$ 116,510	\$ 1,019,933

The majority of the contracts relate to the expansion of Orange County's freeway and road systems, grade separation projects, expansion of commuter rail service and upgrades to rail facilities.

17. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

OCTA is a defendant in various legal actions. Management believes that the ultimate resolution of these actions will not have a significant effect on OCTA's financial position or changes in financial position.

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

Federal Grants

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

Lease Commitments

Operating leases

OCTA is committed under various leases for building, office space, a Compressed Natural Gas (CNG) Fueling Facility, non-revenue vehicles and tires for revenue vehicles. These leases are considered for accounting purposes to be operating leases. The lease for OCTA's administrative headquarters in Orange was originally for 15 years beginning in September 1993, but was amended to extend the lease term to April 30, 2018. Lease expenditures for the year ended June 30, 2012 amounted to \$6,863.

Future minimum payments for these leases are as follows:

Fiscal Year Ended	Amount
2013	\$ 6,367
2014	6,455
2015	6,183
2016	4,382
2017	4,511
2018	3,637
Total	\$ 31,535

Capital leases

OCTA is also committed under two leases for design and construction of CNG Fueling Facilities that are considered capital leases. As of June 30, 2012, these facilities have been completed at a cost of \$10,835 and are included in building and improvements. The terms of the leases are for five years commencing October 30, 2007.

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

The present value of net minimum payments for these leases is as follows:

Fiscal Year Ending	Amount
2013	\$ 577
Less: interest costs	(6)
Present value of net minimum lease	\$ 571

18. JOINT VENTURE

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino Associated Governments (SANBAG) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its prorata share of rail lines serving Orange County. OCTA expended \$23,622 during fiscal year 2011-12 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by, and available from, SCRRA, which is located at 700 N. Flower Street, 26th floor, Los Angeles, CA 90017.

19. CHANGE IN ACCOUNTING ESTIMATE

The useful life of the toll facility franchise capital asset was adjusted as a result of an amendment extending the term of the Franchise Agreement with Caltrans through December 31, 2065. The impact of this change in estimate reduced depreciation expense for the year ended June 30, 2012 by \$2,767 and increased the change in net assets in Business-type Activities and the 91 Express Lanes enterprise fund by \$2,767.

20. PRIOR PERIOD ADJUSTMENT

During fiscal year 2011-12, OCTA was awarded the 2011 annual 5307 federal grant. The revenue related to the expenses incurred during fiscal year 2010-11 was inadvertently not recorded in the prior fiscal year. Following is a summary of the effect of this adjustment:

	Business-type Activities	OCTD
Beginning balance, as previously reported	\$ 486,264	\$ 402,945
Grant revenue	5,882	5,882
Beginning Balance, as restated	\$ 492,146	\$ 408,827

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

21. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 60

In November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement is effective for OCTA's fiscal year ending June 30, 2013.

GASB Statement No. 61

In November 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This statement is effective for OCTA's fiscal year ending June 30, 2013.

GASB Statement No. 62

In June 2011, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. This statement is effective for OCTA's fiscal year ending June 30, 2013.

GASB Statement No. 63

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This statement is effective for OCTA's fiscal year ending June 30, 2013.

GASB Statement No. 64

In June 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Since OCTA's derivative instrument was considered ineffective, this statement does not apply to OCTA.

GASB Statement No. 65

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows or resources, certain items that were previously reported as assets and liabilities. This statement is effective for OCTA's fiscal year ending June 30, 2014.

GASB Statement No. 66

In March 2012, GASB issued Statement No. 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement is effective for OCTA's fiscal year ending June 30, 2014.

GASB Statement No. 67

In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement is effective for OCTA's fiscal year ending June 30, 2014.

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. This statement is effective for OCTA's fiscal year ending June 30, 2015.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines	\$ 163	\$ 163	\$ 152	\$ (11)
Contributions from other agencies	3,329	5,729	9,380	3,651
Interest and investment income	72	72	24	(48)
Capital assistance grants	2,720	2,720	1,501	(1,219)
Miscellaneous	839	839	288	(551)
Total revenues	7,123	9,523	11,345	1,822
Expenditures				
Current:				
General government:				
Salaries and benefits	37,938	38,101	37,197	904
Supplies and services	26,172	26,660	20,441	6,219
Interfund reimbursements	(47,750)	(47,750)	(46,520)	(1,230)
Transportation:				
Contributions to other local agencies	24,087	26,133	8,753	17,380
Capital outlay	2,842	2,876	2,474	402
Total expenditures	43,289	46,020	22,345	23,675
Deficiency of revenues under expenditures	(36,166)	(36,497)	(11,000)	25,497
Other financing sources (uses)				
Transfers in	26,242	26,242	9,913	(16,329)
Transfers out	-	-	(637)	(637)
Total other financing sources (uses)	26,242	26,242	9,276	(16,966)
Net change in fund balance	\$ (9,924)	\$ (10,255)	\$ (1,724)	\$ 8,531

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (1,724)
Less: Estimated revenues for encumbrances outstanding at June 30	1,971
Add: Current year encumbrances outstanding at June 30	4,301
Net change in fund balance (GAAP basis)	\$ 606

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Authority Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 243,148	\$ 243,148	\$ 252,132	\$ 8,984
Contributions from other agencies	208,225	208,225	208,403	178
Interest and investment income	4,579	4,579	5,393	814
Miscellaneous	814	814	665	(149)
Total revenues	456,766	456,766	466,593	9,827
Expenditures				
Current:				
General government:				
Supplies and services	117,781	121,419	93,033	28,386
Transportation:				
Contributions to other local agencies	275,564	263,601	181,161	82,440
Capital outlay	258,382	258,382	147,664	110,718
Debt service:				
Interest	250	250	125	125
Total expenditures	651,977	643,652	421,983	221,669
Excess (deficiency) of revenues over (under) expenditures	(195,211)	(186,886)	44,610	231,496
Other financing sources (uses)				
Transfers in	-	-	2,441	2,441
Transfers out	(19,270)	(19,270)	(19,906)	(636)
Total other financing sources (uses)	(19,270)	(19,270)	(17,465)	1,805
Net change in fund balance	\$ (214,481)	\$ (206,156)	\$ 27,145	\$ 233,301

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ 27,145
Less: Estimated revenues for encumbrances outstanding at June 30	69,396
Add: Current year encumbrances outstanding at June 30	91,558
Net change in fund balance (GAAP basis)	\$ 49,307

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 128,982	\$ 128,982	\$ 138,278	\$ 9,296
Contributions from other agencies	-	-	756	756
Interest and investment income	109	109	33	(76)
Total revenues	129,091	129,091	139,067	9,976
Expenditures				
Current:				
General government:				
Supplies and services	1,403	1,403	1,669	(266)
Transportation:				
Contributions to other local agencies	3,970	3,970	3,392	578
Total expenditures	5,373	5,373	5,061	312
Excess of revenues over expenditures	123,718	123,718	134,006	10,288
Other financing uses				
Transfers out	(125,353)	(125,353)	(130,414)	(5,061)
Total other financing uses	(125,353)	(125,353)	(130,414)	(5,061)
Net change in fund balance	\$ (1,635)	\$ (1,635)	\$ 3,592	\$ 5,227

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Commuter and Urban Rail Endowment Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines	\$ 17	\$ 17	\$ 7	\$ (10)
Contributions from other agencies	-	-	1,250	1,250
Interest and investment income	3,227	3,227	2,346	(881)
Federal capital assistance grants	1,200	1,200	-	(1,200)
Miscellaneous	632	632	626	(6)
Total revenues	5,076	5,076	4,229	(847)
Expenditures				
Current:				
General government:				
Supplies and services	29,219	29,219	22,746	6,473
Transportation:				
Contributions to other local agencies	8,335	16,736	5,464	11,272
Capital outlay	1,350	1,350	-	1,350
Total expenditures	38,904	47,305	28,210	19,095
Deficiency of revenues under expenditures	(33,828)	(42,229)	(23,981)	18,248
Other financing uses				
Transfers out	(2,621)	(2,621)	(6,606)	(3,985)
Total other financing uses	(2,621)	(2,621)	(6,606)	(3,985)
Net change in fund balance	\$ (36,449)	\$ (44,850)	\$ (30,587)	\$ 14,263

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (30,587)
Add: Current year encumbrances outstanding at June 30	62
Net change in fund balance (GAAP basis)	\$ (30,525)

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2012

(amounts expressed in thousands)

Presented below is the schedule of funding progress and schedule of employer contributions for OCTA's supplemental pension plan, Additional Retiree Benefit Account (Plan), a single-employer defined benefit retirement plan. OCTA began contributing to the plan in fiscal year 2007-08. OCTA obtains actual valuations biennially. Actuarial information is available beginning fiscal year 2007-08.

