

MEETING AGENDA

- 1. Welcome**
- 2. Approval of Minutes for June 14, 2022**
- 3. Action Items**
 - A. External Auditor Communication/Annual Audit, Fiscal Year 2021-22
Erica Alvarez, Senior Manager, Crowe LLP
 - OCLTA Annual Financial and Compliance Report, Year Ended June 30, 2022
 - Independent Auditor's Report on Internal Control over Financial Reporting**Recommended Action:** Receive and file.
 - B. First Quarter Measure M2 Revenue and Expenditure Report
Sean Murdock, Director, Finance and Administration
Recommended Action: Receive and file.
- 4. Public Comments***
- 5. Adjournment**

The next meeting is scheduled for February 14, 2023

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

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

**Measure M Taxpayer Oversight Committee
Audit Subcommittee
Orange County Transportation Authority
550 S. Main Street, Orange CA
Teleconference
June 14, 2022 @ 5:00 p.m.**

MEETING MINUTES

Committee Members Present:

Frank Davies, County of Orange Auditor-Controller
Harry Sloan, Second District Representative
Mark Kizzar, Second District Representative
Michael Pascual, Fourth District Representative

Committee Members Absent:

Tuan Nguyen, Third District Representative

Orange County Transportation Authority Staff Present:

Francesca Ching, Section Manager, M2 Program Management Office
Sean Murdock, Director, Finance and Administration
Andrew Oftelie, Chief Financial Officer, Finance and Administration
Alice Rogan, Director, External Affairs
Janet Sutter, Executive Director, Internal Audit

Recorder:

Teri Lepe, Executive Assistant, Internal Audit

1. Welcome

Mr. Frank Davies called the Orange County Transportation Authority (OCTA) Taxpayer Oversight Committee (TOC) Audit Subcommittee (AS) meeting to order at 5:02 p.m.

2. Approval of the Minutes for April 12, 2022

Mr. Davies noted a change to the minutes to correct the date to reflect the year as 2022.

A motion was made by Mr. Michael Pascual, seconded by Mr. Steve Sloan, and carried unanimously to approve the April 12, 2022, TOC AS minutes, as corrected.

3. Public Comments

Mr. Davies next made a call for members of the public present at the TOC AS meeting. Hearing none, Mr. Davies announced the meeting would move forward to the next agenda item.

4. Action Items

A. Approve Selections for Fiscal Year 2021-22 Measure M2 Agreed-Upon Procedures

Ms. Janet Sutter, Executive Director, Internal Audit Department, presented a listing of cities suggested for audit for fiscal year (FY) 2021-22 to determine compliance with the Measure M2 (M2) Local Fair Share and Senior Mobility Program requirements. For Local Fair Share, the cities suggested for audit include Cypress, Irvine, Laguna Beach, Los Alamitos, Rancho Santa Margarita, San Juan Capistrano, and Villa Park. For the Senior Mobility Program, the cities suggested for audit include Anaheim, Garden Grove, Huntington Beach, and Santa Ana, for the FY 2021-22 M2 agreed-upon procedures engagement. Discussion ensued regarding the suggested selection of cities to be audited.

A motion was made by Mr. Mark Kizzar, seconded by Mr. Pascual, and carried unanimously to approve the suggested selection of cities without change.

B. Adopt Taxpayer Oversight Committee Audit Subcommittee Charter

Ms. Sutter provided a brief presentation of the Audit Charter and noted no changes have been made from the prior year.

A motion was made by Mr. Pascual, seconded by Mr. Sloan, and carried unanimously to adopt the Audit Charter for 2022.

5. Presentation Item

A. Quarterly M2 Revenue and Expenditure Report as of March 31, 2022

Mr. Sean Murdock, Director, Finance and Administration, shared with AS members that M2 sales revenue grew an unprecedented 28 percent for the first three quarters of FY 2021-22, when compared to the same period last year. If a conservative growth rate of 3.6 percent is used for the fourth quarter of FY 2021-22, it is assumed that M2 sales tax would reach \$418 million for FY 2021-22, which is an increase of \$73 million (21 percent) from FY 2020-21. OCTA has also received updated sales tax forecasts from its forecasting entities. Based on the estimated sales tax receipts of \$418 million for FY 2021-22 and the updated forecasts, it is anticipated that the 30-year sales tax forecast for the M2 Program will be \$14.9 billion, which is an increase of \$1.7 billion from last year's forecast of \$13.2 billion. The M2 sales tax forecast will be finalized in late August when final sales tax figures for FY 2021-22 are received. The final forecast will be brought to the TOC in the fall.

6. Adjournment

The Measure M TOC AS meeting adjourned at 5:26 p.m. The next regularly scheduled meeting will be at **4 p.m. on Tuesday, October 11, 2022**, in Conference Room 08 of the 550 Building, OCTA Headquarters.

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

ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

Year Ended June 30, 2022

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

Audited Financial Statements
Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Local Transportation Authority
Orange, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of OCLTA as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCLTA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OCLTA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCLTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OCLTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the Local Transportation Authority Special Revenue Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022 on our consideration of the OCLTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OCLTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OCLTA's internal control over financial reporting and compliance.


Crowe LLP

Costa Mesa, California
November 16, 2022

Orange County Local Transportation Authority
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2022

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year (FY) ended June 30, 2022. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net position of the OCLTA was \$391,201 as of June 30, 2022. The net position of the OCLTA is restricted for transportation projects, debt service, and Environmental Mitigation Program.
- Net position increased by \$3,167 during FY 2021-22. This increase was primarily due to general and program revenues exceeding program expenses. In FY 2021-22, Measure M program expenses increased by \$3,228 mainly related to I-405 Improvement Project. Sales tax revenue increased by \$79,552 compared to FY 2020-21 due to the economic recovery. In FY 2021-22, unrestricted investment earnings decreased by \$40,402 or 236.9 percent resulting from unfavorable investment performance.
- OCLTA's governmental funds reported combined ending fund balances of \$1,004,365 reflecting a decrease of \$35,499 from the prior year. The decrease is primarily due to the increased capital expenditures related to the I-405 Improvement project in the current year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Orange County Local Transportation Authority Management's Discussion and Analysis

Fund Financial Statements

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2022, the OCLTA's assets and deferred outflows of resources exceeded liabilities by \$391,201, a \$3,167 increase from June 30, 2021. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the OCLTA's governmental activities.

