2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For fiscal year ended **June 30, 2014**

OCTA

Orange County Transportation Authority
Orange County, California

2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For fiscal year ended **June 30, 2014**

Submitted by:

Darrell Johnson, Chief Executive Officer

Finance and Administration Division
Andrew Oftelie, Executive Director

OCTA

Orange County Transportation Authority
Orange County, California

ORANGE COUNTY TRANSPORTATION AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June, 30 2014

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FREEWAYS

STREETS AND ROADS

November 24, 2014

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Transportation Authority (OCTA) for the fiscal year (FY) ended June 30, 2014. The financial statements are presented in conformity with generally accepted accounting principles and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

Vavrinek, Trine, Day and Company, LLP has audited OCTA's financial statements and issued an unmodified ("clean") opinion thereon for the FY ended June 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

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

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

Profile of OCTA

OCTA was established by state law and began serving the public on June 20, 1991. An 18-member Board of Directors (Board) governs OCTA and

Orange County Transportation Authority
550 South Main Street / P.O. Box 14184 / Orange / California 92863-1584 / (714) 560-OCTA (6282)

consists of five members of the Orange County Board of Supervisors, ten city representatives selected by all of the cities within the County, two public members selected by these 15 Board Members, and a representative appointed by the Governor of California serving in a non-voting capacity. A Chief Executive Officer manages OCTA and acts in accordance with the directions, goals, and policies approved by the Board.

OCTA serves Orange County residents and commuters by providing countywide bus and paratransit service, Metrolink commuter rail service, freeway improvements, street and road improvements, 91 Express Lanes, motorist aid services, and taxi program regulation.

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

Orange County Economy

Orange County continues to see lower rates of unemployment, with the State of California unemployment rates decreasing, as well. Orange County's unemployment rate of 5.2 percent in June 2014 is an improvement over the 6.5 percent unemployment rate in June 2013. Orange County is still faring better than the State of California, which stands at 7.3 percent as of June 2014.

The Orange County real estate sector continues to improve. Low interest rates continue to have a positive effect on the market. According to Chapman University, building permits are forecasted to have double-digit increase of 18.8 percent in 2014 and 14.9 percent in 2015. These are considered to be respectable increases by Chapman University.

The estimated taxable sales growth rate for FY 2014-15 is 7.8 percent. This blended rate is based on forecasts from Chapman University, California State University, Fullerton, and University of California, Los Angeles. Although the projected three university average is 7.8 percent, OCTA elected to use a lower 6.7 percent rate for budgeting purposes.

OCTA continues to see optimistic indicators that show the economy is growing. A few examples include positive increases in sales tax receipts and a continuing trend of lower unemployment rates.

Long-Term Financial Planning

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

Relevant Financial Policies

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

A brief description of the major financial policies follows:

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

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

Orange County Transit District (OCTD) 45-Day Working Capital Policy
The CBP requires a 45-day working capital reserve fund for bus operations. This reserve fund is in place to accommodate normal fluctuations in revenues and expenditures and protects against significant changes in funding or major expense items.

OCTD Capital Asset Reserve Policy
Each year, OCTA sets aside operating funds for future capital expenditures to support the transit system. The process of establishing the set-aside involves analyzing available grant revenues and capital requirements for the next 20 years to determine the amount that needs to be set-aside in the upcoming budget year.

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

Major Initiatives

In FY 2013-14, OCTA continued its proven strategy of taking advantage of favorable financial conditions to accelerate projects and deliver them sooner to the people of Orange County.

In 2006, OCTA requested and received voter approval for a 30-year extension of the existing Measure M (M1) half-cent sales tax. This renewal Measure M2 (M2) allows OCTA to continue making transportation improvements that benefit the public and also the local economy. 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 thanks to the five-year M2 Early Action Plan (EAP) adopted by the Board in 2007 and the follow-on M2020 Plan adopted by the Board in 2012. The M2020 Plan sets a course for continued progress of major M2 projects and programs until the year 2020. In all, more than $5 billion in transportation improvements are planned to be completed or under construction by 2020. This plan also sets OCTA on a course to go beyond the M2020 Plan, if additional external funds can be secured.

Despite the economic recession, which resulted in a 35 percent reduction in sales tax revenue projections during the life of M2, OCTA continues to capitalize on a competitive bidding environment and low debt rates. By borrowing funds at attractive rates and leveraging state and federal funds, OCTA has started and delivered projects years earlier, helping to backfill the funding gap in the M2 Freeway Program.

In the past FY, implementation of M2 projects continued at a rapid pace along with other notable accomplishments that moved Orange County forward, including:

- Signed new 15-year lease on OCTA's headquarters building expected to save $39.4 million over the next 30 years

- Approved new three-year contracts with coach operators and maintenance employees with no changes in wages for the first year and a 4.5 percent increase in the second and third years, respectively

- The Measure M Taxpayers Oversight Committee determined that Measure M is being delivered as promised to Orange County voters for the 23rd consecutive year

- Awarded $44 million in funding for 27 projects that will improve streets and synchronize traffic signals through the Measure M Comprehensive Transportation Funding Program

- Awarded $8.4 million for ten projects in the Regional Traffic Signal Synchronization Program to coordinate signals throughout the county for enhanced safety and efficiency

- Awarded more than $15 million to 14 large-scale, capital-intensive water quality improvement projects that mitigate pollutants including litter and debris, as well as heavy metals, organic chemicals, sediment, and nutrients

- Hosted interpretive public excursions at Ferber Ranch, part of a 400-acre property acquired and preserved as open space in exchange for streamlined approvals for 13 M2 freeway projects

- The Freeway Mitigation Program's Conservation Plan was Board-approved for public release. The preparation of the Conservation Plan is a federal and state process to protect the threatened and endangered species on OCTA's six acquired open space preserves

- Completed construction of two projects to widen northbound State Route 57 (SR-57) between approximately SR-91 and Lambert Road

- Began construction of two segments of the Interstate 5 (I-5) South County project to extend the carpool lane from San Juan Creek Road to Avenida Pico

- Completed design and right-of-way certification on the carpool lane extension project on I-5 from Avenida Vista Hermosa to Avenida Pico

- Began construction on the westbound SR-91 widening from State Route 55 (SR-55) to Tustin Avenue

- Began preliminary design for the Interstate 405 (I-405) Improvement Project

- Began environmental approval process for the widening of I-5 from I-405 to SR-55

- Completed the environmental approval process for the widening of I-5 from State Route 73 (SR-73) to El Toro Road

- Successfully completed the Bridgebash demolition of the Southbound I- 405/Eastbound SR-22 connector

- Continued reconstruction efforts of the Ortega Highway project over the I-5 freeway in San Juan Capistrano. Successfully completed demolishing the southern half of the bridge in one weekend

- As part of the Orange County Bridges project to separate train and vehicular traffic, opened Placentia Avenue and Kraemer Boulevard underpasses

- Began construction on the Lakeview Avenue, Raymond Avenue, and State College Boulevard grade separation projects along the Orangethorpe Railroad Corridor

- Adopted the excess 91 Express Lanes Toll Revenues Policy which will be used to prioritize projects and/or services identified in the SR-91 Implementation Plan

- Refinanced the 91 Express Lanes 2003 Toll Road Revenue Refunding Bonds to take advantage of lower interest rates

- For the second year in a row, the OC Fair Express set a record with nearly 77,000 trips to and from the OC Fair, a 31.1 percent increase compared to last year. Nearly half (44 percent) had never ridden an OCTA bus before. Funded by the Mobile Source Air Pollution Reduction Review Committee (MSRC), the service achieved a near-perfect (97 percent) satisfaction rating

- Launched an OC Fair Mobile Ticketing application that in conjunction with the internet generated approximately 25 percent of sales, with a cumulative ridership of 19,736

- Launched the Go Digital Program, a rebranding of the entire line of digital tools for bus riders who use smartphones for trip planning and travel alerts, resulting in greater awareness and nearly 2,500 web views in the first six weeks

- Increased sales of the Summer Youth Pass by 13 percent, with 64 percent of sales made at retail outlets

- As a result of the Route 543 Bravo! ® Holiday Ridership Promotion, increased ridership along the Harbor Boulevard corridor by 5 percent and boosted Bravo! web page activity by 130 percent in December

- Provided nearly 8,300 rides during the New Year's Eve Free Ride through elevated marketing efforts that garnered positive news coverage and free cable television spots valued at $3,000

- Successfully transitioned an additional 5.5 percent of fixed-route service to an outside contractor reaching 27.7 percent of total bus service being contracted to maintain fiscal sustainability

- OCTA was selected as the managing agency for the Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor Agency, and is responsible for the ongoing coordination and service integration efforts on the LOSSAN Rail Corridor

- Opened a 176-space parking lot at the Laguna Niguel/Mission Viejo Metrolink Station

- Completed the environmental approval process on the Laguna Niguel/San Juan Capistrano railroad passing siding project

- Funded by the MSRC, the Angels Express Metrolink rail service set a new record with more than 39,000 boardings to 51 home games in Anaheim

- Increased ridership for the three Metrolink lines serving Orange County to more than 4.4 million, surpassing FY 2012-13 by nearly 24,000

- Launched the BikeShare Bike-sharing Program in Fullerton to encourage first-and-last-mile connections to transit and create a healthy, emissions-free transportation alternative for work and play

- Vanpool participation continued to advance with a 5.1 percent increase in passenger trips and a reduction of nearly 35 million vehicle miles. Implemented Project V station van service in Lake Forest

- Approved funding for 11 projects to improve bikeways in Orange County using $6.66 million in federal Congestion Mitigation and Air Quality funds

- Won the "Achievement of Excellence in Procurement" award sponsored by the National Purchasing Institute for the third year in a row

- Approved funding to buy 99 cutaway buses for ACCESS service to replace the existing buses that have exceeded their useful service life. The 22-foot gasoline powered buses will cost $11.6 million

- Based on the results of a two-year pilot program, expanded the service model and per-trip subsidy for the ACCESS Same-Day Taxi service to accommodate trips up to five miles

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCTA for its CAFR for the FY ended June 30, 2013. This was the 31st consecutive year OCTA or its predecessor agency received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the CAFR for the FY ended June 30, 2014, continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA, expecting it to be eligible for another certificate.