Schedule of Funding Progress for Years Ended June 30

Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2012	\$ 10,222	\$ 14,868	\$ 4,646	69%	\$ 90,104	5.2%
2010	\$ 8,947	\$ 13,746	\$ 4,799	65%	\$ 101,596	4.7%
2008	\$ 8,013	\$ 11,545	\$ 3,532	69%	\$ 98,063	3.6%

Schedule of Employer Contributions for Years Ended June 30

Fiscal Year Ending	Annual Pension Cost	Actual Contribution	Percentage Contribution	Net Pension Obligation
2012	\$ 797	\$ 797	100%	\$ 0
2011	\$ 935	\$ 935	100%	\$ 0
2010	\$ 883	\$ 883	100%	\$ 0
2009	\$ 786	\$ 786	100%	\$ 0
2008	\$ 786	\$ 786	100%	\$ 0
2007	N/A	N/A	N/A	N/A

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

OCTA implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for fiscal year 2007-08. In conformance with GASB 45, OCTA obtains actual valuations biennially.

Schedule of Funding Progress for Years Ended June 30

Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2012	\$ -	\$ 726	\$ 726	0%	\$ 36,670	2.0%
2010	\$ -	\$ 659	\$ 659	0%	\$ 38,764	1.7%
2008	\$ -	\$ 491	\$ 491	0%	\$ 36,085	1.4%

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012
(amounts expressed in thousands)

1. BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual operating budget for all governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2012 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

There were no excess of expenditures over appropriations for fiscal year 2011-12 for the General Fund and the major special revenue funds.



ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION

June 30, 2012

(amounts expressed in thousands)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Orange County Unified Transportation Trust (OCUTT) - This fund is used to account for the revenues received and expenditures made for disbursements to OCTA, California Department of Transportation and cities within Orange County for various transportation projects. The source of revenue is the interest earned by the general capital projects fund. Expenditures of monies in this fund must be made in accordance with provisions of the California Transportation Development Act (TDA).

Service Authority for Freeway Emergencies (SAFE) - This fund is used to account for revenues received and expenditures made for the implementation and maintenance of the motorist emergency aid system. Funding is provided from a one dollar per vehicle registration fee on vehicles registered in Orange County. Expenditure of monies in this fund must be made in accordance with the provisions of Chapter 14 of the California Streets and Highways Code.

Service Authority for Abandoned Vehicles (SAAV) - This fund is used to account for revenues received and expenditures made for the removal of abandoned vehicles from streets and roads throughout Orange County. The source of revenue is a one dollar per vehicle registration fee on vehicles registered in Orange County. Expenditure of monies in this fund must be made in accordance with the provisions of Section 22710 of the California Vehicle Code.

State Transit Assistance Fund (STAF) - This fund is used to account for revenues received and expenditures made for OCTD transit operations and fare assistance for seniors and disabled persons. Funding is provided by sales taxes on gasoline and use taxes on diesel fuel. Expenditure of these funds is governed by the provisions of the TDA.

Gas Tax Fund - As of July 1, 1997, OCTA began receiving \$23,000 in gas tax revenue from the County of Orange. The revenues are restricted and must either be used for their designated purpose or swapped with other Orange County government agencies that can utilize the revenues for their intended purpose and in return provide OCTA with unrestricted revenues. OCTA carries the responsibility of annually pursuing and securing the swapping of restricted revenues with unrestricted revenues from Orange County government agencies.

Capital Projects Funds

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

OCTD Capital Projects Fund - This fund is used to account for transit capital projects. This fund has no activity for the fiscal year.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2012

<i>(amounts expressed in thousands)</i>	Special Revenue						Capital Projects	Total Nonmajor Governmental Funds
	OCUTT	SAFE	SAAV	STAF	Gas Tax	Total	General	
Assets								
Cash and investments	\$ 4,703	\$ 4,000	\$ 1,364	\$ 3	\$ 2,460	\$ 12,530	\$ 9,514	\$ 22,044
Receivables:								
Interest	69	31	4	1	-	105	-	105
Other	-	28	-	-	-	28	-	28
Due from other governments	-	3,082	12	6,254	447	9,795	-	9,795
Advances to other funds	5,627	-	-	-	-	5,627	-	5,627
Other assets	4,112	-	-	-	-	4,112	-	4,112
Total Assets	\$ 14,511	\$ 7,141	\$ 1,380	\$ 6,258	\$ 2,907	\$ 32,197	\$ 9,514	\$ 41,711
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 5	\$ 481	\$ -	\$ -	\$ -	\$ 486	\$ -	\$ 486
Due to other funds	20	-	1	6,254	-	6,275	-	6,275
Due to other governments	-	57	594	-	1,917	2,568	-	2,568
Deferred revenue	587	26	-	-	-	613	-	613
Total Liabilities	612	564	595	6,254	1,917	9,942	-	9,942
Fund Balances								
Nonspendable:								
Other assets	4,112	-	-	-	-	4,112	-	4,112
Advances	5,627	-	-	-	-	5,627	-	5,627
Restricted for:								
Transportation programs	4,160	-	-	4	-	4,164	-	4,164
Streets and roads	-	-	-	-	990	990	-	990
Motorist services	-	6,577	785	-	-	7,362	-	7,362
Assigned to:								
Capital project funds	-	-	-	-	-	-	9,514	9,514
Total fund balances	13,899	6,577	785	4	990	22,255	9,514	31,769
Total liabilities and fund balances	\$ 14,511	\$ 7,141	\$ 1,380	\$ 6,258	\$ 2,907	\$ 32,197	\$ 9,514	\$ 41,711

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Special Revenue						Capital Projects	Total Nonmajor Governmental Funds
	OCUTT	SAFE	SAAV	STAF	Gas Tax	Total	General	
Revenues								
Sales taxes	\$ -	\$ -	\$ -	\$ 22,312	\$ -	\$ 22,312	\$ -	\$ 22,312
Gasoline taxes	-	-	-	-	23,447	23,447	-	23,447
Vehicle registration fees	-	2,610	-	-	-	2,610	-	2,610
Contributions from other agencies	-	2,689	-	-	-	2,689	-	2,689
Interest and investment income	458	71	29	4	-	562	-	562
Miscellaneous	-	63	-	-	-	63	-	63
Total revenues	458	5,433	29	22,316	23,447	51,683	-	51,683
Expenditures								
Current:								
General government:								
Supplies and services	23	5,526	39	1	-	5,589	43	5,632
Transportation:								
Contributions to other local agencies	-	-	2,286	-	23,000	25,286	-	25,286
Total expenditures	23	5,526	2,325	1	23,000	30,875	43	30,918
Excess (deficiency) of revenues over (under) expenditures	435	(93)	(2,296)	22,315	447	20,808	(43)	20,765
Other financing sources (uses)								
Transfers in	637	-	-	-	-	637	-	637
Transfers out	(699)	-	-	(22,312)	-	(23,011)	-	(23,011)
Total other financing sources (uses)	(62)	-	-	(22,312)	-	(22,374)	-	(22,374)
Net change in fund balances	373	(93)	(2,296)	3	447	(1,566)	(43)	(1,609)
Fund balances - beginning	13,526	6,670	3,081	1	543	23,821	9,557	33,378
Fund balances - ending	\$ 13,899	\$ 6,577	\$ 785	\$ 4	\$ 990	\$ 22,255	\$ 9,514	\$ 31,769

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Contributions from other agencies	\$ 6,958	\$ -	\$ -	\$ -
Interest and investment income	116	7,074	6,967	(107)
Total revenues	7,074	7,074	6,967	(107)
Expenditures				
Debt service:				
Interest on long-term debt and commercial paper	22,383	22,383	22,383	-
Total expenditures	22,383	22,383	22,383	-
Deficiency of revenues under expenditures	(15,309)	(15,309)	(15,416)	(107)
Other financing sources				
Transfers in	15,309	15,309	17,223	1,914
Total other financing sources	15,309	15,309	17,223	1,914
Net change in fund balance	\$ -	\$ -	\$ 1,807	\$ 1,807