Table 1
Orange County Local Transportation Authority
Net Position

	Governmental Activities	
	2022	2021
Current and other assets	\$ 1,159,627	\$ 1,165,671
Assets held for resale	15,965	10,940
Capital Assets, net	7,300	7,300
Total assets	1,182,892	1,183,911
Deferred outflows of resources		
Deferred charge on refunding	1,291	1,360
Current liabilities	123,526	116,645
Long-term liabilities	668,985	680,592
Total liabilities	792,511	797,237
Deferred Inflows of Resources		
Deferred inflows - leases	471	-
Total net position	\$ 391,201	\$ 388,034

Total assets decreased by \$1,019, or 0.1 percent, from June 30, 2021. This decrease is primarily due to a decrease in receivable from other OCTA funds, offset by increase in receivable from other governments and condemnation deposits.

Total liabilities decreased by \$4,726, or 0.6 percent, from June 30, 2021. This decrease is primarily due to decreased long-term liability resulting from principal payments during the fiscal year.

Total net position from governmental activities increased by \$3,167 or 0.8 percent. This increase results from Measure M general and program revenue exceeding program expense, mainly due to increase in sales tax revenues and offset by unfavorable investment performance.

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

Table 2
Orange County Local Transportation Authority
Changes in Net Position

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 1,370	\$ 1,144
Operating grants and contributions	193,741	74,229
General revenues:		
Sales taxes	424,897	345,345
Unrestricted investment income (loss)	(23,351)	17,051
Other miscellaneous revenue	548	1,250
Total revenues	597,205	439,019
Measure M program expenses	594,038	590,810
Change in net position	3,167	(151,791)
Net position - beginning	388,034	539,825
Net position - end of year	\$ 391,201	\$ 388,034

OCLTA expenses shown on the statement of activities consist of:

	Governmental Activities	
	2022	2021
Supplies and services	\$ 80,323	\$ 92,497
Contributions to other local agencies	96,816	97,544
Infrastructure	359,991	334,648
Interest expense	32,130	32,518
Contributions to other OCTA funds	24,778	33,603
Total expenses	\$ 594,038	\$ 590,810

Total revenues increased by \$158,186, or 36.0 percent, from FY 2020-21. In FY 2021-22, the unrestricted investment earnings decreased by \$40,402 or 236.9 percent resulting from unfavorable investment performance. This is, however, offset by the increase in sales tax revenue, which ultimately financed a significant portion of the OCLTA's net costs, by \$79,552 or 23.0 percent from the prior year.

Program expenses increased by \$3,228 primarily due to an increase in expenses related to the I-405 Improvement Project.

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

Financial Analysis of the OCLTA’s Funds

As of June 30, 2022, the OCLTA’s governmental funds reported combined ending fund balances of \$1,004,365, a decrease of \$35,499 compared to FY 2020-21. The majority of fund balances, 92.5 percent, are restricted for transportation projects funded by the Measure M Program. The remaining fund balances are restricted for the Environmental Mitigation Program and for debt service on M2 sales tax revenue bonds issued to accelerate funding for transportation projects.

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

The LTA fund balance decreased by \$39,279 primarily due to an increase in capital expenditures related to the I-405 Improvement Project.

The LTA Debt Service fund balance increased by \$3,780, due to the excess of interest income and transfers in from LTA fund over the required debt service payments.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the OCLTA had \$7,300 net of accumulated depreciation invested in capital assets, including right-of-way improvements and machinery.

A summary of the OCLTA’s capital assets, net of depreciation is as follows:

	Governmental Activities	
	2022	2021
Right-of-way improvements	\$ 7,300	\$ 7,300
Machinery and equipment	21	21
Total capital assets	7,321	7,321
Less accumulated depreciation	(21)	(21)
Total capital assets, net	\$ 7,300	\$ 7,300

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

OCLTA has outstanding capital expenditure commitments; the most significant of which are \$215,582 for the I-405 Improvement Project, \$138,045 for the I-5 Freeway Widening Construction Project, \$18,410 for the SR-55 Widening Project, and \$10,776 for the Anaheim Canyon Metrolink Improvement Project.

Debt Administration

As of June 30, 2022, the OCLTA had \$610,170 in sales tax revenue bonds compared to \$618,625 as of the prior fiscal year.

The OCLTA maintains an “AA+” rating from Standard & Poor’s Corporation (S&P), an “AA+” rating from Fitch Ratings (Fitch) and an “Aa2” rating from Moody’s Investors Services (Moody’s) for its 2010

Orange County Local Transportation Authority Management's Discussion and Analysis

M2 Sales Tax Revenue Bonds. The 2019 M2 Sales Tax Revenue Bonds have an "AA+" rating from S&P and an "AA+" from Fitch.

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

Economic and Other Factors

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

Although revenue collection for M2 projects did not begin until April 2011, OCTA began delivering projects early based on the five-year M2 Early Action Plan (EAP) adopted in 2007 and subsequent M2020 Plan adopted in 2012. Both delivery plans were developed to accelerate M2 freeway, streets and roads, transit, and environmental projects. In response to lower actual sales tax revenue, a new forecasting methodology was adopted in March 2016. This prompted the need to revisit the assumptions built into the M2020 plan. A new program/project delivery framework covering FY 2016-17 through FY 2025-26, called the Next 10 Plan, was adopted by the Board of Directors on November 14, 2016. The Next 10 Plan has been annually reviewed and updated, with the latest version adopted by the Board of Directors in the spring of 2022.

OCLTA anticipates that sales tax revenues for M2 will increase in FY 2022-23. Based on the forecast provided by MuniServices, LLC., sales tax revenue is estimated to increase by 3.9 percent for M2 in FY 2022-23. Sales tax for the M2 Program is estimated to be \$13.2 billion over the life of the measure.

The OCLTA adopted its FY 2022-23 annual budget on June 13, 2022. Approximately \$760.3 million in M2 funds are budgeted to improve transportation within Orange County. These funds will provide improvements to freeways and streets and roads throughout Orange County, as well as support rail and bus transit programs. These funds include \$384.6 million to make improvements along Interstate 405, Interstate 5, State Route 55, State Route 91, and State Route 57. Approximately \$164.6 million is budgeted to improve streets and roads, including \$71.4 million to fund the Local Fair Share Program, \$43.8 million for Regional Traffic Signal Synchronization, and \$49.4 million for the Regional Capacity Program. In addition, the M2 transit budget consists of \$59 million in bus and rail projects, including \$38 million to continue the OC Streetcar project.