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

Respectfully submitted,

Darrell Johnson
Chief Executive Officer

Andrew Oftelie
Executive Director, Finance and Administration

ORANGE COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART

Board of Directors

Deputy CEO
Kenneth G. Phipps

Chief Executive Officer
Darrell Johnson

Clerk of the Board
Wendy Knowles
Director

Internal Audit
Janet Sutter
Executive Director

Government Relations
Lance Larson
Executive Director

Functions:
- State and Federal Relations
- Regional Initiatives

Transit
Beth McCormick
General Manager

Functions:
- Bus Operations
- Bus Maintenance
- Security and Emergency Preparedness
- Service Planning & Customer Advocacy
- Community Transportation Services
- Transit Program Management
- Motorist Services
- Contracted Services
- Transit Program Controls

Finance and Administration
Andrew Oftelie
Executive Director

Functions:
- Contracts Administration & Materials Management
- Accounting & Financial Reporting
- Financial Planning & Analysis
- General Services
- Information Systems
- Treasury / Toll Roads

Planning
Kia Mortazavi
Executive Director

Functions:
- Measure M
- Strategic Planning
  - Regional Modeling and Traffic Operations
  - Geographical Information Systems
  - Transportation Planning
  - Capital Programming

External Affairs
Ellen S. Burton
Executive Director

Functions:
- Marketing
- Strategic Communications
- Media Relations
- Capital Projects Outreach
- Diversity Outreach & Economic Opportunity Programs

Capital Programs
James Beil
Executive Director

Functions:
- Highway Programs
- Rail & Facilities Engineering
  - Facilities Engineering
  - Local Initiatives
  - Fixed Guideways
  - Metrolink Expansion
  - Passenger Rail Operations
- Project Controls
- Real Property

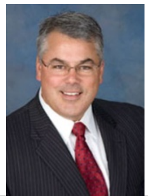
Human Resources & Organizational Development
Kenneth G. Phipps
Interim Executive Director

Functions:
- Human Resources
- Labor & Employee Relations
  - EEO/Affirmative Action
- Training & Development
- Risk Management
- Health, Safety and Environmental Compliance
- Management Services

ORANGE COUNTY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

Shawn Nelson
Chairman
Supervisor, District 4
County of Orange



Jeffrey Lalloway
Vice-Chairman
Mayor Pro Tem,
City of Irvine

Patricia Bates
Director
Supervisor, District 5
County of Orange

Lori Donchak
Director
Council Member,
City of San Clemente

Matthew Harper
Director
Mayor,
City of Huntington Beach

Michael Hennessey
Director
Public Member

Steve Jones
Director
Council Member,
City of Garden Grove

Gary A. Miller
Director
Council Member,
City of Seal Beach

John Moorlach
Director
Supervisor, District 2
County of Orange

Al Murray
Director
Mayor,
City of Tustin

Janet Nguyen
Director
Supervisor, District 1
County of Orange

Miguel Pulido
Director
Mayor,
City of Santa Ana

Tim Shaw
Director
Council Member,
City of La Habra

Todd Spitzer
Director
Supervisor, District 3
County of Orange

Tom Tait
Director
Mayor,
City of Anaheim

Frank Ury
Director
Council Member,
City of Mission Viejo

Gregory T. Winterbottom
Director
Public Member

Ryan Chamberlain
Governor's Ex-Officio Member
District Director, Caltrans District 12

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT STAFF

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

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

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO


6923
octa
YOUR WHEELS


453 ORANGE
Atchison
My ride is always clean
I ride OCTA


70
DOCK 4
octa

BUS TRANSIT


RAIL

INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2014, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Emphasis of Matter

As described in Notes 13 and 19 to the financial statements, OCTA adopted Governmental Accounting Standards Board (GASB) Statement No. 67 – *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, effective July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, the budgetary comparison information on pages 76 through 79, and the pension and other postemployment benefit schedules and related notes on pages 80 through 83, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCTA's basic financial statements. The introductory section, combining and individual non-major fund financial statements and budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual non-major fund statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 30, 2014

As management of the Orange County Transportation Authority (OCTA), we offer readers of OCTA's financial statements this narrative overview and analysis of OCTA's financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-xii and OCTA's financial statements that begin on page 16. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net position of OCTA was $1,348,460 and consisted of net investment in capital assets, of $425,011; restricted net position of $365,893; and unrestricted net position of $557,556.

- Net position increased $71,591 during fiscal year 2013-14. The increase in net position from governmental activities of $11,476 was primarily due to an increase in sales tax revenue for the Measure M program offset by an increase in expenditures. The increase in net position from business-type activities of $60,115 was primarily due to the receipt of $23,717 in capital grants for the purchase of transit vehicles, tollroad revenues in excess of expenditures and the transfer of Local Transportation funds and State Transit Assistance operating assistance in excess of expenditures consistent with the Comprehensive Business Plan (CBP).

- OCTA's governmental funds reported combined ending fund balances of $822,387, an increase of $21,618 compared to fiscal year 2012-13. Approximately 80% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

- OCTA's outstanding long term debt decreased $31,297 primarily due to the refunding of the 91 Express Lanes 2003 Series bonds. OCTA refunded the Series 2003 bonds to reduce its total debt service payments over the life of the bonds. The Series 2013 bonds were issued as fixed rate bonds (see note 12).

Overview of the Financial Statements

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

<u>Government-wide Financial Statements</u>

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

The statement of net position presents information on all of OCTA's assets, deferred outflows, liabilities and deferred inflows, 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 OCTA is improving or deteriorating.

The statement of activities presents information showing how OCTA'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.

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-75 of this report.

Other information is in addition to the basic financial statements and accompanying notes. This report also presents certain required supplementary information concerning OCTA's budgetary results for the General fund and major special revenue funds with appropriated budgets. Additionally, trend data for OCTA's supplemental pension plan, Additional Retiree Benefit Account (ARBA), is included. Required supplementary information can be found on pages 76-83 of this report.

The combining statements of nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for the Local Transportation Authority Debt Service Fund and nonmajor governmental funds are located in this section. This other supplementary information can be found on pages 84-97 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2014, OCTA's assets and deferred outflows exceeded liabilities and deferred inflows by $1,348,460, a $71,591 increase from June 30, 2013. Our analysis on the following pages focuses on net position (Table 1) and changes in net position (Table 2) of OCTA's governmental and business-type activities.

OCTA's net investment in capital assets was $425,011, compared to $416,978 in 2013. OCTA's net position reflects its investment in capital assets (i.e., construction in progress; land; buildings and improvements; machinery, equipment and furniture; transit vehicles; and transponders), less any outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transit services to the residents and business community of Orange County. The increase of $8,033 was primarily related to the purchase of 37 new buses offset by continued depreciation.

Restricted net position, representing resources subjected to external restrictions on how they may be used, were 27% and 26% of the total net position at June 30, 2014 and 2013, respectively. Restricted net position from governmental activities increased $38,046 due to continued improvement in the economy resulting in increased sales tax revenue. The decrease in restricted net position from business-type activities of $7,368 is due to the refunding of 91 Express Lanes 2003 Series bonds resulting in a decrease in cash reserve requirements.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position for governmental activities decreased $26,458 primarily due to the conclusion of the gas tax exchange (see note 3). Unrestricted net position from business-type activities increased $59,338 primarily due to transfers from LTF and State Transit Assistance Fund (STAF) for operating assistance and 91 Express Lanes revenues in excess of expenses consistent with the CBP.

Table 1
Orange County Transportation Authority
Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	$1,025,761	$1,004,305	$428,965	$377,992	$1,454,726	$1,382,297
Restricted assets	-	-	23,813	39,018	23,813	39,018
Prepaid retirement	7,355	5,541	20,453	16,525	27,808	22,066
Assets held for resale	7,864	11,056	-	-	7,864	11,056
Capital assets	159,427	159,539	245,564	246,755	404,991	406,294
Intangible asset	-	-	133,215	135,801	133,215	135,801
Total assets	1,200,407	1,180,441	852,010	816,091	2,052,417	1,996,532

Table 1
Orange County Transportation Authority
Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Deferred Outflows of Resources	-	-	11,020	16,106	11,020	16,106
Total deferred outflows of resources	-	-	11,020	16,106	11,020	16,106
Current liabilities	157,625	143,812	47,120	50,428	204,745	194,240
Long-term liabilities	349,261	354,584	160,971	186,945	510,232	541,529
Total liabilities	506,886	498,396	208,091	237,373	714,977	735,769
Net position:						
Invested in capital assets, net of related debt	159,427	159,539	265,584	257,439	425,011	416,978
Restricted	352,878	314,832	13,015	20,383	365,893	335,215
Unrestricted	181,216	207,674	376,340	317,002	557,556	524,676
Total net position	$693,521	$682,045	$654,939	$594,824	$1,348,460	$1,276,869