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest and investment income	\$ 225	\$ 225	\$ 458	\$ 233
Total revenues	225	225	458	233
Expenditures				
Current:				
General government:				
Supplies and services	5	5	23	(18)
Total expenditures	5	5	23	(18)
Excess of revenues over expenditures	220	220	435	215
Other financing sources (uses)				
Transfers in	185	185	637	452
Transfers out	(2,160)	(2,160)	(699)	1,461
Total other financing sources (uses)	(1,975)	(1,975)	(62)	1,913
Net change in fund balance	\$ (1,755)	\$ (1,755)	\$ 373	\$ 2,128

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Vehicle registration fees	\$ 2,497	\$ 2,497	\$ 2,610	\$ 113
Contributions from other agencies	2,965	2,965	2,759	(206)
Interest and investment income	154	154	71	(83)
Miscellaneous	30	30	63	33
Total revenues	5,646	5,646	5,503	(143)
Expenditures				
Current:				
General government:				
Supplies and services	6,428	6,428	5,604	824
Total expenditures	6,428	6,428	5,604	824
Deficiency of revenues under expenditures	(782)	(782)	(101)	681
Other financing sources				
Transfers in	835	835	-	(835)
Total other financing sources	835	835	-	(835)
Net change in fund balance	\$ 53	\$ 53	\$ (101)	\$ (154)

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (101)
Less: Estimated revenues for encumbrances outstanding at June 30	70
Add: Current year encumbrances outstanding at June 30	78
Net change in fund balance (GAAP basis)	\$ (93)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Abandoned Vehicles Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest and investment income	\$ 61	\$ 61	\$ 29	\$ (32)
Total revenues	61	61	29	(32)
Expenditures				
Current:				
General government:				
Supplies and services	27	27	39	(12)
Transportation:				
Contributions to other local agencies	2,375	2,375	2,286	89
Total expenditures	2,402	2,402	2,325	77
Deficiency of revenues under expenditures	(2,341)	(2,341)	(2,296)	45
Other financing uses				
Transfers out	(109)	(109)	-	109
Total other financing uses	(109)	(109)	-	109
Net change in fund balance	\$ (2,450)	\$ (2,450)	\$ (2,296)	\$ 154

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 19,382	\$ 19,382	\$ 22,312	\$ 2,930
Interest and investment income	-	-	4	4
Total revenues	19,382	19,382	22,316	2,934
Expenditures				
Current:				
General government:				
Supplies and services	-	-	1	(1)
Transportation:				
Contributions to other local agencies	175	175	-	175
Total expenditures	175	175	1	174
Excess of revenues over expenditures	19,207	19,207	22,315	3,108
Other financing uses				
Transfers out	(19,207)	(19,207)	(22,312)	(3,105)
Total other financing uses	(19,207)	(19,207)	(22,312)	(3,105)
Net change in fund balance	\$ -	\$ -	\$ 3	\$ 3

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2012

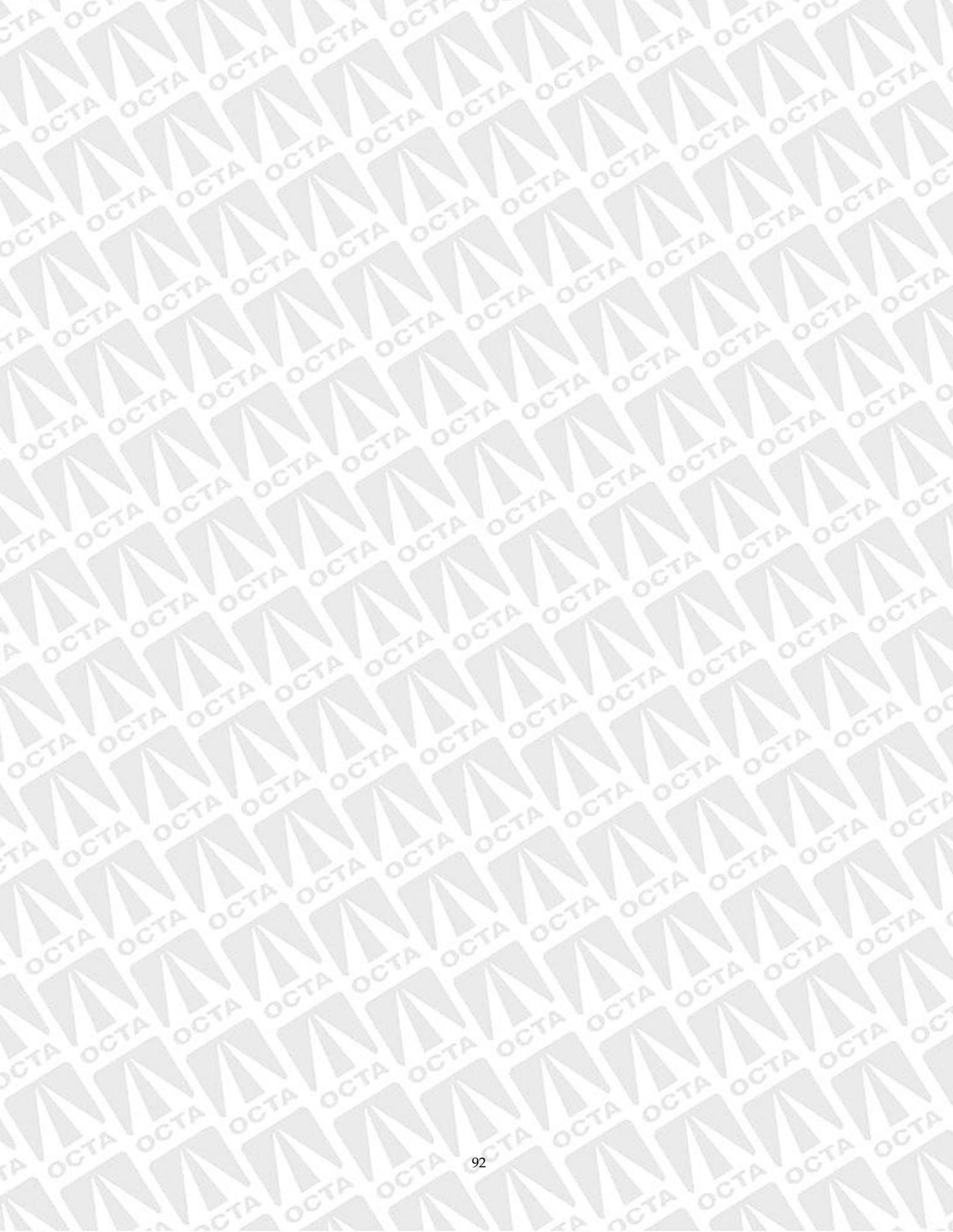
<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Gasoline taxes	\$ 23,000	\$ 23,000	\$ 23,447	\$ 447
Total revenues	23,000	23,000	23,447	447
Expenditures				
Current:				
Transportation:				
Contributions to other local agencies	23,000	23,000	23,000	-
Total expenditures	23,000	23,000	23,000	-
Excess of revenues over expenditures	-	-	447	447
Net change in fund balance	\$ -	\$ -	\$ 447	\$ 447

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
General Capital Projects Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Supplies and services	\$ 29	\$ 29	\$ 43	\$ (14)
Capital outlay	12,896	12,896	-	12,896
Total expenditures	12,925	12,925	43	12,882
Deficiency of revenues under expenditures	(12,925)	(12,925)	(43)	12,882
Net change in fund balance	\$ (12,925)	\$ (12,925)	\$ (43)	\$ 12,882

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Transit District Capital Projects Fund (Budgetary Basis)
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Capital outlay	\$ 337	\$ 337	\$ -	\$ 337
Total expenditures	337	337	-	337
Excess (deficiency) of revenues over (under) expenditures	(337)	(337)	-	337
Other financing uses				
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net change in fund balance	\$ (337)	\$ (337)	\$ -	\$ 337



ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION
June 30, 2012
(amounts expressed in thousands)

INTERNAL SERVICE FUNDS

General liability - This fund is used to account for OCTA's risk management activities related to public liability, property damage and automobile liability.