Contacting the OCLTA's Management

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2022

<i>(amounts expressed in thousands)</i>	Governmental Activities
Assets	
Cash and investments	\$ 473,255
Receivables:	
Interest	1,703
Operating grants	25,445
Other	222
Due from other OCTA funds	2,037
Due from other governments	103,195
Condemnation deposits	30,853
Lease receivable	481
Note receivable	2,392
Restricted investments	519,333
Other assets	711
Assets held for resale	15,965
Capital Assets, net:	
Depreciable and amortizable	7,300
Total Assets	1,182,892
 Deferred Outflows of Resources	
Deferred charge on refunding	1,291
Total Deferred Outflows of Resources	1,291
 Liabilities	
Accounts payable	73,359
Accrued interest payable	13,033
Due to other OCTA funds	5,065
Due to other governments	31,917
Unearned revenue	135
Other liabilities	17
Noncurrent liabilities:	
Due within one year	19,935
Due in more than one year	649,050
Total Liabilities	792,511
 Deferred Inflows of Resources	
Deferred inflows - leases	471
Total Deferred Inflows of Resources	471
 Net Position	
Investment in capital assets	7,300
Restricted for:	
Transportation projects	340,406
Debt service	24,162
Environmental Mitigation Program	19,333
Total Net Position	\$ 391,201

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Activities
For Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Program revenues				
Governmental activities:				
Measure M program	\$ 594,038	\$ 1,370	\$ 193,741	\$ (398,927)
General revenues:				
Sales taxes				424,897
Unrestricted investment loss				(23,351)
Other miscellaneous revenue				548
Total general revenues				402,094
Change in net position				3,167
Net position - beginning				388,034
Net position - ending				\$ 391,201

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Balance Sheet - Governmental Funds
June 30, 2022

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	\$ 449,105	\$ 24,150	\$ 473,255
Receivables:			
Interest	1,691	12	1,703
Operating grants	25,445	—	25,445
Other	222	—	222
Due from other OCTA funds	2,037	—	2,037
Due from other governments	101,069	2,126	103,195
Condemnation deposits	30,853	—	30,853
Note receivable	2,392	—	2,392
Restricted investments	519,333	—	519,333
Other assets	711	—	711
Total Assets	1,132,858	26,288	1,159,146
Liabilities			
Accounts payable	73,359	—	73,359
Due to other OCTA funds	5,065	—	5,065
Due to other governments	31,917	—	31,917
Unearned revenue	135	—	135
Other liabilities	17	—	17
Total Liabilities	110,493	—	110,493
Deferred Inflows of Resources			
Unavailable revenue - grant reimbursements	35,384	—	35,384
Unavailable revenue - reimbursements from others	6,778	2,126	8,904
Total Deferred Inflows of Resources	42,162	2,126	44,288
Fund Balances			
Nonspendable:			
Condemnation deposits	30,853	—	30,853
Other assets - prepaids	711	—	711
Restricted for:			
Transportation projects	929,306	—	929,306
Debt service	—	24,162	24,162
Environmental Mitigation Program	19,333	—	19,333
Total Fund Balances	980,203	24,162	1,004,365
Total Liabilities, Deferred Inflows of Resources			
and Fund Balances	\$ 1,132,858	\$ 26,288	\$ 1,159,146

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

(amounts expressed in thousands)

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

Total fund balances (page 12)		\$ 1,004,365
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,300
Lease receivable is not financial resources and, therefore, are not reported in the funds.		481
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		15,965
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.		44,288
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(13,033)
Deferred outflows of resources related to deferred charge on refunding are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,291
Deferred inflows of resources related to leases are not due and payable in the current period and, therefore, are not reported in the funds.		(471)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (610,170)	
Plus unamortized bond issuance premium	<u>(58,815)</u>	<u>(668,985)</u>
Net position of governmental activities (page 10)		<u><u>\$ 391,201</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Revenues			
Sales taxes	\$ 424,897	\$ —	\$ 424,897
Contributions from other agencies	27,527	—	27,527
Contributions from other OCTA funds	146,767	—	146,767
Investment income (loss)	(29,074)	3,598	(25,476)
Miscellaneous	1,544	—	1,544
Total Revenues	571,661	3,598	575,259
Expenditures			
Current:			
General government:			
Supplies and services	80,323	—	80,323
Transportation:			
Contributions to other local agencies	96,816	—	96,816
Contributions to other OCTA funds	24,778	—	24,778
Capital outlay	366,242	—	366,242
Debt service:			
Principal payments on long-term debt	—	8,455	8,455
Interest	—	35,371	35,371
Total Expenditures	568,159	43,826	611,985
Deficiency of revenues under expenditures	3,502	(40,228)	(36,726)
Other financing sources (uses)			
Transfers in	5,698	49,706	55,404
Transfers out	(49,706)	(5,698)	(55,404)
Proceeds from sale of capital assets	1,227	—	1,227
Total other financing sources (uses)	(42,781)	44,008	1,227
Net change in fund balances	(39,279)	3,780	(35,499)
Fund balances - beginning	1,019,482	20,382	1,039,864
Fund balances - ending	\$ 980,203	\$ 24,162	\$ 1,004,365

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

(amounts expressed in thousands)

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

Net change in fund balances - total governmental funds (page 14) **\$ (35,499)**

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, or allocated to appropriate functional expense when the cost does not meet capitalization criteria based on the ownership of the assets. This is the amount by which capital outlays exceeded depreciation in the current period. 5,872

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (1,227)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 22,325

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

Principal repayments	\$	8,455	
Change in accrued interest		158	
Amortization of premium and deferred charge on refunding		3,083	11,696

Change in net position of governmental activities (page 11) **\$ 3,167**

See accompanying notes to the financial statements.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)
Notes to The Financial Statements
Year Ended June 30, 2022
(in thousands)

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct and indirect expenses, which are identifiable with Measure M. Interest expense related to the sales tax revenue bonds is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the fiscal year ended June 30, 2022, interest expense of \$32,131 was included in Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes, investment income and other items are not reported as program revenues and instead are reported as general revenues.