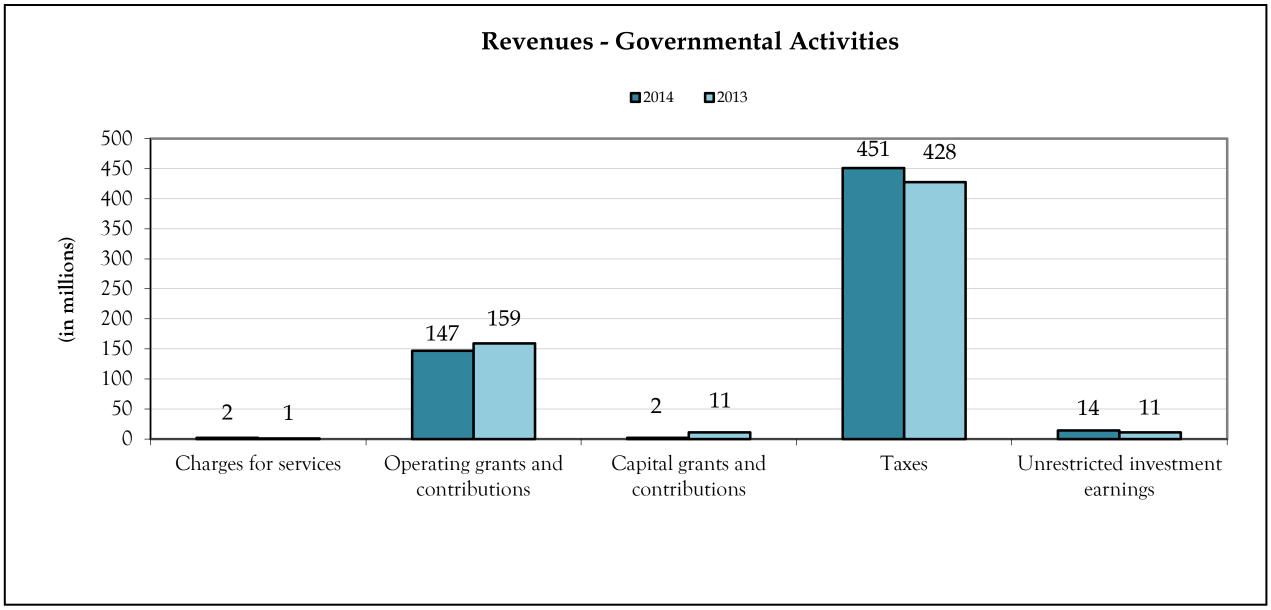
OCTA's total revenues increased by 1%, while the total cost of all programs increased by 3%. The increase in revenues is primarily due to an increase in sales tax revenues due to the continued improvement in the economy, an increase in capital grants due to the purchase of CNG buses, offset by a decrease in operating grants and contributions primarily due to the conclusion of the gas tax exchange in the prior fiscal year. The increase in program costs is primarily due to an increase in M2 expenditures related to grade separation projects and contributions to the construction of the Anaheim Regional Transportation Intermodal Center (ARTIC) offset by a decrease in general government expenditures related to the conclusion of the gas tax exchange. Approximately 46% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

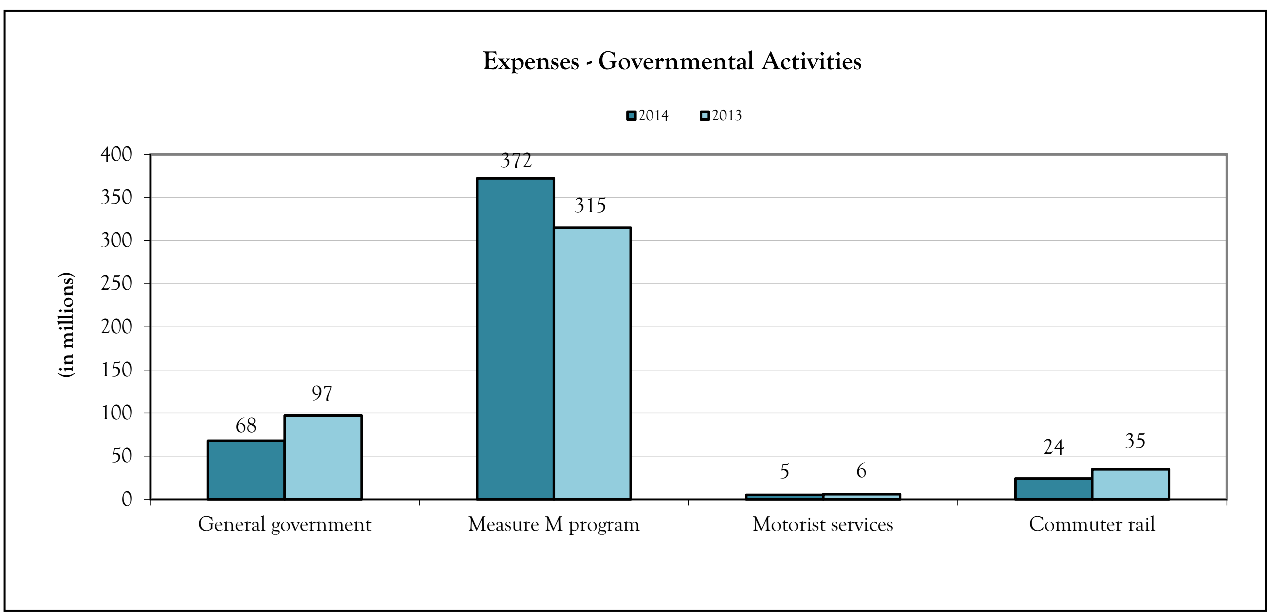
Table 2
Orange County Transportation Authority
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$1,505	$1,273	$ 107,973	$ 100,543	$ 109,478	$ 101,816
Operating grants and contributions	146,863	159,069	63,099	83,305	209,962	242,374
Capital grants and contributions	2,222	10,923	23,717	8,821	25,939	19,744
General revenues:						
Taxes	451,153	428,262	12,366	13,560	463,519	441,822
Unrestricted investment earnings	13,776	11,295	4,765	2,805	18,541	14,100
Other miscellaneous revenue	288	125	413	2,832	701	2,957
Total revenues	615,807	610,947	212,333	211,866	828,140	822,813
Expenses:						
General government	68,262	96,925	-	-	68,262	96,925
Measure M program	372,137	314,669	-	-	372,137	314,669
Motorist services	5,187	6,004	-	-	5,187	6,004
Commuter rail	23,556	34,586	-	-	23,556	34,586
Fixed route	-	-	212,170	207,363	212,170	207,363
Paratransit	-	-	51,735	53,803	51,735	53,803
Tollroad	-	-	22,996	20,573	22,996	20,573
Taxicab administration	-	-	506	456	506	456
Total expenses	469,142	452,184	287,407	282,195	756,549	734,379
Indirect expense allocation	(34,089)	(33,654)	34,089	33,654	-	-
Increase (decrease) in net position before transfers	180,754	192,417	(109,163)	(103,983)	71,591	88,434
Transfers	(169,278)	(155,999)	169,278	155,999	-	-
Changes in net position	11,476	36,418	60,115	52,016	71,591	88,434
Net position—beginning of year	682,045	645,627	594,824	542,808	1,276,869	1,188,435
Net position—end of year	$ 693,521	$ 682,045	$ 654,939	$ 594,824	$1,348,460	$1,276,869

Governmental Activities

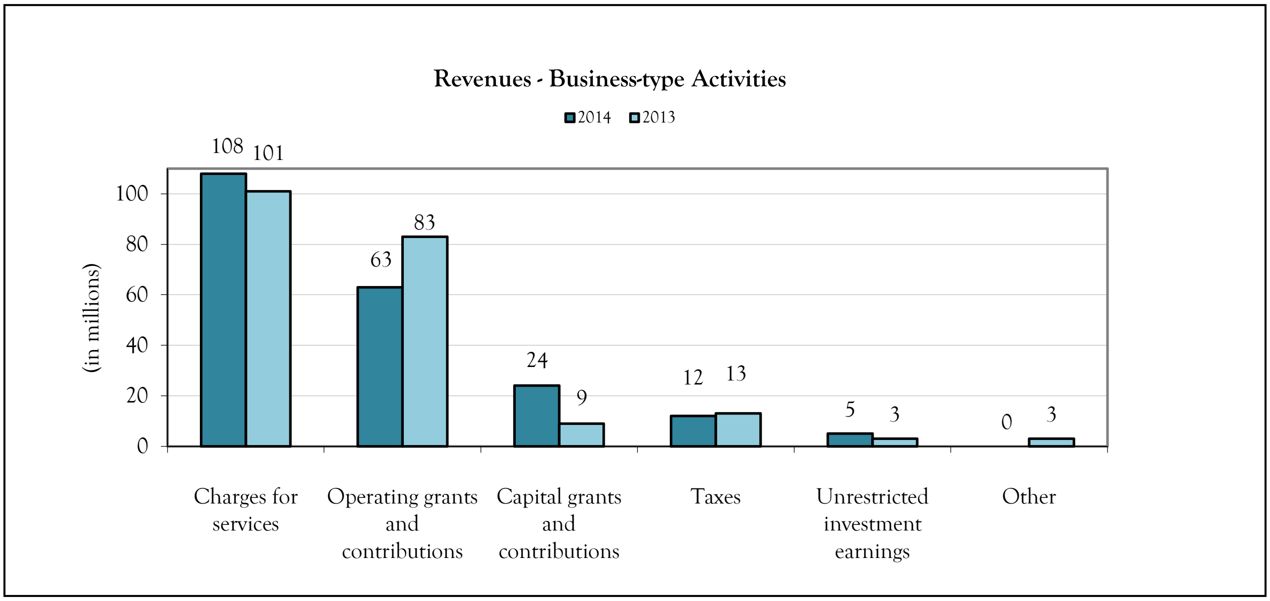
Total revenues for OCTA's governmental activities increased $4,860 primarily due to an increase in sales tax revenues due to the continued improvement in the economy offset by a decrease in operating grants and contributions received in the prior fiscal year due to the conclusion of the gas tax exchange. Total expenses increased $16,958 primarily due to the increase in M2 expenditures related to grade separation projects and contributions to the construction of ARTIC.