Workers' compensation - This fund is used to account for OCTA's risk management activities related to workers' compensation.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Fund Net Assets - Internal Service Funds
June 30, 2012

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 22,888	\$ 13,924	\$ 36,812
Receivables:			
Interest	116	70	186
Operating grants	-	-	-
Capital grants	-	-	-
Other	127	399	526
Due from other funds			
Due from other governments	-	-	-
Condemnation deposits	-	-	-
Inventory	-	-	-
Other assets	311	914	1,225
Total current assets	<u>23,442</u>	<u>15,307</u>	<u>38,749</u>
Total Assets	<u>23,442</u>	<u>15,307</u>	<u>38,749</u>
Liabilities			
Current liabilities:			
Accounts payable	227	217	444
Claims payable	2,495	1,676	4,171
Other liabilities	-	102	102
Total current liabilities	<u>2,722</u>	<u>1,995</u>	<u>4,717</u>
Noncurrent liabilities:			
Claims payable	5,823	9,500	15,323
Total noncurrent liabilities	<u>5,823</u>	<u>9,500</u>	<u>15,323</u>
Total Liabilities	<u>8,545</u>	<u>11,495</u>	<u>20,040</u>
Net Assets			
Unrestricted	14,897	3,812	18,709
Total Net Assets	<u>\$ 14,897</u>	<u>\$ 3,812</u>	<u>\$ 18,709</u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 549	\$ 5,988	\$ 6,537
Total operating revenues	549	5,988	6,537
Operating expenses:			
Administrative services	82	56	138
Other	20	239	259
Insurance claims and premiums	953	3,828	4,781
Professional services	1,754	415	2,169
Total operating expenses	2,809	4,538	7,347
Operating income (loss)	(2,260)	1,450	(810)
Nonoperating revenues:			
Investment earnings	321	174	495
Other	163	143	306
Total nonoperating revenues	484	317	801
Change in net assets	(1,776)	1,767	(9)
Total net assets - beginning	16,673	2,045	18,718
Total net assets - ending	\$ 14,897	\$ 3,812	\$ 18,709

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2012

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 549	\$ 5,977	\$ 6,526
Payments to suppliers	(1,643)	(965)	(2,608)
Payments to claimants	(1,923)	(3,979)	(5,902)
Payments for interfund services used	(82)	(56)	(138)
Miscellaneous revenue received	163	143	306
Net cash provided by (used for) operating activities	(2,936)	1,120	(1,816)
Cash flows from investing activities:			
Investment earnings	347	178	525
Net cash provided by investing activities	347	178	525
Net increase (decrease) in cash and cash equivalents	(2,589)	1,298	(1,291)
Cash and cash equivalents at beginning of year	25,477	12,626	38,103
Cash and cash equivalents at end of year	\$ 22,888	\$ 13,924	\$ 36,812
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (2,260)	\$ 1,450	\$ (810)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Insurance recoveries	163	143	306
Change in assets and liabilities:			
Other receivables	13	63	76
Due from other governments	1	-	1
Other assets	(8)	2	(6)
Accounts payable	119	(311)	(192)
Claims payable	(964)	(227)	(1,191)
Total adjustments	(676)	(330)	(1,006)
Net cash provided by (used for) operating activities	\$ (2,936)	\$ 1,120	\$ (1,816)

Metrolink



**ORANGE COUNTY TRANSPORTATION AUTHORITY
STATISTICAL SECTION
June 30, 2012**

This part of OCTA’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about OCTA’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	98
These schedules contain trend information to help the reader understand how OCTA’s financial performance and well-being have changed over time.	
Revenue Capacity	104
These schedules contain information to help the reader assess OCTA’s most significant local revenue source, the sales tax.	
Debt Capacity	108
These schedules present information to help the reader assess the affordability of OCTA’s current levels of outstanding debt and OCTA’s ability to issue additional debt in the future.	
Demographic and Economic Information	111
These schedules offer demographic and economic indicators to help the reader understand the environment within which OCTA’s financial activities take place.	
Operating Information	114
These schedules contain service and infrastructure data to help the reader understand how the information in OCTA’s financial report relates to the services OCTA provides and the activities it performs.	

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 1

Net Assets by Component, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

For Year Ended June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 160,756	\$ 139,044	\$ 278,006	\$ 551,907	\$ 652,407	\$ 155,502	\$ 175,769	\$ 180,131	\$ 193,968	\$ 191,149
Restricted	455,630	566,921	637,820	568,581	524,399	531,318	328,463	303,605	199,540	251,820
Unrestricted	(327,947)	(305,530)	(231,120)	(204,361)	(124,558)	(63,434)	149,839	133,070	234,876	200,226
Total government activities net assets	\$ 288,439	\$ 400,435	\$ 684,706	\$ 916,127	\$ 1,052,248	\$ 623,386	\$ 654,071	\$ 616,806	\$ 628,384	\$ 643,195
Business-type activities:										
Invested in capital assets, net of related debt	\$ 198,772	\$ 241,883	\$ 249,263	\$ 230,878	\$ 259,930	\$ 335,732	\$ 367,144	\$ 331,460	\$ 303,063	\$ 278,292
Restricted	25,439	22,942	25,771	28,046	13,168	15,349	19,355	20,219	20,298	20,340
Unrestricted	328,129	273,330	249,883	260,158	248,194	222,926	190,736	170,902	162,903	246,797
Total business-type activities net assets	\$ 552,340	\$ 538,155	\$ 524,917	\$ 519,082	\$ 521,292	\$ 574,007	\$ 577,235	\$ 522,581	\$ 486,264	\$ 545,429
Primary government:										
Invested in capital assets, net of related debt	\$ 359,528	\$ 380,927	\$ 527,269	\$ 782,785	\$ 912,337	\$ 491,234	\$ 542,913	\$ 511,591	\$ 497,031	\$ 469,441
Restricted	481,069	589,863	663,591	596,627	537,567	546,667	347,818	323,824	219,838	272,160
Unrestricted	182	(32,200)	18,763	55,797	123,636	159,492	340,575	303,972	397,779	447,023
Total primary government net assets	\$ 840,779	\$ 938,590	\$ 1,209,623	\$ 1,435,209	\$ 1,573,540	\$ 1,197,393	\$ 1,231,306	\$ 1,139,387	\$ 1,114,648	\$ 1,188,624

Source: Accounting and Financial Reporting Department

Note:

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

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 2

Changes in Net Assets, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

For Year Ended June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 72,284	\$ 76,583	\$ 79,777	\$ 80,961	\$ 125,160	\$ 105,009	\$ 106,676	\$ 112,138	\$ 104,305	\$ 95,679
Measure M program	134,900	147,135	108,370	133,524	174,314	748,962	222,731	302,851	291,703	337,034
Motorist services	8,681	7,619	7,672	8,451	6,717	7,669	7,814	7,497	7,545	7,347
Commuter rail	10,294	10,463	20,505	18,442	49,791	21,585	27,009	29,395	14,393	26,806
Urban rail	37,992	15,755	10,115	128	-	-	-	-	-	-
Total governmental activities expenses	264,151	257,555	226,439	241,506	355,982	883,225	364,230	451,881	417,946	466,866
Business-type activities:										
Fixed route	184,495	199,375	220,037	223,160	233,827	243,151	224,538	210,526	200,999	201,629
Paratransit	23,567	28,935	32,558	28,285	28,002	35,631	37,980	42,999	46,151	51,225
Tollroad	16,575	33,508	33,886	33,693	34,430	35,375	38,224	33,713	31,371	23,231
Taxicab administration	311	243	245	271	366	431	299	344	393	490
Total business-type activities expenses	224,948	262,061	286,726	285,409	296,625	314,588	301,041	287,582	278,914	276,575
Total primary government expenses	\$ 489,099	\$ 519,616	\$ 513,165	\$ 526,915	\$ 652,607	\$ 1,197,813	\$ 665,271	\$ 739,463	\$ 696,860	\$ 743,441
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 33,977	\$ 37,189	\$ 39,429	\$ 37,517	\$ 43,840	\$ 47,509	\$ 133	\$ 121	\$ 140	\$ 149
Other activities	664	797	735	713	880	1,172	967	1,008	1,093	1,297
Operating grants and contributions	4,483	4,325	35,263	29,632	31,963	35,125	36,092	68,015	115,154	172,733
Capital grants and contributions	45,548	38,787	154,565	107,349	59,344	34,142	30,747	8,279	1,204	4,335
Total governmental activities program revenues	84,672	81,098	229,992	175,211	136,027	117,948	67,939	77,423	117,591	178,514
Business-type activities:										
Charges for services:										
Fixed route	46,143	47,940	52,636	54,178	48,562	50,522	52,641	48,776	49,412	50,553
Tollroad	14,398	32,391	39,598	44,238	49,838	46,236	43,705	43,009	41,837	37,742
Other activities	3,608	3,770	4,660	5,016	6,063	6,593	6,870	7,133	7,206	7,154
Operating grants and contributions	55,962	55,094	42,681	44,555	46,493	53,561	80,242	88,597	72,441	90,099
Capital grants and contributions	14,351	22,910	25,218	8,750	15,948	69,693	56,588	1,841	8,648	10,023
Total business-type activities program revenues	134,462	162,105	164,793	156,737	166,904	226,605	240,046	189,356	179,544	195,571
Total primary government program revenues	\$ 219,134	\$ 243,203	\$ 394,785	\$ 331,948	\$ 302,931	\$ 344,553	\$ 307,985	\$ 266,779	\$ 297,135	\$ 374,085

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

In fiscal year 2004-05, the OCTA Board directed staff to cease all efforts towards the CenterLine project and redirect resources to other rapid transit projects.