Year Ended June 30, 2022
(in thousands)

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

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

Measurement Focus and Basis of Accounting

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

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

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

Cash and Investments

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended July 1, 2022. The Policy complies with, or is more restrictive than, the California Government Code (Code). Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable

Year Ended June 30, 2022
(in thousands)

including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs.

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

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

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

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

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

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

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

Year Ended June 30, 2022
(in thousands)

Due To/From Other OCTA Funds

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

Contributions To/From Other OCTA Funds

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

Administrative Services Costs

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2021-22, \$25,269 of administrative services were charged to the OCLTA and are reported as general government expenditures in the statement of revenues, expenditures and changes in fund balances and as program expenses in the statement of activities.

Leases

OCLTA adopted GASB Statement No. 87, Leases, for the fiscal year ended June 30, 2022. OCLTA is a lessor for a noncancellable lease of land. OCLTA recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, OCLTA initially measures the lease receivables at the present value of payments expected to be received during the lease term. Subsequently, the lease receivables are reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivables, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how OCLTA determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. OCLTA uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivables is composed of fixed payments from the lessee.

OCLTA monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

On the implementation date of July 1, 2021, OCLTA recorded \$687 lease receivables comprised of three agreements, which OCLTA is the lessor related to land. The implementation had no impact to the beginning net position. On June 30, 2022, OCLTA recorded \$481 lease receivable and associated deferred inflow of resources that will be recognized as revenue over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources was \$471.

Year Ended June 30, 2022
(in thousands)

Remaining receivable associated with these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 221	\$ 9	\$ 230
2024	69	4	73
2025	70	3	73
2026	71	2	73
2027	37	—	37
2028-2032	4	1	5
2033-2037	5	1	6
2038-2040	4	—	4
Total	<u>\$ 481</u>	<u>\$ 20</u>	<u>\$ 501</u>

Assets Held for Resale

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

Capital Assets

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

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

Right-of-way improvements, which consists of a parcel where the OCLTA is the ground lease holder, is not being depreciated. Machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

Asset Type	Useful Life
Machinery and equipment	3-10 years

Year Ended June 30, 2022
(in thousands)

Deferred Outflows/Inflows of Resources

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

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

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

Long-Term Debt

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

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

Contributions to Other Agencies

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

Net Position

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

- *Net investment in capital assets* - This balance reflects the net position of the OCLTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.
- *Restricted net position* - This balance represents net position that is not accessible for general use because use is subject to restrictions enforceable by third parties. The OCLTA government-wide

Year Ended June 30, 2022
(in thousands)

statement of net position reports net position restricted for transportation projects funded by the Measure M Program, debt service, and Environmental Mitigation Program.

- *Unrestricted net position* – This balance represents the net position that is available for general use.

Fund Balances

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

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

- *Nonspendable* – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. As of June 30, 2022, OCLTA reported nonspendable balance for condemnation deposits and other assets - prepaids.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. As of June 30, 2022, OCLTA reported restricted fund balance for transportation projects, debt service, and Environmental Mitigation Program.
- *Committed* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Board removes or modifies the use through the adoption of a subsequent resolution.
- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This classification also includes residual amounts assigned for specific projects. The Board establishes and modifies assignments of fund balance through the adoption of the budget and subsequent budget amendments. The Board retains the authority to assign fund balance.

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

Use of Estimates

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

Year Ended June 30, 2022
(in thousands)

2. Cash and Investments

Cash and investments are comprised of the following at June 30, 2022:

Investments:	
With OCTA Commingled Investment Pool	\$ 789,874
With Trustee	183,381
With CA Community Foundation	19,333
Total Cash and Investments	<u>\$ 992,588</u>

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

Unrestricted Cash and Investments	\$ 473,255
Restricted Cash and Investments	519,333
Total Cash and Investments	<u>\$ 992,588</u>

As of June 30, 2022, OCLTA had the following investments:

Investment	Fair Value	Interest Rate	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment	\$ 789,874	*	*	*
Money Market Funds **	183,381	1.210%-1.370%	7/1/22	.003
CA Community Foundation Investment Fund	<u>19,333</u>	N/A	N/A	N/A
Total Investments	<u>\$ 992,588</u>			

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

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

The Portfolio Weighted Average Maturity is 1.790 years.

As of June 30, 2022, OCLTA had \$789,874 invested in the OCTA's Commingled Investment Pool (CIP). Refer to the OCTA's Annual Comprehensive Financial Report for details on valuation techniques and fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk. Deposits and withdrawals in OCTA's CIP are made on the basis of \$1.00 (absolute dollars) and not fair value. Accordingly, the OCLTA's investment in OCTA's CIP at June 30, 2022 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2022, OCLTA had \$19,333 invested in the CA Community Foundation (CCF) investment fund. The amount invested is valued using significant unobservable inputs and, therefore, classified as Level 3. Unobservable inputs used by CCF include the foundations own assumptions, market comparable rates, capitalization and occupancy rates.

Credit Risk

The Policy 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).

Year Ended June 30, 2022
(in thousands)

For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by an NSRSO.

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, 2022. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

S&P	Moody's	% of Portfolio
NR	NR	79.57 %
NR	NR	18.48 %
AAA	Aaa	1.95 %
		100.00 %

3. Due From/To Other Governments

Amounts due from other governments as of June 30, 2022 in the fund financial statements are \$103,195 and are comprised of \$76,409 of sales taxes, \$24,661 of project reimbursements, and \$2,125 representing the interest receivable on Build America Bonds.

Amounts due to other governments as of June 30, 2022 are \$31,917 for transportation projects.

4. Related Party Transactions and Interfund Transfers

Related party transactions

As of June 30, 2022, OCLTA has \$2,037 receivable from other OCTA funds which is related to SR-91 Improvement Project.

As of June 30, 2022, OCLTA owes \$5,065 to other OCTA funds as follows:

	Amount	Explanation
General Fund	\$ 333	Placentia Rail Station and ARTIC
General Capital Project	4,278	OC Streetcar project
OCTD	454	M2 fare stabilization and Stationlink Svcs - Rail Feeder
Total	\$ 5,065	

Contributions from Other OCTA Funds

During fiscal year 2021-22, OCLTA received \$146,767 which is comprised of \$14,101 from the 91 Express Lanes Fund for freeway improvements and \$132,666 from I-405 Express Lanes for I-405 Improvement Project.