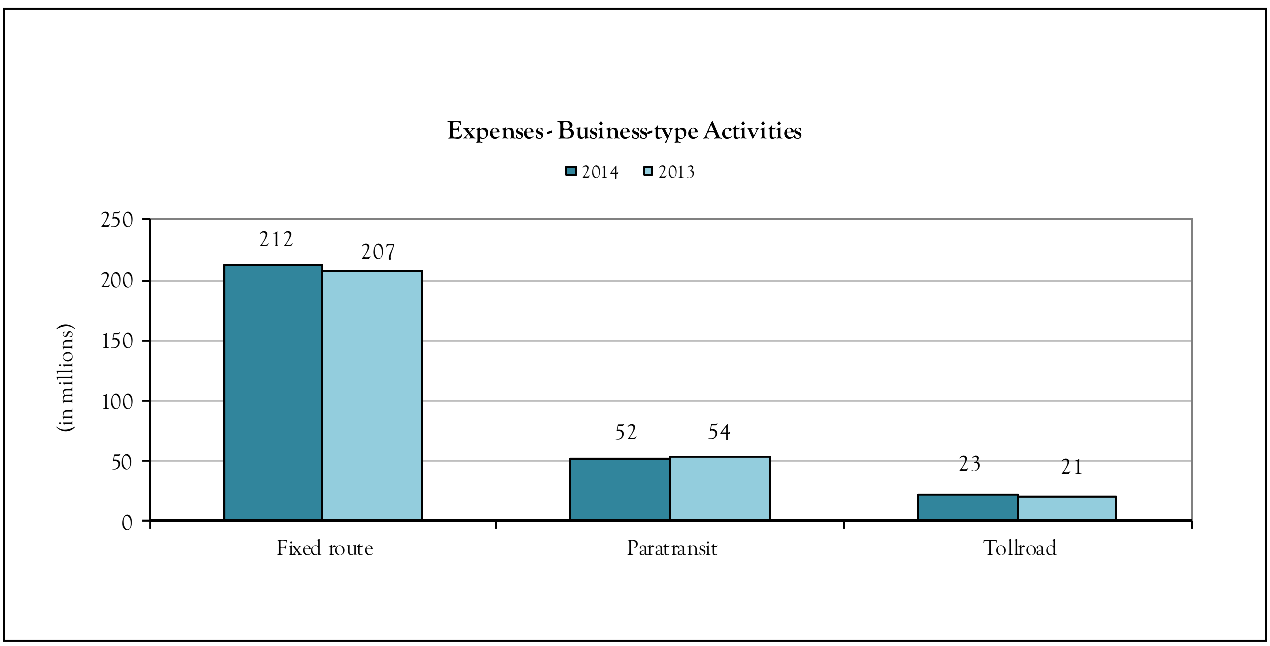




Business-type Activities

Revenues of OCTA's business-type activities increased $467 primarily due to an increase in capital grants and contributions for the purchase of buses and a slight increase in user fees for the 91 Express Lanes offset by a decrease in operating grants and contributions due to the conclusion of the gas tax exchange. Total expenses increased $5,212, primarily due to the expiration of the alternative fuel tax credit.





Financial Analysis of OCTA's Funds

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

Governmental funds

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

As of June 30, 2014, OCTA's governmental funds reported combined ending fund balances of $822,387, an increase of $21,618 compared to 2013. Approximately 86% or $707,365 of this amount is restricted, the majority of which relates to the Measure M program. $64,464 represents the portion of fund balance that is not in a spendable form, such as condemnation deposits and notes receivable. Assigned fund balance of $50,768 is assigned for the commuter rail program and capital projects. The remainder of fund balance of $(210) is unassigned.

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

> The LTA fund increased by $40,412, primarily due to the transfer of excess earnings from the LTA Debt Service fund, an increase in sales tax revenue due to the improving economy offset by an increase in expenditures primarily related to grade separation projects and contributions to the construction of ARTIC.
>
> The CURE fund decreased by $11,849. This decrease is primarily due to programmed transfers to Southern California Regional Rail Authority (SCRRA) for operations and capital projects.

Proprietary Funds

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

Unrestricted net position of the enterprise funds were $359,917 at June 30, 2014 compared to $302,767 at June 30, 2013. Following are the significant changes in net position of OCTA's major proprietary funds:

> The OCTD fund net position increased $39,729, primarily due to the receipt of capital grants for the purchase of transit vehicles and the transfer of LTF and STAF for operating assistance in excess of expenditures consistent with the CBP.
>
> The 91 Express Lanes fund net position increased $18,133 primarily due to revenues in excess of operating expenses.

General Fund Budgetary Highlights

Revenues

The primary sources of revenues for the general fund are from federal, state, and local sources. In fiscal year 2013-14, there were no changes to the original budget.

Actual revenues were lower than the final budget by $18,368. This is primarily related to reimbursements associated with the construction of the Placentia Metrolink station. In fiscal year 2013-14, this project did not incur expenses at the level that was originally anticipated. Reimbursements are sought as expenditures are incurred throughout the life of a project.

Expenditures

During the fiscal year budgeted funds were transferred between categories; however, the original budget remained relatively unchanged.

Actual expenditures were less than the final budget by $42,959. This was primarily due to the Bristol Street widening project and Placentia Metrolink station. The Bristol Street widening project underran the budget by $18,000, as a result of lower than anticipated costs and a revised project completion date. The Placentia Metrolink station underran the fiscal year 2013-14 budget by $16,653. This is due to potential project development changes that may impact the scope and design of the project.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, OCTA had $404,991, net of accumulated depreciation, invested in a broad range of capital assets including: transit vehicles, land, construction in progress, buildings and machinery, equipment and furniture (Table 3). The total decrease in OCTA's capital assets for fiscal year 2013-14 was $1,303, which was comprised of a $112 decrease in capital assets related to governmental activities and a $1,191 decrease in capital assets related to business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 155,127	$ 155,127	$ 54,545	$ 54,545	$ 209,672	$ 209,672
Buildings and improvements	1,735	1,924	77,056	80,926	78,791	82,850
Transit vehicles	-	-	84,811	84,436	84,811	84,436
Machinery, equipment and furniture	1,903	2,488	7,375	26,772	9,278	29,260
Construction in progress	662	-	21,777	76	22,439	76
Totals	$ 159,427	$ 159,539	$ 245,564	$ 246,755	$ 404,991	$ 406,294

Major capital asset additions during 2014 included:

- $19,293 for buses
- $3,904 for additions to the communication system

Major capital asset deletions during 2014 included:

- $8,218 for the retirement of buses

Additionally, $16,753 related to the communication system was reclassified from machinery, equipment and furniture to construction in progress during the year.

More detailed information about OCTA's capital assets is presented in note 8 to the financial statements.

OCTA has outstanding capital expenditure commitments, the most significant of which are: $57,060 for I-405 freeway expansion program management, $40,528 for the Metrolink Service Expansion Program (MSEP), $38,220 in contributions for the construction of ARTIC, $37,575 for the Orangethorpe grade separation project, $30,595 for operating services for the 91 Express Lanes, $29,993 for the County of Orange for M2 Combined Transportation Funding Program projects, $27,332 for the Lakewood grade separation project, $26,976 for the Bristol Street widening project, and $26,750 for contracted fixed route bus service.

<u>Debt Administration</u>

As of June 30, 2014, OCTA had $488,975 in bonds and commercial paper notes outstanding compared to $526,620 at June 30, 2013, as presented in Table 4.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Sales tax revenue bonds	$339,560	$346,160	$ -	$ -	$ 339,560	$ 346,160
Commercial paper notes	25,000	25,000	-	-	25,000	25,000
Revenue refunding bonds	-	-	124,415	155,460	124,415	155,460
Totals	$364,560	$371,160	$124,415	$155,460	$488,975	$526,620

OCTA issued $293,540 in M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and $59,030 in 2010 Series B (Tax-exempt Bonds) to fund the M2 program. In July 2013, OCTA issued $124,415 in Senior Lien Toll Revenue Refunding Bonds (91 Express Lanes), Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes), Series 2003-A, Series 2003-B-1 and Series 2003-B-2.

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

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

Economic and Other Factors

The Board of Directors (Board) adopted the fiscal year 2014-15 budget on June 9, 2014. The $1.12 billion budget was developed in accordance with the goals of the Board and the Chief Executive Officer. This balanced budget is a result of OCTA's ongoing effort to deliver long-term sustainable transportation solutions for the residents of Orange County.

OCTA will continue to honor the commitment made to the residents of Orange County when they passed Measure M. Approximately $533 million in combined M1 and 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 fund rail and bus transit programs. These funds include $157 million to make improvements primarily along I-5, I-405, SR-91, SR-55, and SR-57. Approximately $246 million is budgeted to improve streets and roads, including $111 million to continue the OC Bridges project. An additional $57 million is included to fund rail and bus transit programs. The budget also includes the balance of funds programmed for the contribution to the construction of ARTIC as well as expanding mobility choices for seniors and person with disabilities.

The approved budget sustains existing fixed-route service levels with approximately 1.6 million service hours for bus operations. The approved budget also includes converting more directly-operated fixed-route service to a contracted service provider commensurate with coach operator attrition. It is anticipated that approximately 90,000 revenue hours will be converted during the fiscal year, which would result in approximately 34 percent of fixed-route service being operated by the contracted service provider by the end of fiscal year 2014-15. Approximately $133 million is included for major capital expenditures necessary to support bus operations. These funds will be used primarily to procure new buses as well as provide ongoing maintenance for buses requiring mid-life engine replacements.

The fiscal year 2014-15 budget demonstrates OCTA's continued commitment to developing and delivering transportation solutions to enhance the quality of life and keep Orange County moving, while remaining a responsible steward of taxpayer dollars.

In August 2014, Standard and Poor's raised the rating on the Toll Road Revenue Refunding Bonds (91 Express Lanes) to AA-.