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

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

In fiscal year 2009-10, Capital grants and contributions revenue decrease is primarily due to governmental activities grant reimbursements reclassified from capital to operating and business-type activities grants for CNG and LNG buses received in prior fiscal years.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 2

Changes in Net Assets, Last Ten Fiscal Years, *continued*

(accrual basis of accounting - thousands)

For Year Ended June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Indirect expenses allocation:										
Governmental activities	-	-	-	-	-	-	\$ (36,091)	\$ (31,187)	\$ (27,248)	\$ (29,340)
Business-type activities	-	-	-	-	-	-	36,091	31,187	27,248	29,340
Net (expense)/program revenue										
Governmental activities	\$ (179,479)	\$ (176,457)	\$ 3,553	\$ (66,295)	\$ (219,955)	\$ (765,277)	\$ (260,200)	\$ (343,271)	\$ (273,107)	\$ (259,012)
Business-type activities	(90,486)	(99,956)	(121,933)	(128,672)	(129,721)	(87,983)	(97,086)	(129,413)	(126,618)	(110,344)
Total primary government net expense	\$ (269,965)	\$ (276,413)	\$ (118,380)	\$ (194,967)	\$ (349,676)	\$ (853,260)	\$ (357,286)	\$ (472,684)	\$ (399,725)	\$ (369,356)

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes:										
Sales taxes	\$ 301,011	\$ 328,853	\$ 351,185	\$ 385,090	\$ 421,067	\$ 393,350	\$ 335,465	\$ 326,005	\$ 329,971	\$ 409,556
Vehicle registration	4,801	4,840	-	-	-	-	-	-	-	-
Motor fuel taxes	23,000	23,000	-	-	-	-	-	-	-	-
Unrestricted investment earnings	35,132	8,513	20,496	16,583	37,322	49,331	31,501	17,325	14,487	15,192
Loss on sale of capital assets	(3,180)	-	-	-	-	-	-	-	-	-
Other miscellaneous revenue	3,224	3,046	310	494	668	1,271	412	328	229	355
Transfers	(66,690)	(79,799)	(91,273)	(104,451)	(102,981)	(107,537)	(76,493)	(75,038)	(66,230)	(151,280)
Total governmental activities	297,298	288,453	280,718	297,716	356,076	336,415	290,885	268,620	278,457	273,823

Business-type activities:

Taxes:										
Property taxes	7,239	7,846	8,473	9,762	10,338	11,178	11,295	10,220	10,736	11,193
Unrestricted investment earnings	16,215	2,900	8,506	8,127	18,117	21,476	12,186	4,184	15,552	926
Gain (loss) on sale of capital assets	41	-	-	-	-	-	-	-	-	-
Other miscellaneous revenue	230	287	443	497	495	507	340	207	2,769	228
Transfers	66,690	79,799	91,273	104,451	102,981	107,537	76,493	75,038	66,230	151,280
Total business-type activities	90,415	90,832	108,695	122,837	131,931	140,698	100,314	89,649	95,287	163,627
Total primary government	\$ 387,713	\$ 379,285	\$ 389,413	\$ 420,553	\$ 488,007	\$ 477,113	\$ 391,199	\$ 358,269	\$ 373,744	\$ 437,450

Change in Net Assets

Governmental activities	\$ 117,819	\$ 111,996	\$ 284,271	\$ 231,421	\$ 136,121	\$ (428,862)	\$ 30,685	\$ (74,651)	\$ 5,350	\$ 14,811
Business-type activities	(71)	(9,124)	(13,238)	(5,835)	2,210	52,715	3,228	(39,764)	(31,331)	53,283
Total primary government	\$ 117,748	\$ 102,872	\$ 271,033	\$ 225,586	\$ 138,331	\$ (376,147)	\$ 33,913	\$ (114,415)	\$ (25,981)	\$ 68,094

Source: Accounting and Financial Reporting Department

Notes:

Beginning in fiscal year 2004-05, vehicle registration, motor fuel taxes and loss on sale of capital assets are reported as charges for services, operating grants and contributions and expenses, respectively.

Fiscal year 2007-08 negative Change in Net Assets, Governmental activities is due to the transfer of the SR-22 freeway project to Caltrans.

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

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

(modified accrual basis of accounting - thousands)

	For Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 5,626	\$ 8,183	\$ 5,052	\$ 4,708	\$ 9,195	\$ 10,842	\$ 12,895	\$ 10,756	\$ -	\$ -
Unreserved	2,427	(1,189)	759	(1,096)	(4,022)	(1,754)	(8,260)	(8,378)	-	-
Nonspendable	-	-	-	-	-	-	-	-	4,711	5,459
Unassigned	-	-	-	-	-	-	-	-	(4,061)	(4,203)
Total general fund	\$ 8,053	\$ 6,994	\$ 5,811	\$ 3,612	\$ 5,173	\$ 9,088	\$ 4,635	\$ 2,378	\$ 650	\$ 1,256
All Other Governmental Funds										
Reserved	\$ 533,315	\$ 571,931	\$ 649,596	\$ 588,661	\$ 576,815	\$ 599,244	\$ 537,118	\$ 433,513	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	151,255	160,938	150,419	134,571	111,018	94,322	92,482	76,653	-	-
Capital projects funds	3,143	6,370	6,241	2,293	8,011	(4,976)	(2,082)	(3,851)	-	-
Nonspendable	-	-	-	-	-	-	-	-	10,513	18,826
Restricted	-	-	-	-	-	-	-	-	663,669	680,191
Committed	-	-	-	-	-	-	-	-	70,304	68,084
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	9,557	9,514
Total all other governmental funds	\$ 687,713	\$ 739,239	\$ 806,256	\$ 725,525	\$ 695,844	\$ 688,590	\$ 627,518	\$ 506,315	\$ 754,043	\$ 776,615

Source: Accounting and Financial Reporting Department
Note: GASB 54 was implemented during fiscal year 2010-11.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 4
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting - thousands)

	For Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Sales taxes	\$ 301,011	\$ 328,853	\$ 351,185	\$ 385,090	\$ 421,067	\$ 393,350	\$ 335,465	\$ 326,005	\$ 326,804	\$ 412,722
Gasoline taxes	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,447
Vehicle registration fees	4,801	4,840	4,816	5,096	5,114	5,137	5,193	4,993	5,109	2,610
Fines	185	160	172	170	191	197	157	144	156	159
Contributions from other agencies	23,516	12,639	117,572	45,595	22,101	20,894	10,818	38,945	68,130	152,836
Charges for services	33,804	37,087	39,242	37,354	43,663	47,326	-	-	-	-
Interest and investment income	35,074	5,472	19,262	17,072	42,431	49,282	31,418	17,167	11,638	15,325
Capital assistance grants	30,291	8,585	27,549	71,250	36,357	22,132	26,998	7,655	1,877	695
Miscellaneous	3,871	3,833	1,056	1,203	1,532	4,577	3,386	3,949	1,354	1,642
Total revenues	455,553	424,469	583,854	585,830	595,456	565,895	436,435	421,858	438,068	609,436
Expenditures										
Current:										
General government	116,975	96,856	106,579	89,766	95,350	130,155	89,184	101,897	94,155	101,457
Transportation:										
Contributions to other local agencies	84,366	93,340	90,517	98,701	208,152	157,761	174,434	259,623	208,882	222,485
Capital outlay	28,590	20,745	141,805	301,496	132,514	84,201	72,666	56,462	86,106	88,529
Debt service:										
Principal payments on long-term debt	54,200	57,660	60,615	63,720	67,325	71,290	75,355	78,405	82,795	-
Interest	34,337	30,963	28,325	25,306	22,303	18,648	13,829	9,421	8,582	22,508
Bond issuance costs	-	-	-	-	-	-	-	-	2,181	-
Total expenditures	318,468	299,564	427,841	578,989	525,644	462,055	425,468	505,808	482,701	434,979
Excess of revenues over expenditures	137,085	124,905	156,013	6,841	69,812	103,840	10,967	(83,950)	(44,633)	174,457
Other financing sources (uses):										
Transfers in	121,818	120,095	138,679	103,709	175,338	111,507	113,508	128,366	289,776	29,295
Transfers out	(188,508)	(199,894)	(229,951)	(208,095)	(275,264)	(218,708)	(190,002)	(203,404)	(356,006)	(180,574)
Proceeds from sale of capital assets	1,885	5,361	1,093	7,269	1,994	22	2	5	4	-
Bond issuance	-	-	-	-	-	-	-	-	352,570	-
Bond premium	-	-	-	-	-	-	-	-	6,023	-
Total other financing sources (uses)	(64,805)	(74,438)	(90,179)	(97,117)	(97,932)	(107,179)	(76,492)	(75,033)	292,367	(151,279)
Net changes in fund balances	\$ 72,280	\$ 50,467	\$ 65,834	\$ (90,276)	\$ (28,120)	\$ (3,339)	\$ (65,525)	\$ (158,983)	\$ 247,734	\$ 23,178
Debt service as a percentage of noncapital expenditures	27.9%	29.7%	29.1%	29.3%	21.1%	22.6%	22.1%	17.6%	19.5%	5.2%