Year Ended June 30, 2022
(in thousands)

Contributions to Other OCTA Funds

During fiscal year 2021-22, OCLTA made contributions to the following funds:

- \$10,521 to the General Capital Projects Fund for the OC Streetcar Project
- \$915 to the OC Streetcar Fund for the OC Streetcar Project
- \$13,342 to the OCTD Fund for La Habra service, iShuttle, Commuter Rail, Fare Stabilization and Senior Mobility Program

Interfund Transfers

During fiscal year 2021-22, the LTA Fund transferred \$49,706 to the LTA Debt Service Fund for debt service payments. Additionally, the LTA Debt Service Fund transferred \$5,698 in excess interest earnings to the LTA Fund.

5. Capital Assets

Capital assets activity for the OCLTA governmental activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Right-of-way improvements	\$ 7,300	\$ —	\$ —	\$ 7,300
Total capital assets, not being depreciated	7,300	—	—	7,300
Capital assets, being depreciated:				
Machinery and equipment	21	—	—	21
Total capital assets, being depreciated	21	—	—	21
Less accumulated depreciation for:				
Machinery and equipment	(21)	—	—	(21)
Total accumulated depreciation	(21)	—	—	(21)
Total capital assets, being depreciated, net	—	—	—	—
Total governmental activities capital assets, net	\$ 7,300	\$ —	\$ —	\$ 7,300

Year Ended June 30, 2022
(in thousands)

6. Long-Term Debt

Sales Tax Revenue Bonds

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

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

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

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2019 Series B (Tax-Exempt Bonds)	Total
Issuance date	12/9/10	2/12/19	
Original issue amount	\$ 293,540	\$ 376,690	\$ 670,230
Original issue premium	—	69,342	69,342
Net Bond Proceeds	\$ 293,540	\$ 446,032	\$ 739,572
Issuance costs	\$ 1,905	\$ 970	\$ 2,875
Interest rates	5.56%-6.91%	3.00%-5.00%	
Maturity range	2021-2041	2021-2041	
Final maturity	2041	2041	
Bonds outstanding	\$ 250,000	\$ 360,170	\$ 610,170
Plus unamortized premium	—	58,815	58,815
Total	\$ 250,000	\$ 418,985	\$ 668,985

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2022
(in thousands)

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 19,935	\$ 34,949
2024	20,920	33,952
2025	21,950	32,906
2026	23,630	31,722
2027	24,755	30,334
2028-2032	142,650	128,448
2033-2037	179,910	82,650
2038-2041	176,420	26,090
Total	<u>\$ 610,170</u>	<u>\$ 401,051</u>

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Measure M program activities:					
Sales tax revenue bonds	\$ 618,625	\$ —	\$ (8,455)	\$ 610,170	\$ 19,935
Unamortized premium	61,967	—	(3,152)	58,815	—
Total Measure M program activities long-term liabilities	<u>\$ 680,592</u>	<u>\$ —</u>	<u>\$ (11,607)</u>	<u>\$ 668,985</u>	<u>\$ 19,935</u>

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2022, debt service payments in relation to the pledged gross revenue net of the local fair share program and other expenses as required by the debt agreement, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 330,125	\$ 43,826	7.53

Line of Credit (Direct Borrowing)

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

Year Ended June 30, 2022
(in thousands)

The line of credit was structured in two commitment tranches, the 2019 Credit Agreement, in an amount of \$400,000 and the 2021 Credit Agreement, in an amount of \$500,000. The 2019 Credit Agreement terminated in 2019. The 2021 Credit Agreement was amended, effective June 29, 2020, changing the expiration to June 28, 2021, and reducing the commitment fee from 36 basis points to 34 basis points. In lieu of maintaining the line of Credit, OCTA established and funded accounts under OCTA's Custody Account Agreement with approximately \$500,000 therefore eliminating the requirement to maintain the 2021 Credit Agreement.

In connection with the rate reset of OCTA's 2017 TIFIA Loan (2021 TIFIA Loan), which occurred on September 9, 2021, OCTA prepaid the amount of funds drawn to date on the 2017 TIFIA Loan, plus accrued interest, totaling \$314,000 (Prepayment), to the United States Department of Transportation to close the transaction. OCTA secured a \$315,000 bridge loan from BANA to fund the Prepayment. The bridge loan was secured by executing the First Amendment to the Amended and Restated 2021 Credit Agreement (Agreement). The bridge loan was repaid on September 30, 2021, utilizing proceeds from the \$662,820 Bonds Anticipation Notes (BAN 2021 Series) issued on September 29, 2021. OCTA issued the BAN 2021 Series as a short-term financing vehicle during the construction of the I-405 Improvement Project to create flexibility by cost-effectively delaying draws on and repayment of the 2021 TIFIA Loan until one year beyond substantial completion. The refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The transaction resulted in a reduction of debt service payments of \$274,577 over three fiscal years and an economic gain (difference between the present values of the debt service payments of the 2021 TIFIA Loan and BAN 2021 Series) of \$240,265. The amount outstanding under the BAN 2021 Series at June 30, 2022 is \$662,820.

Annual debt service requirements on the BAN 2021 Series as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ —	\$ 32,141
2024	—	32,141
2025	662,820	9,374
	<u>\$ 662,820</u>	<u>\$ 73,656</u>

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

7. Commitments and Contingencies

Purchase Commitments

The OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2022, were \$953,005, the majority of which relate to the expansion of Orange County's freeways and road systems.

Federal Grants

The OCLTA receives federal grants for transportation projects and other reimbursable activities which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is

Year Ended June 30, 2022
(in thousands)

management's opinion that these audits would not have a material effect on the OCLTA's financial position or changes in financial position.

8. Effect of New Pronouncements

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. OCLTA implemented this statement for fiscal year ending June 30, 2022. See note 1 for further information on the impact of the adoption of GASB Statement No. 87.

GASB Statement No. 91

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

GASB Statement No. 92

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

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for

Year Ended June 30, 2022
(in thousands)

hedging derivative instruments. The requirements of this statement, except for paragraphs 11b, 13, and 14 were effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The implementation of the remaining paragraphs 11b, 13, and 14 did not have a material effect on the financial statements.