Contacting OCTA's Management

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2014

(amounts expressed in thousands)	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 816,838	$ 372,521	$ 1,189,359
Receivables:			
Interest	1,542	1,209	2,751
Operating grants	26,929	15,129	42,058
Capital grants	-	796	796
Other	311	8,857	9,168
Internal balances	(20,048)	20,048	-
Due from other governments	143,080	3,613	146,693
Condemnation deposits	18,033	-	18,033
Note receivable	29,193	-	29,193
Inventory	-	5,198	5,198
Restricted cash and investments:			
Cash equivalents	-	23,813	23,813
Prepaid retirement	7,355	20,453	27,808
Other assets	9,883	1,594	11,477
Assets held for resale	7,864	-	7,864
Capital assets, net:			
Nondepreciable	155,789	76,322	232,111
Depreciable	3,638	169,242	172,880
Intangible asset - tollroad franchise, net	-	133,215	133,215
Total Assets	**1,200,407**	**852,010**	**2,052,417**
Deferred Outflows of Resources			
Deferred charge on refunding	-	11,020	11,020
Total Deferred Outflows of Resources	**-**	**11,020**	**11,020**
Liabilities			
Accounts payable	39,596	26,748	66,344
Accrued payroll and related items	2,210	7,003	9,213
Accrued interest payable	8,177	2,202	10,379
Due to other governments	63,505	1,135	64,640
Unearned revenue	19,055	9,648	28,703
Other liabilities	82	384	466
Commercial paper notes	25,000	-	25,000
Noncurrent liabilities:			
Due within one year	6,871	15,482	22,353
Due in more than one year	342,390	145,489	487,879
Total Liabilities	**506,886**	**208,091**	**714,977**
Net Position			
Net investment in capital assets	159,427	265,584	425,011
Restricted for:			
Measure M program	336,120	-	336,120
Debt service	12,003	7	12,010
Motorist services	4,755	-	4,755
Capital	-	10,006	10,006
Operating reserve	-	3,002	3,002
Unrestricted	181,216	376,340	557,556
Total Net Position	**$ 693,521**	**$ 654,939**	**$ 1,348,460**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Functions/Programs								
Primary government								
Governmental activities:								
General government	$ 68,262	$ (51,896)	$ 155	$ 4,413	$ 712	$ (11,086)	$ -	$ (11,086)
Measure M program	372,137	14,892	553	136,376	-	(250,100)	-	(250,100)
Motorist services	5,187	761	-	5,274	-	(674)	-	(674)
Commuter rail	23,556	2,154	797	800	1,510	(22,603)	-	(22,603)
Total governmental activities	469,142	(34,089)	1,505	146,863	2,222	(284,463)	-	(284,463)
Business-type activities:								
Fixed route	212,170	30,739	56,784	42,743	23,717	-	(119,665)	(119,665)
Paratransit	51,735	790	7,774	20,356	-	-	(24,395)	(24,395)
Tollroad	22,996	2,291	42,610	-	-	-	17,323	17,323
Taxicab administration	506	269	805	-	-	-	30	30
Total business-type activities	287,407	34,089	107,973	63,099	23,717	-	(126,707)	(126,707)
Total primary government	$ 756,549	$ -	$ 109,478	$ 209,962	$ 25,939	(284,463)	(126,707)	(411,170)
General Revenues:								
Property taxes						-	12,366	12,366
Sales taxes						451,153	-	451,153
Unrestricted investment earnings						13,776	4,765	18,541
Other miscellaneous revenue						288	413	701
Transfers						(169,278)	169,278	-
Total general revenues and transfers						295,939	186,822	482,761
Change in net position						11,476	60,115	71,591
Net position - beginning						682,045	594,824	1,276,869
Net position - ending						**$ 693,521**	**$ 654,939**	**$ 1,348,460**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Funds
June 30, 2014

(amounts expressed in thousands)	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	$ 2,059	$ 678,637	$ 14,691	$ 91,170	$ 12,003	$ 18,278	$ 816,838
Receivables:							
Interest	-	1,097	1	367	-	77	1,542
Operating grants	1,378	25,551	-	-	-	-	26,929
Other	19	209	-	26	-	57	311
Due from other funds	1,770	-	-	417	-	40	2,227
Due from other governments	2,904	90,502	27,184	10,534	-	9,362	140,486
Condemnation deposits	-	18,033	-	-	-	-	18,033
Note receivable	-	-	-	29,193	-	-	29,193
Advances to other funds	-	-	-	-	-	3,703	3,703
Prepaid retirement	7,355	-	-	-	-	-	7,355
Other assets	118	6,000	-	-	-	3,765	9,883
Total Assets	**$ 15,603**	**$ 820,029**	**$ 41,876**	**$ 131,707**	**$ 12,003**	**$ 35,282**	**$ 1,056,500**
Liabilities							
Accounts payable	3,250	35,250	-	587	-	509	39,596
Accrued payroll and related items	2,210	-	-	-	-	-	2,210
Compensated absences	6	-	-	-	-	-	6
Due to other funds	-	457	14,547	962	-	6,433	22,399
Due to other governments	1,339	61,067	651	391	-	57	63,505
Unearned revenue - other	604	17,500	-	951	-	-	19,055
Other liabilities	42	40	-	-	-	-	82
Advances from other funds	-	3,703	-	-	-	-	3,703
Commercial paper notes	-	25,000	-	-	-	-	25,000
Total Liabilities	**7,451**	**143,017**	**15,198**	**2,891**	**-**	**6,999**	**175,556**
Deferred Inflows of Resources							
Unavailable revenue - interest on advances	-	-	-	-	-	704	704
Unavailable revenue - grant reimbursements	889	27,706	-	481	-	-	29,076
Unavailable revenue - ARTIC	-	-	-	28,777	-	-	28,777
Total Deferred Inflows of Resources	**889**	**27,706**	**-**	**29,258**	**-**	**704**	**58,557**
Fund Balances							
Nonspendable:							
Condemnation deposits	-	18,033	-	-	-	-	18,033
Note receivable	-	-	-	29,193	-	-	29,193
Prepaid retirement	7,355	-	-	-	-	-	7,355
Other assets	118	6,000	-		-	3,765	9,883
Restricted for:							
Transportation programs	-	625,273	26,678	29,092	-	9,564	690,607
Motorist services	-	-	-	-	-	4,755	4,755
Debt service	-	-	-	-	12,003	-	12,003
Assigned to:							
Metrolink/rail operations	-	-	-	41,273	-	-	41,273
Transportation capital projects	-	-	-	-	-	9,495	9,495
Unassigned	(210)	-	-	-	-	-	(210)
Total Fund Balances	**7,263**	**649,306**	**26,678**	**99,558**	**12,003**	**27,579**	**822,387**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 15,603**	**$ 820,029**	**$ 41,876**	**$ 131,707**	**$ 12,003**	**$ 35,282**	**$ 1,056,500**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

(amounts expressed in thousands)

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

Total fund balances (page 18)	$	822,387
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		159,427
Interest subsidy on the Build America Bonds is not reported in the funds.		2,594
Assets held for resale are not current financial resources and, therefore, are not reported in the funds.		7,864
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.		58,557
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		124
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(8,177)
Other liabilities, including other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.		(88)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(349,167)
Net position of governmental activities (page 16)	**$**	**693,521**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

(amounts expressed in thousands)	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Sales taxes	$ -	$ 279,587	$ 149,286	$ -	$ -	$ 22,280	$ 451,153
Vehicle registration fees	-	-	-	-	-	2,669	2,669
Fines	153	-	-	23	-	-	176
Contributions from other agencies	5,157	135,201	-	3,244	-	2,614	146,216
Interest and investment income	97	5,399	42	965	6,410	231	13,144
Capital assistance grants	414	-	-	10,661	-	-	11,075
Miscellaneous	66	2,997	-	774	-	62	3,899
Total Revenues	**5,887**	**423,184**	**149,328**	**15,667**	**6,410**	**27,856**	**628,332**
Expenditures							
Current:							
General government	6,558	44,691	2,024	24,050	-	5,971	83,294
Transportation:							
Contributions to other local agencies	2,919	186,435	2,344	-	-	-	191,698
Capital outlay	640	133,365	-	1,660	-	82	135,747
Debt service:							
Principal	-	-	-	-	6,600	-	6,600
Interest	-	73	-	-	22,191	-	22,264
Total Expenditures	**10,117**	**364,564**	**4,368**	**25,710**	**28,791**	**6,053**	**439,603**
Excess (deficiency) of revenues over (under) expenditures	**(4,230)**	**58,620**	**144,960**	**(10,043)**	**(22,381)**	**21,803**	**188,729**
Other financing sources (uses)							
Transfers in	6,024	13,381	-	-	28,791	-	48,196
Transfers out	-	(31,589)	(145,201)	(3,973)	(13,381)	(23,330)	(217,474)
Proceeds from sale of capital assets	-	-	-	2,167	-	-	2,167
Total other financing sources (uses)	**6,024**	**(18,208)**	**(145,201)**	**(1,806)**	**15,410**	**(23,330)**	**(167,111)**
Net change in fund balances	**1,794**	**40,412**	**(241)**	**(11,849)**	**(6,971)**	**(1,527)**	**21,618**
Fund balances - beginning	5,469	608,894	26,919	111,407	18,974	29,106	800,769
Fund balances - ending	**$ 7,263**	**$ 649,306**	**$ 26,678**	**$ 99,558**	**$ 12,003**	**$ 27,579**	**$ 822,387**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

(amounts expressed in thousands)

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

Net change in fund balances - total governmental funds (page 20)	$	21,618
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(112)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(5,359)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds, but are reported as deferred inflows of resources.		(10,268)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		7,301
The rent holiday related to the administrative headquarters building does not require the use of current financial resources, and therefore, is not reported as an expenditure in governmental funds.		(1,359)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(532)
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		187
Change in net position of governmental activities (page 17)	**$**	**11,476**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2014

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments	$ 264,924	$ 73,508	$ 925	$ 339,357	$ 33,164
Receivables:					
Interest	978	81	1	1,060	149
Operating grants	15,129	-	-	15,129	-
Capital grants	796	-	-	796	-
Violations, net	-	5,507	-	5,507	-
Farebox	1,235	-	-	1,235	-
Other	432	1,080	-	1,512	603
Due from other funds	20,172	-	-	20,172	-
Due from other governments	3,612	-	-	3,612	1
Inventory	5,198	-	-	5,198	-
Prepaid retirement	20,389	-	64	20,453	-
Other assets	-	300	-	300	1,294
Total current assets	332,865	80,476	990	414,331	35,211
Noncurrent assets:					
Restricted cash and investments:					
Cash equivalents	-	23,813	-	23,813	-
Capital assets, net:					
Nondepreciable	76,312	10	-	76,322	-
Depreciable	166,158	3,084	-	169,242	-
Intangible asset - tollroad franchise, net	-	133,215	-	133,215	-
Total noncurrent assets	242,470	160,122	-	402,592	-
Total Assets	**575,335**	**240,598**	**990**	**816,923**	**35,211**
Deferred Outflows of Resources					
Deferred charge on refunding	-	11,020	-	11,020	-
Total Deferred Outflows of Resources	**-**	**11,020**	**-**	**11,020**	**-**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds, Continued
June 30, 2014