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2004-05, \$124 million in Traffic Congestion Relief Program funds were re-allocated to OCTA for the Garden Grove SR-22 project.

For both fiscal year 2004-05 and 2005-06 the increase in capital outlay was due to the SR-22 construction project which was substantially completed in November 2006.

In fiscal year 2006-07, the increase in contributions to other local agencies is primarily due to an increase in freeway construction projects, street and road projects, and contributions to Metrolink for the purchase of new rail cars and locomotives.

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

In fiscal year 2010-11, Measure M2 sales tax revenue bonds were issued and Measure M1 bonds were paid off.

In fiscal year 2011-12, the increase in contributions from other agencies is due to increased funding of Measure M MSEP and grade separation projects.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 5
Program Revenues by Function/Program - Last Ten Fiscal Years
(accrual basis of accounting - thousands)

Program Revenues	For Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program										
Governmental activities:										
General government	\$ 34,672	\$ 39,919	\$ 66,437	\$ 62,570	\$ 76,481	\$ 82,704	\$ 38,715	\$ 32,876	\$ 30,225	\$ 33,981
Measure M program	18,335	30,354	148,759	106,740	27,950	23,267	18,034	33,211	78,206	137,209
Motorist services	2,199	2,140	9,096	5,387	8,186	8,576	8,170	8,042	8,172	5,325
Commuter rail	535	574	553	514	26,896	3,401	3,020	3,294	988	1,999
Urban rail	28,931	8,111	5,147	-	-	-	-	-	-	-
Total governmental activities	84,672	81,098	229,992	175,211	139,513	117,948	67,939	77,423	117,591	178,514
Business-type activities:										
Fixed route	112,884	122,914	115,180	102,824	106,127	166,327	182,941	133,122	120,534	133,785
Paratransit	6,954	6,575	9,740	9,345	10,505	13,524	12,851	12,621	16,350	23,307
Tollroad	14,398	32,391	39,598	44,238	49,838	46,246	43,705	43,048	42,010	37,742
Taxicab administration	226	225	225	330	434	508	549	565	650	737
Total business-type activities	134,462	162,105	164,743	156,737	166,904	226,605	240,046	189,356	179,544	195,571
Total primary government	\$ 219,134	\$ 243,203	\$ 394,735	\$ 331,948	\$ 306,417	\$ 344,553	\$ 307,985	\$ 266,779	\$ 297,135	\$ 374,085

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2004-05, \$124 million in Traffic Congestion Relief Program funds were re-allocated to OCTA for the Garden Grove SR-22 project.

In fiscal year 2005-06, OCTA received \$70 million in Congestion Mitigation and Air Quality funds for the SR-22 project.

In fiscal year 2011-12, the increase in contributions from other agencies is due to increased funding of Measure M MSEP and grade separation projects.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 6

Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

For Year Ended June 30,	Sales & Use	Gasoline (a)	Total
2003	297,705	23,000	320,705
2004	301,012	23,000	324,012
2005	328,853	23,000	351,853
2006	385,090	23,000	408,090
2007	421,067	23,000	444,067
2008	393,350	23,000	416,350
2009	335,465	23,000	358,465
2010	326,005	23,000	349,005
2011	326,804	23,000	349,804
2012	412,722	23,447	436,169
 Change 2003 - 2012	 38.6%	 1.9%	 36.0%

Source: Accounting and Financial Reporting Department

Note:

- (a) In 1995, as a result of the Orange County 1994 bankruptcy, the California State Legislature diverted \$38 million to the County from OCTA's TDA sales tax revenue. In return, \$23 million in annual County gasoline tax revenue is being diverted to OCTA.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 7

Taxable Sales by Category, Last Ten Calendar Years

<i>(amounts expressed in thousands)</i>	Calendar Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1 Apparel stores	\$ 1,508,011	\$ 1,697,120	\$ 1,881,882	\$ 2,062,892	\$ 2,152,410	\$ 2,217,996	\$ 2,340,116	\$ 2,742,626	\$ 2,923,680	\$ 652,073
2 General merchandise	4,618,932	4,855,674	5,205,075	5,467,357	5,741,912	5,856,810	5,493,287	4,376,154	4,527,201	1,022,718
3 Specialty stores	4,837,212	5,085,612	5,700,317	6,028,089	6,514,211	4,447,931	3,665,066	1,638,968	1,622,910	391,611
4 Food stores	1,551,611	1,574,528	1,563,145	1,716,228	1,781,284	1,815,201	1,745,903	1,894,642	1,911,192	457,192
5 Eating and drinking establishments	3,884,388	4,149,117	4,475,791	4,798,676	5,051,841	5,296,863	5,245,480	5,024,379	5,109,383	1,275,349
6 Home furnishings and appliances	1,722,573	1,985,255	2,135,876	2,269,650	2,202,194	2,079,957	1,900,534	2,829,758	2,928,251	720,481
7 Building material	2,275,964	2,480,249	2,950,592	3,000,086	3,029,741	2,798,938	2,370,154	2,039,686	2,112,467	531,052
8 Automotive	8,482,604	9,651,049	10,585,091	11,283,156	11,490,939	11,469,589	10,431,086	8,286,158	9,045,917	2,508,381
9 Other	765,523	809,093	944,184	1,046,700	1,109,919	3,004,942	2,576,969	1,061,492	1,064,825	252,945
10 Business and personal services	2,615,150	2,699,250	2,819,934	2,938,129	2,987,539	2,968,831	2,828,005	1,268,759	1,306,282	316,336
11 All other outlets	12,607,188	12,530,119	13,420,172	14,452,283	15,140,757	15,336,413	15,010,229	14,550,164	15,115,073	3,630,907
Total	\$ 44,869,156	\$ 47,517,066	\$ 51,682,059	\$ 55,063,246	\$ 57,202,747	\$ 57,293,471	\$ 53,606,829	\$ 45,712,786	\$ 47,667,181	\$ 11,759,045
Measure M Ordinance direct sales tax rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Source: California State Board of Equalization

Note:

(a) Represents the first quarter only. 2012 data not yet available.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 8
Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years
(amounts expressed in thousands)

<u>Calendar Year</u>	<u>Measure M Direct rate</u>	<u>County of Orange</u>
2003	0.50%	7.25%
2004	0.50%	7.25%
2005	0.50%	7.25%
2006	0.50%	7.25%
2007	0.50%	7.25%
2008	0.50%	7.25%
2009	0.50%	8.25% (a)
2010	0.50%	8.25%
2011	0.50%	8.25%
2012	0.50%	7.25%

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

Notes:

Measure M information provided by the Measure M Ordinance

(a) Effective April 1, 2009 through June 30, 2011 the state sales and use tax rate increased by 1%.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 9

Principal Taxable Sales Generation by City, Current Year and Nine Years Ago

(amounts expressed in thousands)