GASB Statement No. 94

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

GASB Statement No. 96

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

GASB Statement No. 97

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

GASB Statement No. 98

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The implementation of this Statement did not have a material effect on the financial statements.

Year Ended June 30, 2022
(in thousands)

GASB Statement No. 99

In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. OCLTA has not determined the effect of this Statement.

GASB Statement No. 100

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. OCLTA has not determined the effect of this Statement.

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. OCLTA has not determined the effect of this Statement.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Required Supplementary Information
Budgetary Comparison Schedule - LTA Fund (Budgetary Basis)
Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Sales taxes	\$ 312,959	\$ 312,959	\$ 424,897	\$ 111,938
Contributions from other agencies	179,140	179,140	52,022	(127,118)
Contributions from other OCTA funds	23,864	23,864	146,767	122,903
Investment income (loss)	9,569	9,569	(29,074)	(38,643)
Miscellaneous	5,232	5,232	1,544	(3,688)
Total revenues	530,764	530,764	596,156	65,392
Expenditures:				
Current:				
General government - supplies and services	219,365	219,608	159,681	59,927
Transportation:				
Contributions to other local agencies	156,537	161,982	96,819	65,163
Contributions to other OCTA funds	46,962	46,962	182,040	(135,078)
Capital outlay	699,137	699,149	366,242	332,907
Total expenditures	1,122,001	1,127,701	804,782	322,919
Excess (deficiency) of revenues over (under) expenditures	(591,237)	(596,937)	(208,626)	388,311
Other financing sources (uses):				
Transfers in	29,317	29,317	5,698	(23,619)
Transfers out	(43,826)	(43,826)	(49,706)	(5,880)
Proceeds from sale of capital assets	4,000	4,000	1,227	(2,773)
Total other financing sources (uses)	(10,509)	(10,509)	(42,781)	(32,272)
Net change in fund balance	\$ (601,746)	\$ (607,446)	\$ (251,407)	\$ 356,039
Reconciliation to GAAP:				
Net change in fund balance (budgetary basis)			\$ (251,407)	
Less: Estimated revenues for encumbrances outstanding at June 30			24,495	
Add: Current year encumbrances outstanding at June 30			236,623	
Net change in fund balance (GAAP basis)			<u>\$ (39,279)</u>	

See accompanying notes to the required supplementary information.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)
Notes to Required Supplementary Information
Year Ended June 30, 2022
(in thousands)

1. Budgetary Data

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA and the debt service governmental funds. The budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2022 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Other Supplementary Information
Budgetary Comparison Schedule - LTA Debt Service Fund (Budgetary Basis)
Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment income	\$ 5,540	\$ 5,540	\$ 3,598	\$ (1,942)
Total revenues	5,540	5,540	3,598	(1,942)
Expenditures:				
Debt service:				
Principal payments on long-term debt	8,065	8,065	8,455	(390)
Interest on long-term debt	35,775	35,775	35,371	404
Total expenditures	43,840	43,840	43,826	14
Deficiency of revenues under expenditures	(38,300)	(38,300)	(40,228)	(1,928)
Other financing sources:				
Transfers in	43,840	43,840	49,706	5,866
Transfers out	(5,540)	(5,540)	(5,698)	(158)
Total other financing sources	38,300	38,300	44,008	5,708
Net change in fund balance	\$ —	\$ —	\$ 3,780	\$ 3,780

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

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated November 16, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

(Continued)

Report on Compliance and Other Matters

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

Purpose of this Report

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



Crowe LLP

Costa Mesa, California
November 16, 2022

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

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated November 16, 2022.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a significant deficiency.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of the State of California Transportation Development Act (TDA), Title 21 of the California Code of Regulations, Public Utilities Code Section 99245, and California Government Code §8879.50 (collectively "Transportation Development Act"), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the Transportation Development Act.

OCTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on OCTA's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. OCTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Crowe LLP

Costa Mesa, California
November 16, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2022

**Finding 2022-001 – Financial Accounting and Reporting for State Transit Assistance Fund
(Material Weakness)**

Criteria

State Transit Assistance Funds (STAF) and Local Transportation Funds (LTF) are subject to compliance with the Transportation Development Act (TDA) requirements which includes Title 21 section 6634 of the California Code of Regulations (CCR). Section 6634 (a) indicates no operator or transit service claimant shall be eligible to receive moneys during the fiscal year from the local transportation fund and the state transit assistance fund for operating costs in an amount that exceeds its actual operating cost less fare revenues, local support, federal operating assistance, and other amounts as described in CCR Section 6634.

Condition

OCTA functions as both the transportation planning agency and claimant (operator) for the County of Orange. As such, OCTA receives LTF and STAF monies into the respective special revenue funds. These monies are then transferred in accordance with TDA requirements to the Orange County Transit District (OCTD), as the claimant, to be used in operations or capital activities. The OCTD fund received excess allocation of operating monies resulting in a transfer back to STAF in the amount of \$16,219,881.

Cause

OCTA performs a quarterly review of transfers of TDA monies from the LTF fund and STAF fund to the OCTD fund in order to evaluate compliance with TDA laws and regulations. The calculation review process included a review of LTF allocations in compliance with 21 CCR 6634 but this review did not encompass STAF allocations. This gave rise to STAF allocations in excess of eligible amounts.

Effect

The OCTD fund was required to return excess STAF allocations in the amount of \$16,219,881 to the STAF fund.

Recommendation

Crowe recommends that OCTA amend their quarterly review of TDA allocations to include a review of both LTF and STAF allocations for compliance with Title 21 CCR 6634.

Management's Response

Management agrees with the recommendation and has implemented a control to discontinue systematic transfers from the STAF fund to OCTD fund. It was anticipated there would be sufficient expenditures to claim the entire STAF allocation this fiscal year, however expenditures for OCTD under the budget by \$20 million for the year, which led to a shortfall of expenditures to claim. Going forward, staff will perform a quarterly review of TDA allocations to include both LTF and STAF allocations to ensure all transfers have corresponding eligible expenditures. Separately, in March 2022, the Board approved a new reserve policy that would reserve excess revenues in a long-term operating reserve. Staff has been working with the State to allow for the establishment of reserve funds to be eligible for purposes of claiming funds consistent with this new OCTA policy. The State has indicated that this would be acceptable so staff will continue to work with the State on updating the guidelines to specifically allow transfers for this purpose.