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	23,105	3,018	17	26,140	608
Accrued payroll and related items	6,979	-	24	7,003	-
Accrued interest	-	2,202	-	2,202	-
Claims payable	-	-	-	-	3,633
Due to other governments	1,132	-	3	1,135	-
Unearned revenue	5,389	4,256	3	9,648	-
Other liabilities	2	280	-	282	102
Current portion of long-term liabilities	6,909	4,925	15	11,849	-
Total current liabilities	43,516	14,681	62	58,259	4,343
Noncurrent liabilities:					
Claims payable	-	-	-	-	14,321
Long-term liabilities	1,079	130,088	1	131,168	-
Total noncurrent liabilities	1,079	130,088	1	131,168	14,321
Total Liabilities	**44,595**	**144,769**	**63**	**189,427**	**18,664**
Net Position					
Net investment in capital assets	242,470	23,114	-	265,584	-
Restricted for:					
Debt service	-	7	-	7	-
Capital	-	10,006	-	10,006	-
Operating reserves	-	3,002	-	3,002	-
Unrestricted	288,270	70,720	927	359,917	16,547
Total Net Position	**$ 530,740**	**$ 106,849**	**$ 927**	**$ 638,516**	**$ 16,547**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Fund Net Position of Proprietary Funds to the Statement of Net Position
June 30, 2014

(amounts expressed in thousands)

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

Total net position (page 23)	$	638,516
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund is included in this difference.		16,423
Net position of business-type activities (page 16)	**$**	**654,939**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
User fees and charges	$ 57,446	$ 42,610	$ -	$ 100,056	$ -
Permit fees	-	-	805	805	-
Charges for services	-	-	-	-	11,187
Total operating revenues	**57,446**	**42,610**	**805**	**100,861**	**11,187**
Operating expenses:					
Wages, salaries and benefits	113,865	-	393	114,258	-
Maintenance, parts and fuel	26,476	-	-	26,476	-
Purchased services	68,819	7,878	-	76,697	-
Administrative services	31,300	2,290	269	33,859	229
Other	10,970	12	2	10,984	280
Insurance claims and premiums	7	334	-	341	7,787
Professional services	15,761	3,885	85	19,731	1,894
General and administrative	3,971	348	27	4,346	-
Depreciation and amortization	25,177	3,794	-	28,971	-
Total operating expenses	**296,346**	**18,541**	**776**	**315,663**	**10,190**
Operating income (loss)	**(238,900)**	**24,069**	**29**	**(214,802)**	**997**
Nonoperating revenues (expenses):					
Federal operating assistance grants	62,341	-	-	62,341	-
Property taxes allocated by the County of Orange	12,366	-	-	12,366	-
Investment earnings	3,720	701	14	4,435	330
Interest expense	(2)	(5,914)	-	(5,916)	-
Cost of issuance on long-term debt		(831)		(831)	-
Other	6,492	108	22	6,622	1,048
Total nonoperating revenues (expenses)	**84,917**	**(5,936)**	**36**	**79,017**	**1,378**
Income (loss) before contributions and transfers	**(153,983)**	**18,133**	**65**	**(135,785)**	**2,375**
Capital contributions	24,434	-	-	24,434	-
Transfers in	169,438	-	-	169,438	-
Transfers out	(160)	-	-	(160)	-
Change in net position	**39,729**	**18,133**	**65**	**57,927**	**2,375**
Total net position - beginning	491,011	88,716	862	580,589	14,172
Total net position - ending	**$ 530,740**	**$ 106,849**	**$ 927**	**$ 638,516**	**$ 16,547**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenses and
Changes in Fund Net Position of Proprietary Funds to the Statement of Activities
For the Year Ended June 30, 2014

(amounts expressed in thousands)

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

Net change in fund net position - total enterprise funds (page 25)	$	57,927
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of the general liability and workers' compensation internal service funds are included in business-type activities in the Statement of Net Position. Additionally, the effect of allocating the workers' compensation Internal Service Fund loss to the governmental activities is included in this difference.		2,188
Change in net position of business-type activities (page 17)	**$**	**60,115**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	$ 56,418	$ 41,685	$ 805	$ 98,908	$ -
Receipts from interfund services provided	-	-	-	-	11,168
Payments to suppliers	(117,402)	(12,760)	(106)	(130,268)	(2,564)
Payments to claimants	(7)	-	-	(7)	(8,938)
Payments to employees	(117,308)	-	(407)	(117,715)	-
Payments for interfund services used	(36,040)	(2,290)	(269)	(38,599)	(229)
Advertising revenue received	3,229	-	-	3,229	-
Miscellaneous revenue received	4,788	108	22	4,918	1,048
Net cash provided by (used for) operating activities	**(206,322)**	**26,743**	**45**	**(179,534)**	**485**
Cash flows from noncapital financing activities:					
Gas tax exchange received	8,378	-	-	8,378	-
Federal operating assistance grants received	73,903	-	-	73,903	-
Property taxes received	14,606	-	-	14,606	-
Transfers from other funds	166,652	-	-	166,652	-
Transfers to other funds	(674)	-	-	(674)	-
Net cash provided by noncapital financing activities	**262,865**	**-**	**-**	**262,865**	**-**
Cash flows from capital and related financing activities:					
Federal capital grants for acquisition and construction of capital assets	17,154	-	-	17,154	-
Proceeds from sale of capital assets	(288)	-	-	(288)	-
Principal payment on long-term debt	-	(20,244)	-	(20,244)	-
Interest paid on long-term debt	(2)	(5,218)	-	(5,220)	-
Cost of issuance on long-term debt		(470)		(470)	
Acquisition and construction of capital assets	(25,851)	(365)	-	(26,216)	-
Net cash used for capital and related financing activities	**(8,987)**	**(26,297)**	**-**	**(35,284)**	**-**
Cash flows from investing activities:					
Investment earnings	3,974	712	13	4,699	352
Net cash provided by investing activities	**3,974**	**712**	**13**	**4,699**	**352**
Net increase in cash and cash equivalents	**51,530**	**1,158**	**58**	**52,746**	**837**
Cash and cash equivalents at beginning of year	213,394	96,163	867	310,424	32,327
Cash and cash equivalents at end of year	**$ 264,924**	**$ 97,321**	**$ 925**	**$ 363,170**	**$ 33,164**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds, Continued
For the Year Ended June 30, 2014

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Fund OCTAP	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ (238,900)	$ 24,069	$ 29	$ (214,802)	$ 997
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation expense	25,177	1,208	-	26,385	-
Amortization of franchise agreement	-	2,586	-	2,586	-
Amortization of prepaid retirement	17,057	-	51	17,108	-
Amortization of prepaid expense	-	282	-	282	-
Amortization of prepaid insurance	-	334	-	334	-
Advertising revenue	3,525	-	-	3,525	-
Miscellaneous	3,910	108	22	4,040	-
Insurance recoveries	-	-	-	-	1,048
Change in assets and liabilities:					
Receivables	333	(1,037)	-	(704)	(2)
Due from other governments	(225)	-	-	(225)	(1)
Inventory	(24)	-	-	(24)	-
Prepaid retirement	(20,971)	-	(65)	(21,036)	-
Other assets	-	(649)	-	(649)	(32)
Accounts payable	3,119	(203)	7	2,923	(389)
Accrued payroll and related items	472	-	2	474	-
Compensated absences	12	-	(5)	7	-
Claims payable	-	-	-	-	(1,136)
Due to other governments	193	(67)	1	127	-
Unearned revenue	-	128	3	131	-
Other liabilities	-	(16)	-	(16)	-
Total adjustments	32,578	2,674	16	35,268	(512)
Net cash provided by (used for) operating activities	**$ (206,322)**	**$ 26,743**	**$ 45**	**$ (179,534)**	**$ 485**
Reconciliation of cash and cash equivalents to statement of net position:					
Cash and investments	$ 264,924	$ 73,508	$ 925	$ 339,357	$ 33,164
Restricted cash and cash equivalents	-	23,813	-	23,813	-
Total cash and cash equivalents	**$ 264,924**	**$ 97,321**	**$ 925**	**$ 363,170**	**$ 33,164**
Noncash capital, financing and investing activities:					
Capital contributions *	4,707	-	-	4,707	-
Investment earnings	(624)	16	-	(608)	24
Amortization of bond premium	-	(595)	-	(595)	-
Amortization of deferred amount on refunding	-	719	-	719	-
Activity related to bond refunding directly deposited with trustee:					
2013 revenue refunding bonds par amount	-	124,415	-	124,415	-
2013 revenue refunding bonds premium	-	11,162	-	11,162	-
Payment of underwriter's discount	-	361	-	361	-

* Cash portion related transactions include $17,154 reported as federal capital grants from acquisition and construction of capital assets and $2,573 as a change in unearned revenues relating to federal capital grants.

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Fiduciary Funds
June 30, 2014

(amounts expressed in thousands)	**Scholarship Trust Fund**	**ARBA Trust Fund**
Assets		
Cash and cash equivalents held in OCTA pool	$ 3	$ -
Cash and cash equivalents held in OCERS pool	-	143
Investments at fair value:		
Mutual funds	-	13,730
Accounts receivable	1	-
Total Assets	**4**	**13,873**
Net Position		
Held in trust for future scholarships	4	-
Restricted for pension benefits	-	13,873
Total Net Position	**$ 4**	**$ 13,873**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Scholarship Trust Fund	ARBA Trust Fund
Additions		
Contributions:		
Employer contributions	$ -	$ 848
Private donations	14	-
Total contributions	14	848
Investment income:		
Investment income	-	2,075
Less investment expense	-	(22)
Net investment income	-	2,053
Total additions	**14**	**2,901**
Deductions		
Benefits	-	898
Scholarships	26	-
Total deductions	**26**	**898**
Net increase (decrease) in net position	**(12)**	**2,003**
Net position - beginning	16	11,870
Net position - ending	**$ 4**	**$ 13,873**

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility (see note 9).