City	Calendar Year 2010			Calendar Year 2001		
	Taxable Sales	Rank	Percentage of Total	Taxable Sales	Rank	Percentage of Total
Aliso Viejo	\$ 356,221	28	0.84%	\$ 74,525	33	0.19%
Anaheim	4,702,967	1	11.09%	4,581,334	1	11.59%
Brea	1,469,795	11	3.47%	1,313,619	12	3.32%
Buena Park	1,880,940	8	4.44%	1,213,798	14	3.07%
Costa Mesa	3,506,318	3	8.27%	3,160,603	4	8.00%
Cypress	984,522	16	2.32%	907,828	16	2.30%
Dana Point	357,551	27	0.84%	314,223	26	0.79%
Fountain Valley	863,521	18	2.04%	840,033	17	2.13%
Fullerton	1,470,794	10	3.47%	1,359,264	10	3.44%
Garden Grove	1,459,914	12	3.44%	1,544,261	9	3.91%
Huntington Beach	2,366,485	6	5.58%	2,113,445	6	5.35%
Irvine	3,924,599	2	9.25%	3,893,976	2	9.85%
La Habra	714,948	19	1.69%	595,961	20	1.51%
La Palma	263,001	31	0.62%	264,210	29	0.67%
Laguna Beach	328,989	29	0.78%	287,981	28	0.73%
Laguna Hills	462,741	23	1.09%	601,500	19	1.52%
Laguna Niguel	899,366	17	2.12%	726,824	18	1.84%
Laguna Woods	72,815	33	0.17%	79,973	32	0.20%
Lake Forest	1,041,449	15	2.46%	910,820	15	2.30%
Los Alamitos	201,418	32	0.47%	224,413	30	0.57%
Mission Viejo	1,296,304	13	3.06%	1,229,310	13	3.11%
Newport Beach	2,211,287	7	5.21%	1,716,344	7	4.34%
Orange	2,595,060	5	6.12%	2,351,784	5	5.95%
Placentia	402,979	25	0.95%	442,546	23	1.12%
Rancho Santa Margarita	437,044	24	1.03%	383,272	25	0.97%
San Clemente	560,073	20	1.32%	440,520	24	1.11%
San Juan Capistrano	506,064	21	1.19%	594,431	21	1.50%
Santa Ana	3,178,264	4	7.49%	3,496,407	3	8.85%
Seal Beach	373,445	26	0.88%	198,966	31	0.50%
Stanton	272,830	30	0.64%	290,281	27	0.73%
Tustin	1,627,981	9	3.84%	1,547,554	8	3.91%
Villa Park	11,679	34	0.03%	17,613	34	0.04%
Westminster	1,130,310	14	2.67%	1,314,697	11	3.33%
Yorba Linda	476,118	22	1.12%	496,796	22	1.26%
Total	<u>42,407,792</u>		<u>100%</u>	<u>39,529,112</u>		<u>100%</u>
Unincorporated Cities	<u>5,259,387</u>			<u>5,066,202</u>		
Total Orange County	\$ <u>47,667,179</u>			\$ <u>44,595,314</u>		

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

Note:

The most current data available is for 2010.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 10

Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

(amounts expressed in thousands except per capita)

For Year Ended June 30,	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Sales Tax Revenue	Commercial Paper Notes	Certificates of Participation	Toll Road Revenue	Capital Leases			
	Bonds			Bonds				
2003	\$ 557,165	\$ 53,200	\$ 9,805	\$ 135,000	\$ -	\$ 755,170	0.62%	256.89
2004	499,505	47,400	7,410	195,265	-	749,580	0.58%	253.54
2005	438,890	40,900	4,965	191,630	-	676,385	0.49%	228.73
2006	375,170	34,500	2,470	187,625	6,534	606,299	0.40%	205.15
2007	307,845	29,100	1,235	183,510	15,741	537,431	0.35%	181.21
2008	236,555	47,600	-	179,285	13,060	476,500	0.31%	159.75
2009	161,200	50,000	-	174,940	9,779	395,919	0.27%	132.03
2010	82,795	100,000	-	170,425	6,362	359,582	0.24%	119.18
2011	352,570	25,000	-	165,685	2,802	546,057	n/a	180.29
2012	352,570	25,000	-	160,705	571	538,846	n/a	176.34

Source: Accounting and Financial Reporting Department

Notes:

See schedule 13 for personal income and population data

n/a - data not available

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 11
Legal Debt Margin Information, Last Ten Fiscal Years
(amounts expressed in thousands)

Measure M Ordinance No. 2 (Measure M1)

Measure M1 bonds were paid off during fiscal year 2010-11.

Measure M Ordinance No. 3 (Measure M2)

Legal Debt Margin Calculation for Fiscal Year 2012	
Debt service	\$ 15,425
Debt coverage (1.3 % of debt service)	<u>20,053</u>
Sales tax revenue	249,263
Less: local fair share & other expenses	<u>(51,274)</u>
Net sales tax revenues	197,989
Legal debt margin	<u>\$ 177,936</u>

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2012	
Debt service	\$ 10,721
Debt coverage (1.3 % of debt service)	<u>13,937</u>
Toll revenues	38,370
Less: operating expenses	<u>(12,692)</u>
Net toll revenues	25,678
Legal debt margin	<u>\$ 11,741</u>

For Year Ended June 30,	Measure M Ordinance No. 2 (Measure M1)				Measure M Ordinance No. 3 (Measure M2)				Toll Road Revenue Bonds			
	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2003	\$ 154,584	\$ 88,557	\$ 66,027	57.3%	\$ -	\$ -	\$ -	-	\$ 5,712	\$ 12,323	\$ (6,611)	215.7%
2004	170,608	88,557	82,051	51.9%	-	-	-	-	16,686	12,635	4,051	75.7%
2005	182,621	88,557	94,064	48.5%	-	-	-	-	22,793	12,635	10,158	55.4%
2006	198,671	88,557	110,114	44.6%	-	-	-	-	27,662	12,635	15,027	45.7%
2007	204,594	88,557	116,037	43.3%	-	-	-	-	34,760	12,635	22,125	36.3%
2008	198,815	88,557	110,258	44.5%	-	-	-	-	28,786	12,635	16,151	43.9%
2009	173,541	87,422	86,119	50.4%	-	-	-	-	26,503	15,504 (a)	10,999	58.5%
2010	156,246	87,422	68,824	56.0%	-	-	-	-	26,523	16,038 (a)	10,485	60.5%
2011	156,850	87,422	69,428	55.7%	6,635	21,839	(15,204)	329.1%	24,071	14,503 (a)	9,568	60.3%
2012	-	-	-	-	193,361	15,425	177,936	8.0%	22,462	10,721	11,741	47.7%

Source: Treasury and Accounting and Financial Reporting Departments

Notes:

In fiscal year 2010-11, Measure M2 sales tax revenue bonds were issued and Measure M1 bonds were paid off.

(a) In fiscal year 2008-09, 2009-10, and 2010-11 additional interest costs were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.; \$3,249, \$3,780, and \$2,246 respectively.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 12

Pledged-Revenue Coverage, Last Ten Fiscal Years

(amounts expressed in thousands)

For Year Ended June 30,	Measure M1 Sales Tax Revenue Bonds					Measure M2 Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
	Sales		Less: Debt Service			Sales		Less: Fair Share & Debt Service			Less:		Debt Service			Grant		Debt Service	
	Revenue	Turnback	Principal	Interest	Coverage	Revenue	Other Expenses	Principal	Interest	Coverage	Revenue	Operating Expenses	Principal	Interest	Coverage	Revenues	Principal	Interest	Coverage
2003	215,327	(34,176)	54,200	33,689	2.06	-	-	-	-	-	14,708	(5,299)	-	7,291	1.29	9,779	2,850	536	2.89
2004	231,763	(34,588)	57,660	30,335	2.24	-	-	-	-	-	33,083	(12,607)	912	10,283	1.83	914	2,395	414	0.33
2005	245,501	(36,313)	60,615	27,603	2.37	-	-	-	-	-	41,089	(14,506)	3,635	8,313	2.22	2,341	2,445	302	0.85
2006	263,378	(38,139)	63,720	24,466	2.55	-	-	-	-	-	45,960	(14,507)	4,005	8,249	2.57	2,146	2,495	187	0.80
2007	272,287	(41,126)	67,325	20,994	2.62	-	-	-	-	-	53,032	(14,482)	4,115	8,142	3.15	831	1,235	97	0.62
2008	266,443	(41,061)	71,290	17,168	2.55	-	-	-	-	-	50,649	(13,659)	4,225	8,028	3.02	831	1,235	32	0.66
2009	236,128	(36,361)	75,355	13,201	2.26	-	-	-	-	-	46,726	(15,572)	4,345	11,159	2.01	-	-	-	-
2010	214,162	(31,689)	78,405	9,000	2.09	-	-	-	-	-	44,665	(13,330)	4,515	11,523	1.95	-	-	-	-
2011	214,641	(31,564)	82,795	4,627	2.09	16,309	(3,286)	-	2,228	5.85	42,072	(13,650)	4,740	9,763	1.96	-	-	-	-
2012	-	-	-	-	-	249,263	(51,274)	-	15,425	12.84	38,370	(12,692)	4,980	5,741	2.40	-	-	-	-

Source: Accounting and Financial Reporting Department

Notes:

The Certificates of Participation matured in July 2007.