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2022

Finding 2022-002 – Preparation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)

Criteria

2 CFR 200.510 (b) requires "...the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements which must include the total federal awards expended. At a minimum, the schedule must (3) provide total federal awards expended for each individual federal program and the [related] Assistance Listings Number... (4) include the total amount provided to subrecipients from each Federal Program." In addition, the auditee should ensure they have proper internal controls to ensure that the SEFA is fairly stated in relation to the financial statements.

Condition

During our review of the SEFA provided by management it was noted that the SEFA did not include presentation of expenditures passed through to subrecipients. There were approximately \$3.5 million in expenditures to subrecipients for the Federal Transit Cluster that were excluded. Additionally, the SEFA overstated expenditures for the Federal Transit Cluster by approximately \$1 million as a result of accruing expenditures which had already been recognized during the year and \$4.5 million as a result of missing an accrual and recognizing in the prior year.

Cause

Management's review of the SEFA did not include timely review of subrecipient activity. Additionally, management's review of expenditures included on the SEFA was not conducted at a precision sufficient to identify duplicate expenditures or amounts requiring accrual.

Effect

As a result, the expenditures presented as passed through to subrecipients on the SEFA for the Federal Transit Cluster were understated by approximately \$3.5 million. Additionally, the total expenditures on the SEFA for the Federal Transit Cluster were overstated by approximately \$5.5 million.

Recommendation

We recommend that management strengthen their review process over the SEFA to ensure that all expenditures are appropriately and accurately reflected and that all minimum requirements as noted in 2 CFR 200.510 (b) are met.

Management's Response

Management agrees with the recommendation and management will strengthen the review process for the SEFA. There are multiple departments that provide input to the SEFA but going forward the responsibility for developing the SEFA will be centralized within the Accounting Department. The Accounting Department will coordinate with all other OCTA departments to ensure the accuracy and completeness of the SEFA and will implement an appropriate level of review. In addition, the Accounting Department will add a secondary review of grant revenue accruals provided by the Revenue Department to ensure timeliness and accuracy of the accrual information.

Measure M2
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of September 30, 2022
(Unaudited)

(\$ in thousands)	Quarter Ended Sept 30, 2022	Year to Date Sept 30, 2022	Period from Inception to Sept 30, 2022
		(A)	(B)
Revenues:			
Sales taxes	\$ 112,898	\$ 112,898	\$ 3,614,831
Other agencies' share of Measure M2 costs:			
Project related	7,246	7,246	797,808
Non-project related	-	-	453
Interest:			
Operating:			
Project related	257	257	3,757
Non-project related	1,338	1,338	71,406
Bond proceeds	-	-	87,219
Debt service	54	54	1,141
Commercial paper	-	-	395
Capital grants	-	-	-
Right-of-way leases	65	65	1,548
Proceeds on sale of assets held for resale	-	-	13,428
Donated assets held for resale			
Project related	-	-	2,071
Non-project related	-	-	-
Miscellaneous:			
Project related	-	-	331
Non-project related	-	-	130
Total revenues	<u>121,858</u>	<u>121,858</u>	<u>4,594,518</u>
Expenditures:			
Supplies and services:			
Sales tax administration fees	839	839	36,220
Professional services:			
Project related	4,569	4,569	492,390
Non-project related	3	3	36,052
Administration costs:			
Project related	2,811	2,811	108,056
Non-project related:			
Salaries and Benefits	1,068	1,068	36,862
Other	1,663	1,663	62,263
Other:			
Project related	15	15	5,856
Non-project related	22	22	5,310
Payments to local agencies:			
Project related	16,530	16,530	1,249,979
Non-project related	-	-	-
Capital outlay:			
Project related	(17,042)	(17,042)	1,960,208
Non-project related	-	-	32
Debt service:			
Principal payments on long-term debt	-	-	75,550
Interest on long-term debt and commercial paper	17,474	17,474	302,101
Total expenditures	<u>27,952</u>	<u>27,952</u>	<u>4,370,879</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,906</u>	<u>93,906</u>	<u>223,639</u>
Other financing sources (uses):			
Transfers out:			
Project related	(8,050)	(8,050)	(453,967)
Non-project related	-	-	-
Transfers in:			
Project related	521	521	337,189
Non-project related	-	-	-
Bond proceeds	-	-	804,625
Payment to refunded bond escrow agent	-	-	(45,062)
Total other financing sources (uses)	<u>(7,529)</u>	<u>(7,529)</u>	<u>642,785</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ 86,377</u>	<u>\$ 86,377</u>	<u>\$ 866,424</u>

Measure M2
Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)
as of September 30, 2022
(Unaudited)

(\$ in thousands)	Quarter Ended Sept 30, 2022 (actual)	Year to Date Sept 30, 2022 (actual) (C.1)	Period from Inception through Sept 30, 2022 (actual) (D.1)	Period from October 1, 2022 through March 31, 2041 (forecast) (E.1)	Total (F.1)
Revenues:					
Sales taxes	\$ 112,898	\$ 112,898	\$ 3,614,831	\$ 11,431,307	\$ 15,046,138
Operating interest	1,338	1,338	71,406	445,693	517,099
Subtotal	<u>114,236</u>	<u>114,236</u>	<u>3,686,237</u>	<u>11,877,000</u>	<u>15,563,237</u>
Other agencies share of M2 costs	-	-	453	-	453
Miscellaneous	-	-	130	-	130
Total revenues	<u>114,236</u>	<u>114,236</u>	<u>3,686,820</u>	<u>11,877,000</u>	<u>15,563,820</u>
Administrative expenditures:					
Sales tax administration fees	839	839	36,220	100,708	136,928
Professional services	3	3	32,277	105,355	137,632
Administration costs:					
Salaries and Benefits	1,068	1,068	36,862	117,279	154,141
Other	1,663	1,663	62,263	197,816	260,079
Other	22	22	2,290	7,403	9,693
Capital outlay	-	-	32	-	32
Environmental cleanup	117	117	48,076	228,590	276,666
Total expenditures	<u>3,712</u>	<u>3,712</u>	<u>218,020</u>	<u>757,151</u>	<u>975,171</u>
Net revenues	<u>\$ 110,524</u>	<u>\$ 110,524</u>	<u>\$ 3,468,800</u>	<u>\$ 11,119,849</u>	<u>\$ 14,588,649</u>
Bond revenues:					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 804,625	\$ -	\$ 804,625
Interest revenue from bond proceeds	-	-	87,219	66,278	153,497
Interest revenue from debt service funds	54	54	1,141	3,250	4,391
Interest revenue from commercial paper	-	-	395	-	395
Total bond revenues	<u>54</u>	<u>54</u>	<u>893,380</u>	<u>69,528</u>	<u>962,908</u>
Financing expenditures and uses:					
Professional services	-	-	3,775	-	3,775
Payment to refunded bond escrow	-	-	45,062	-	45,062
Bond debt principal	-	-	75,550	804,486	880,036
Bond debt and other interest expense	17,474	17,474	302,101	458,584	760,685
Other	-	-	3,020	-	3,020
Total financing expenditures and uses	<u>17,474</u>	<u>17,474</u>	<u>429,508</u>	<u>1,263,070</u>	<u>1,692,578</u>
Net bond revenues (debt service)	<u>\$ (17,420)</u>	<u>\$ (17,420)</u>	<u>\$ 463,872</u>	<u>\$ (1,193,542)</u>	<u>\$ (729,670)</u>