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

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

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

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

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

The Orange County Transit District (OCTD), a blended component unit of OCTA, was created by an act of the California State Legislature in 1965 and approved by the voters of Orange County in November 1970. OCTD commenced operating a public transportation system in Orange County in August 1972. OCTD is primarily funded by the Local Transportation Fund (LTF), which is derived from a one quarter cent of the general sales tax collected statewide. The Board also serves as the Board of Directors for OCTD. Management of OCTA is responsible for the operations of OCTD. Separate financial statements are not issued for OCTD.

The Orange County Transit District Financing Corporation (Corporation), a blended component unit of OCTA, was formed in November 1990 as a nonprofit corporation to provide financial assistance to OCTD by acquiring, constructing, financing and refinancing various facilities, land and equipment. The Corporation provides a financial benefit to OCTD by enabling OCTD to borrow funds from the municipal market. The OCTA Board also serves as the Board of Directors for the Corporation. Separate financial statements are not issued for the Corporation.

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

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

Basis of Presentation

OCTA's basic financial statements consist of government-wide statements, including a statement of net 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 for all of the nonfiduciary activities of OCTA. The effect of interfund activity, except for internal service fund activity provided and used, has been eliminated from these statements. Internal service fund activity predominately serves the OCTD Enterprise Fund and, therefore, the net balances are included in the Business-type activities. Indirect costs have been allocated to the functions/programs on the statement of activities in a separate column entitled "Indirect Expense Allocation." Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges and fees for support.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Interest expense related to the sales tax revenue bonds and commercial paper, the capital lease, and the taxable bonds and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and tollroad functions, respectively, as it would be misleading to exclude the interest from direct expenses and the borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2014, interest expense of $21,563, $2 and $5,914, was included in Measure M, fixed route, and tollroad program costs, respectively. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other revenues are not reported as program revenues and instead, are reported as general revenues.

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

OCTA reports the following major governmental funds:

- ***General Fund*** – The General Fund is the general operating fund of OCTA. It is used to account for the financial resources of the general government, except those required to be accounted for in another fund.

- ***Local Transportation Authority (LTA) Fund*** – This fund accounts for revenues received and expenditures made and is restricted for the implementation of the Orange County Traffic Improvement and Growth Management Plan (Measure M). Funding is provided by a one-half percent sales and use tax assessed for twenty years pursuant to Measure M, which became effective April 1, 1991, and more recently was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance, as approved in an election by the voters of Orange County, requires that sales tax revenues only be expended on projects included in the ordinance.

- ***Local Transportation Fund (LTF)*** – This fund accounts for revenues received and expenditures made and is restricted for use on certain transit projects within Orange County. Funding is generated from a one-quarter percent state sales and use tax pursuant to the California Transportation Development Act (TDA). Expenditures of these monies must be made in accordance with TDA provisions.

- ***Commuter and Urban Rail Endowment (CURE) Fund*** – This fund accounts for OCTA's share of the Metrolink commuter rail operations in Orange County. Funding for the CURE consists of Measure M, interest earnings, and local funds which are provided through actions of the Board. The Measure M funds and related interest earnings are restricted.

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

OCTA reports the following major enterprise funds:

- ***Orange County Transit District (OCTD) Fund*** – This fund accounts for the transit operations of OCTA. The primary sources of funding for transit operations are the TDA one-quarter percent sales tax, farebox collections and federal/state grants.

- ***91 Express Lanes Fund*** – This fund accounts for the operations of the 91 Express Lanes. The primary source of funding for the operations is toll revenues and related fees.

Additionally, OCTA reports the following fund types:

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

  General Liability
  Workers' Compensation

OCTA reports the following fiduciary funds:

- ***Private-Purpose Trust Fund*** – This fund accounts for the resources legally held in trust for providing scholarships and supporting activities for other organizations' special programs.

- ***Additional Retiree Benefit Account (ARBA) Trust Fund*** – This fund accounts for the resources legally held in trust for additional retiree benefits. Employees who retire directly from OCTA with 10 years or more of service receive an additional 10 dollars per month for each year of service up to 150 dollars per month.

Measurement Focus and Basis of Accounting

The government-wide and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tolls are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenues are recognized when customers utilize the toll road facility. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Property taxes are recognized as revenues in the year for which they are levied.

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

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

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

Cash and Investments

OCTA maintains cash and investments in accordance with the Annual Investment Policy (AIP) originally adopted by the Board on May 8, 1995, and most recently amended on June 10, 2013. The AIP complies with, or is more restrictive than, the California Government Code (Code). The majority of OCTA's investments are managed by six private sector investment managers. At June 30, 2014, the investment portfolios were held by MUFG Union Bank, N.A. as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily account balances.

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

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

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

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

Cash and Cash Equivalents

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

Receivables

Receivables include an estimate for outstanding unpaid violations of the 91 Express Lanes that OCTA anticipates to collect. For violations less than 90 days old, the receivable is based on a twelve-month average of violations collected during that time and is recorded net of an allowance for uncollectible accounts of $584. For those violations in excess of 90 days, the receivable is estimated using a 3-year average of violations collected and is recorded net, as the majority is not considered probable of collection. Additionally, the 91 Express Lanes records a receivable for amounts owed from customers, net of an allowance of $340. Approximately $3,648 of the violations and customer receivables are not expected to be collected within one year.

Interfund Transactions

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

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2013-14 fiscal year, $51,905 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers' compensation. Charges for risk management services are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged $11,187 to OCTA's operating funds.

Inventory

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

Prepaid Retirement

Orange County Employee Retirement System (OCERS) provides a 7.25% discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2014-15 in order to benefit from this discount.

Restricted Cash and Investments

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

Assets Held for Resale

OCTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCTA (see Capital Assets on following page). These assets are reported as assets held for resale in the governmental activities column in the government-wide financial statements. These assets will be sold and proceeds will be reimbursed to the fund in which the initial expenditure was recorded.

Capital Assets

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

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

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

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

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

Intangible Asset – Toll Facility Franchise

OCTA purchased the interest in the franchise agreement for the toll facility from CPTC. The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2065.

Compensated Absences

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

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. OCTA only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position 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. OCTA 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 from multiple sources for grant reimbursements, a note receivable with the City of Anaheim for ARTIC and interest earned on advances to other funds. These 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 and proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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

Risk Management

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

Property Taxes

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

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

Contributions to Other Agencies

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

Net Position

In the government-wide financial statements, net position represents the difference between assets and liabilities and is classified into three categories.

- ***Net investment in capital assets*** – This balance reflects the net position of OCTA that is invested in capital assets. 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 their use is subject to restrictions enforceable by third parties. The government-wide statement of net position reports $340,875 of net position restricted by enabling legislation for transportation programs and motorist services.
- ***Unrestricted Net Position*** – This balance represents net position that is available for general use.

Fund Balance Classifications

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

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

- ***Nonspendable*** – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

- ***Restricted*** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

- ***Committed*** – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Directors, as the highest level of decision making authority, has the ability to commit fund balances through 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 are constrained by OCTA's intent to be used for specific purposes and that do not meet the criteria to be classified as restricted or committed. This classification also includes residual amounts in governmental funds, other than the general fund. 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.

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

When both restricted and unrestricted resources are available for use, it is OCTA's policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, OCTA's Board approved policy is to use committed amounts first, followed by assigned and then unassigned.

Use of Estimates

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds." The details of this $159,427 difference are as follows:

Capital assets	$ 170,600
Less accumulated depreciation	(11,173)
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	**$ 159,427**

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds." The details of this $(349,167) difference are as follows:

Bonds payable	$ (339,560)
Plus unamortized bond issuance premium (to be amortized to interest expense)	(3,614)
Administrative headquarters' rent holiday	(1,359)
Compensated absences	(4,634)
Net adjustment to decrease fund balance – total governmental funds to arrive at net position – governmental activities	**$ (349,167)**

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

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

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this $(112) difference are as follows:

Capital outlay	$ 721
Depreciation expense	(833)
Net adjustment to decrease net change in fund balance – total governmental funds to arrive at change in net position – governmental activities	**$ (112)**

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

The details of this $7,301 difference are as follows:

Principal repayments	$ 6,600
Change in accrued interest	99
Amortization of premium	602
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net position – governmental activities	**$ 7,301**

3. DIVERSION OF TDA FUNDING

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

4. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2014:

Deposits:	
Deposits	$ 51,608
Petty Cash	6
Total cash	**51,614**
Investments:	
With Orange County Treasurer	14,703
With LAIF	10,126
With Trustee	172,139
With Custodian	978,466
Total investments	**1,175,434**
Total Cash and Investments	**$ 1,227,048**

Total cash and investments are reported in the following funds:

Unrestricted Cash and Investments:	
Governmental Funds	$ 816,838
Proprietary Funds:	
Enterprise	339,357
Internal Service	33,164
Fiduciary Funds	13,876
Restricted Cash and Investments:	
Proprietary Funds:	
Enterprise	23,813
Total Cash and Investments	**$ 1,227,048**

Restricted investments at June 30, 2014, represent reserves for debt service, capital and operations. As of June 30, 2014, OCTA had the following investments:

Investment	**Fair Value**	**Principal**	**Interest Rate Range**	**Maturity Range**	**Weighted Average Maturity (Years)**
Orange County Investment Pool	$ 14,703	$ 14,715	.37%-.38%	1 day-5 years	464 days or 1.27
Local Agency Investment Fund	10,126	10,126	.228%-.244%	232-278 days	278 days or .83
U. S. Treasuries	538,975	540,092	Discount, .125%-4.5%	7/31/14-2/28/19	1.83
U. S. Agency Notes	124,718	126,335	Discount, .35%-5.375%	7/7/14-6/29/17	1.44
Medium Term Notes	220,215	221,190	Discount, .075%-6.75%	7/8/14-4/16/19	2.08
Mortgage and Asset Backed Securities	77,369	77,470	Discount .087%-6.0%	12/01/14-2/22/19	3.06
Money Market & Mutual Funds	120,492	120,492	Variable	7/1/14	1 Day
Certificate of Deposit	20,200	20,200	.07%-.25%	7/1/14-12/15/14	.15
Variable Rate Notes	30,393	30,228	Variable	10/28/15-4/8/19	2.95
State of CA & Local Agencies	3,841	3,833	.63%-1.22%	12/1/15 – 5/15/17	2.15
Commercial Paper	14,402	14,402	Discount	7/2/14-8/8/14	.09
Total Investments	**$ 1,175,434**	**$ 1,179,083**			
Portfolio Weighted Average					**1.69**