In fiscal year 2010-11, Measure M2 sales tax revenue bonds were issued and Measure M1 bonds were paid off.

Measure M sales tax revenue is shown on a cash basis, net of SBOE fees.

Toll Road Revenue includes interest earnings and Toll Road operating expenses exclude depreciation and amortization expenses.

In fiscal year 2008-09, 2009-10, and 2010-11, additional Toll Road Revenue Bonds interest costs of \$3,249, \$3,780, and \$2,246 respectively were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 13
Demographic and Economic Statistics, Last Ten Calendar Years

Calendar Year	Population (a)	Personal Income (millions) (b)	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
2003	2,939,719	122,428	41,793	34.5	512,105	4.8%
2004	2,956,482	130,321	44,301	34.7	515,464	4.3%
2005	2,957,151	139,409	47,417	35.1	513,744	3.8%
2006	2,955,433	150,598	51,359	35.4	510,114	3.7%
2007	2,965,823	153,447	52,342	35.9	503,955	3.9%
2008	2,982,788	155,925	52,720	36.1	503,492	5.3%
2009	2,998,816	146,052	48,893	35.8	504,136	9.5%
2010	3,017,089	150,467	49,863	36.1	502,239	9.5%
2011	3,028,846	n/a	n/a	n/a	502,895	9.2%
2012	3,055,792	n/a	n/a	n/a	502,195	7.9%

Notes:

n/a - data not available

Estimates for population, personal income, and per capita personal income for 2003-2011 were revised for new estimates.

Sources:

- (a) July 1 estimates for 2003-2010 and January 1 estimates for 2011 and 2012 from California Department of Finance, <http://www.dof.ca.gov/>
- (b) U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/>
- (c) U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/>
- (d) U.S. Census Bureau, <http://factfinder2.census.gov/>
- (e) California Department of Education, <http://www.dq.cde.ca.gov/>
- (f) CA Employment Development Department, <http://www.labormarketinfo.edd.ca.gov/>

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 14

Principal Employers, Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	22,000	1	1.48%	21,275	1	1.45%
University of California, Irvine	21,291	2	1.43%	14,981	3	1.02%
County of Orange	17,321	3	1.16%	17,741	2	1.21%
St. Joseph Health System	12,048	4	0.81%	9,435	6	0.64%
Boeing Co.	7,700	5	0.52%	11,179	4	0.76%
Bank of America Corp.	6,300	6	0.42%	4,813	10	0.33%
Yum Brands Inc.	6,300	7	0.42%			
Kaiser Permanente	5,968	8	0.40%			
Target Corp.	5,527	9	0.37%	4,878	9	0.33%
Cedar Fair LP	5,200	10	0.35%			
Albertsons Inc.				9,500	5	0.65%
SBC Communications, Inc.				7,100	8	0.48%
Tenet Healthcare Corp.				8,389	7	0.57%

Source: Orange County Business Journal Book of Lists - County of Orange
<http://www.labormarketinfo.edd.ca.gov>

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 15

Full-Time Equivalent Government Employees by Function/Program for Ten Years

Full-Time Equivalent Employees as of June 30

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	263	222	210	215	233	227	220	219	215	225
Measure M program	21	24	27	27	29	39	43	45	45	40
Motorist services	1	1	1	1	1	1	1	2	2	3
Commuter rail	1	1	1	2	2	2	15	12	10	12
Urban rail	1	1	1	4	-	-	-	-	-	-
Fixed route	1,555	1,581	1,619	1,587	1,611	1,633	1,540	1,319	1,247	1,169
Paratransit	11	13	13	14	13	12	11	11	10	11
Tollroad	4	4	4	4	4	4	3	3	3	3
Taxicab	3	3	3	3	3	3	3	3	4	3
Total	1,860	1,850	1,879	1,857	1,896	1,921	1,836	1,614	1,536	1,466

Source: Financial Planning & Analysis Department

Note:

In fiscal year 2008-09, the Rail Division was created under Commuter Rail; the full-time equivalent positions were reduced from General Government and transferred to the Rail Division. In addition, in fiscal year 2008-09, 2009-10, and 2010-11 there were decreases in the full-time equivalent positions in Fixed Route due to service reductions.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 16

Operating Indicators by Function/Program

Function/Program	For Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Measure M1 program (thousands)										
Freeways	\$ 19,812	\$ 13,801	\$ 141,969	\$ 298,667	\$ 112,732	\$ 99,599	\$ 53,283	\$ 55,060	\$ 25,890	\$ 12,741
Regional streets and roads	14,062	15,752	10,493	17,198	65,247	40,556	24,169	42,591	6,946	8,016
Local streets and roads	41,186	49,375	43,996	41,057	32,481	52,681	53,534	61,863	62,348	8,726
Transit	29,166	35,829	23,195	8,169	55,916	18,309	63,822	83,677	204,916	101,628
Total program expenses	\$ 104,226	\$ 114,757	\$ 219,653	\$ 365,091	\$ 266,376	\$ 211,145	\$ 194,808	\$ 243,191	\$ 300,100	\$ 131,111
Measure M2 program (thousands)										
Freeways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,300	\$ 16,490	\$ 17,682	\$ 43,210	\$ 34,929
Streets and roads	-	-	-	-	-	25	3,279	15,226	32,453	109,863
Transit	-	-	-	-	-	3,565	11,570	22,073	41,617	42,577
Environmental cleanup	-	-	-	-	-	7	175	324	1,086	401
Total program expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,897	\$ 31,514	\$ 55,305	\$ 118,366	\$ 187,770
Motorist services										
Calls made from call boxes	30,020	28,753	18,540	15,600	7,459	7,306	4,361	4,138	3,560	3,074
Vehicles removed	31,200	33,300	13,413	9,096	434	642	931	1,306	1,390	1,760
Vehicles assisted by FSP	58,284	58,000	68,160	70,000	70,935	70,128	43,520	60,865	67,267	65,949
Commuter rail										
Weekday trips	40	40	40	44	44	44	44	42	42	48
Annual boardings	2,733,483	2,764,870	3,230,988	3,547,697	3,841,259	4,074,443	4,189,455	3,941,628	3,871,939	4,146,016
Fixed route										
Annual boardings	65,123,546	67,551,870	67,009,989	67,779,946	69,035,226	65,203,611	64,353,673	53,376,023	51,305,266	52,631,935
Vehicle revenue hours	1,752,322	1,799,253	1,835,463	1,846,458	1,910,707	1,938,129	1,894,657	1,842,128	1,707,743	1,543,637
Miles of fixed route	2,321	2,318	2,320	2,378	2,488	2,943	2,126	2,039	2,038	2,039
Paratransit										
Annual boardings	909,156	1,085,329	1,181,892	1,114,639	1,231,346	1,375,370	1,464,730	1,482,950	1,554,773	1,570,341
Vehicle revenue hours	489,754	577,053	597,821	565,543	614,620	656,222	678,340	671,456	678,137	677,645
Eligible riders	21,317	24,955	25,569	26,204	26,110	26,611	26,834	27,104	28,447	29,856
Tollroad										
Annual drivers trips (a)	4,958,660	11,213,741	12,741,319	14,182,916	14,639,848	13,477,488	12,036,831	12,659,051	11,998,541	11,944,555
Taxicab										
Permits Issued	1,590	1,510	1,662	1,698	2,170	2,303	2,364	2,481	2,648	2,773

Source: Various departments within OCTA

Notes:

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

(a) The 91 Express Lanes were purchased in January, 2003.

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

	For Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fixed route										
Bus bases	3	3	4	4	4	5	5	5	5	5
Large revenue vehicles	507	558	563	570	566	572	530	510 (a)	522	527
Small revenue vehicles	92	85	84	80	82	82	80	19 (a)	19	19
Paratransit										
Paratransit vehicles	248	238	249	264	263	263	263	252 (a)	248	248
Tollroad										
Transponders in use	143,533	157,635	172,220	171,589	176,818	176,149	171,485	170,458	168,915	167,329

Source: Various departments within the Orange County Transportation Authority

Note:
(a) In fiscal year 2009-10, the decreases in Fixed route large and small vehicles, and in Paratransit vehicles are due to the retirement of vehicles after they had reached their useful lives.

Comprehensive Annual Financial Report



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