Measure M2
Schedule of Revenues and Expenditures Summary
as of September 30, 2022
(Unaudited)

Project	Description	Net Revenues through Sept 30, 2022	Total Net Revenues	Expenditures through Sept 30, 2022	Reimbursements through Sept 30, 2022	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	
<i>(\$ in thousands)</i>						
Freeways (43% of Net Revenues)						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 136,723	\$ 575,013	10,907	\$ 8,786	\$ 2,121
B	I-5 Santa Ana/SR-55 to El Toro	87,328	367,275	20,079	11,947	8,132
C	I-5 San Diego/South of El Toro	182,395	767,092	299,427	52,240	247,187
D	I-5 Santa Ana/San Diego Interchange Upgrades	75,052	315,646	2,778	527	2,251
E	SR-22 Garden Grove Freeway Access Improvements	34,908	146,812	5	-	5
F	SR-55 Costa Mesa Freeway Improvements	106,470	447,776	65,120	25,645	39,475
G	SR-57 Orange Freeway Improvements	75,256	316,502	52,142	12,434	39,708
H	SR-91 Improvements from I-5 to SR-57	40,726	171,281	34,959	824	34,135
I	SR-91 Improvements from SR-57 to SR-55	121,160	509,560	46,205	43,016	3,189
J	SR-91 Improvements from SR-55 to County Line	102,455	430,893	18,250	16,723	1,527
K	I-405 Improvements between I-605 to SR-55	312,078	1,312,498	1,278,326	284,516	993,810
L	I-405 Improvements between SR-55 to I-5	93,001	391,131	9,205	6,954	2,251
M	I-605 Freeway Access Improvements	5,818	24,469	4,829	16	4,813
N	All Freeway Service Patrol	43,635	183,515	6,253	-	6,253
	Freeway Mitigation	74,579	313,656	59,157	4,592	54,565
	Subtotal Projects	1,491,584	6,273,119	1,907,642	468,220	1,439,422
	Net (Bond Revenue)/Debt Service	-	-	151,106	-	151,106
	Total Freeways	\$ 1,491,584	\$ 6,273,119	2,058,748	\$ 468,220	\$ 1,590,528
	%					48.4%
Street and Roads Projects (32% of Net Revenues)						
O	Regional Capacity Program	\$ 346,884	\$ 1,458,883	802,474	\$ 507,884	\$ 294,590
P	Regional Traffic Signal Synchronization Program	138,748	583,528	98,143	15,975	82,168
Q	Local Fair Share Program	624,384	2,625,957	603,161	77	603,084
	Subtotal Projects	1,110,016	4,668,368	1,503,778	523,936	979,842
	Net (Bond Revenue)/Debt Service	-	-	44,274	-	44,274
	Total Street and Roads Projects	\$ 1,110,016	\$ 4,668,368	1,548,052	\$ 523,936	\$ 1,024,116
	%					31.2%

Measure M2
Schedule of Revenues and Expenditures Summary
as of September 30, 2022
(Unaudited)

Project	Description	Net Revenues through Sept 30, 2022	Total Net Revenues	Expenditures through Sept 30, 2022	Reimbursements through Sept 30, 2022	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	
<i>(\$ in thousands)</i>						
Transit Projects (25% of Net Revenues)						
R	High Frequency Metrolink Service	\$ 333,373	\$ 1,455,001	430,918	\$ 98,896	\$ 332,022
S	Transit Extensions to Metrolink	306,215	1,287,840	154,269	2,133	152,136
T	Metrolink Gateways	36,085	74,566	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	114,514	505,863	110,412	88	110,324
V	Community Based Transit/Circulators	69,358	291,696	15,969	1,537	14,432
W	Safe Transit Stops	7,655	32,196	1,172	26	1,146
Subtotal Projects		867,200	3,647,162	810,960	163,636	647,324
Net (Bond Revenue)/Debt Service		-	-	24,761	-	24,761
Total Transit Projects		\$ 867,200	\$ 3,647,162	835,721	\$ 163,636	\$ 672,085
%						20.4%
Measure M2 Program		\$ 3,468,800	\$ 14,588,649	4,442,521	\$ 1,155,792	\$ 3,286,729

Project	Description	Revenues through Sept 30, 2022	Total Revenues	Expenditures through Sept 30, 2022	Reimbursements through Sept 30, 2022	Net M2 Cost
(G)	(H.1)	(I.1)	(J)	(K)	(L)	
<i>(\$ in thousands)</i>						
Environmental Cleanup (2% of Revenues)						
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 73,725	\$ 311,265	48,076	\$ 311	\$ 47,765
Net (Bond Revenue)/Debt Service		-	-	-	-	-
Total Environmental Cleanup		\$ 73,725	\$ 311,265	48,076	\$ 311	\$ 47,765
%						1.3%

Taxpayer Safeguards and Audits						
Collect Sales Taxes (1.5% of Sales Taxes)		\$ 54,222	\$ 225,692	36,220	\$ -	\$ 36,220
%						1.0%
Oversight and Annual Audits (1% of Revenues)		\$ 36,862	\$ 155,632	36,862	\$ -	\$ 36,862
%						1.0%