Interest Rate Risk

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

As of June 30, 2014, mortgage and asset-backed securities totaled $77,369. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA/Aaa by at least two of the three nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2014, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	$ 1,018	LIBOR + 59 basis points	Quarterly
American Express	543	LIBOR + 55 basis points	Quarterly
American Express	1,137	LIBOR + 51 basis points	Quarterly
Apple	1,320	LIBOR + 5 basis points	Quarterly
Apple	1,090	LIBOR + 25 basis points	Quarterly
AT&T	336	LIBOR + 91 basis points	Quarterly
Bank of America	766	LIBOR + 82 basis points	Quarterly
Bank of America	302	LIBOR + 87 basis points	Quarterly
Bank of Nova Scotia	1,106	LIBOR + 52 basis points	Quarterly
BNP Paribas	1,294	LIBOR + 59 basis points	Quarterly
Bank of Oklahoma	1,124	LIBOR + 69 basis points	Quarterly
Branch Banking and Trust	1,001	LIBOR + 33 basis points	Quarterly
Cisco Systems	904	LIBOR + 28 basis points	Quarterly
Citigroup	631	LIBOR + 77 basis points	Quarterly
Citigroup	500	LIBOR + 54 basis points	Quarterly
Daimler Finance	1,081	LIBOR + 86 basis points	Quarterly
Duke Energy	662	LIBOR + 35 basis points	Quarterly
Duke Energy	1,881	LIBOR + 20 basis points	Quarterly
General Electric	1,221	LIBOR + 65 basis points	Quarterly
Goldman Sachs	1,108	LIBOR + 120 basis points	Quarterly
HBSC USA	830	LIBOR + 88 basis points	Quarterly
IBM	171	LIBOR + 37 basis points	Quarterly
Johnson & Johnson	1,151	LIBOR + 7 basis points	Quarterly
JP Morgan Chase	2,069	LIBOR + 90 basis points	Quarterly

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
JP Morgan Chase	432	LIBOR + 52 basis points	Quarterly
Medtronic	1,248	LIBOR + 9 basis points	Quarterly
Merck & Company	863	LIBOR + 36 basis points	Quarterly
National Rural Utilities	330	LIBOR + 25 basis points	Quarterly
NBC Universal	1,116	LIBOR + 53.7 basis points	Quarterly
PACCAR Financial	232	LIBOR + 60 basis points	Quarterly
Prudential	993	LIBOR + 87.5 basis points	Quarterly
Rockwell	1,093	LIBOR + 35 basis points	Quarterly
Westpac	840	LIBOR + 74 basis points	Quarterly
Total Variable Rate Notes	**$ 30,393**		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2014, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

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

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2014. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S & P	Moody's	Fitch	% of Portfolio
Orange County Investment Pool	NR	NR	NR	1.25%
Local Agency Investment Fund	NR	NR	NR	0.86%

Investments	S & P	Moody's	Fitch	% of Portfolio
U.S. Treasuries	US	US	US	45.83%
U.S. Agency Notes				
FHLN and FMAC	A-1+	P-1	F1+	0.52%
Federal Home Loan Discount Notes	A-1+	P-1	NR	0.19%
FHLB, FNMA and FMAC	AA	Aaa	AAA	9.82%
NCUA Guaranteed Notes	AA	Aaa	NR	0.09%
Medium Term Notes				
Corporate Notes	AAA	Aaa	AAA	0.01%
Corporate Notes	AAA	Aaa	AA	0.09%
Corporate Notes	AAA	Aaa	NR	0.02%
Corporate Notes	AA	Aaa	AAA	0.18%
Corporate Notes	AA	Aa	AA	0.83%
Corporate Notes	AA	Aa	A	1.10%
Corporate Notes	AA	Aa	NR	1.29%
Corporate Notes	AA	A	AA	0.01%
Corporate Notes	AA	A	A	0.08%
Corporate Notes	AA	A	NR	1.26%
Corporate Notes	A	Aa	AA	0.09%
Corporate Notes	A	Aa	A	0.30%
Corporate Notes	A	Aa	NR	0.01%
Corporate Notes	A	A	AA	0.92%
Corporate Notes	A	A	A	8.31%
Corporate Notes	A	A	BBB	0.21%
Corporate Notes	A	A	NR	2.11%
Corporate Notes	A	Baa	A	1.32%
Corporate Notes	A	NR	A	0.03%
Corporate Notes	BBB	A	A	0.56%
Mortgage and Asset Backed Securities				
Securities	AAA	Aaa	AAA	0.59%
Securities	AAA	Aaa	NR	1.83%
Securities	AAA	NR	AAA	1.55%
Securities	AA	Aaa	AAA	0.91%
Securities	NR	Aaa	AAA	1.71%
Variable Rate Notes				
Notes	AAA	Aaa	AAA	0.10%
Notes	AA	Aa	AA	0.17%
Notes	AA	Aa	A	0.01%
Notes	AA	Aa	NR	0.21%
Notes	AA	A	A	0.07%
Notes	AA	A	NR	0.29%
Notes	A	Aa	A	0.22%

Investments	S & P	Moody's	Fitch	% of Portfolio
Notes	A	A	AA	0.07%
Notes	A	A	A	0.96%
Notes	A	A	NR	0.05%
Notes	A	Baa	A	0.28%
Notes	BBB	A	A	0.09%
Notes	NR	Aaa	AAA	0.08%
Money Market and Mutual Funds	AAA	Aaa	AAA	10.25%
State of CA & Local Agencies				
CA State Department of Water	AAA	Aa	NR	0.04%
University of California	AA	Aa	AA	0.03%
University of California	AA	Aa	NR	0.18%
California State Bonds	A	Aa	A	0.07%
Certificates of Deposit	A-1	P-1	F1	1.72%
Commercial Paper	A-1	P-1	F1	1.23%
Total				**100%**

Concentration of Credit Risk

At June 30, 2014, OCTA did not exceed the AIP maximum concentrations as stated below:

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

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

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

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

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

- OCTA can purchase all or a portion of the Orange County Transportation Authority's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing

December 15, 2030 providing the purchase does not exceed 25% of the Maximum Portfolio and is authorized by the IRS.

The following is a summary of the concentration of credit risk by issuer as a percentage of the fair value of the 91 Express Lanes Fund's investment portfolio at June 30, 2014:

Issuer	Amount	% of 91 Express Lanes Portfolio
Enterprise Fund: 91 Express Lanes		
Bank of the West (Certificates of Deposit)	$ 13,000	13.38%
U.S. Bank (Commercial Paper)	$ 10,804	11.12%

Investment in State Investment Pool

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

Investment in Orange County Investment Pool

The TDA guidelines require the State Board of Equalization (SBOE) to deposit State Transit Assistance and Local Transportation funds with the OCIP until claimed by OCTA. OCIP is monitored by the Treasury Oversight Committee (TOC) established by the County of Orange Board of Supervisors on December 19, 1995 by Resolution No. 95-946. The TOC reviews and monitors the annual investment policy prepared by the Treasurer in accordance with Government Code §27133. 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 OCIP for the entire OCIP portfolio (in relation to the amortized cost of that portfolio).

5. GRANTS AND STATE ASSISTANCE

Operating Assistance Grants

Under provisions of the Federal Transit Administration (FTA), funds are available to OCTD for Americans with Disabilities Act (ADA) paratransit operating assistance, preventive maintenance, capital cost of contracting, demonstration projects, transportation planning, and acquisition and construction of facilities, transit vehicles and related support equipment. On March 10, 2014, the federal government issued the fiscal year 2013-14 appropriations in the amount of $75,551, all of which is for operating assistance. A receivable of $42,058 is outstanding as of June 30, 2014.

Capital Grants

Under the provisions of FTA, appropriations are available for the development and operation of a public transportation system. None of the fiscal year 2013-14 appropriation is for capital grants. A receivable of $796 is outstanding as of June 30, 2014.

Local Transportation Fund

In fiscal year 2013-14, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, monies are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In fiscal year 2013-14, OCTA and OCTD became entitled to $3,423 and $141,778 in LTF monies, respectively. This revenue was recorded as a transfer from LTF. The remaining revenues received by LTF were contributed to other agencies for use in transit projects.

State Transit Assistance Program

State Transit Assistance (STA) revenue is generated by the state sales tax on diesel fuel as specified under the gas tax swap enacted in March 2010. STA revenues are then distributed based on several demographic factors. OCTA received $22,280 in fiscal year 2013-14.

Proposition 1B

As part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by California voters as Proposition 1B (Prop 1B) on November 7, 2006, OCTA was awarded funding from the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and the Transit System Safety, Security and Disaster Response Account (TSSSDRA). During fiscal year 2013-14, OCTA received $8,547 and $3,906 in PTMISEA and TSSSDRA funding, respectively. As of June 30, 2014, OCTA has unspent Prop 1B proceeds and interest of $16,373 and $5,822 in PTMISEA and TSSSDRA funds, respectively.

6. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2014 in the fund financial statements are as follows:

	Governmental Funds					Enterprise Funds	Internal Service Funds	
Receivables:	**General**	**LTA**	**LTF**	**CURE**	**Nonmajor Funds**	**OCTD**	**General Liability**	**Total**
Sales taxes	$ -	$51,836	$27,184	$ -	$ 6,363	$ -	$ -	$ 85,383
Project reimbursements	2,891	38,666	-	10,520	-	-	-	52,077
Other	13	-	-	14	2,999	3,612	1	6,639
Total	**$2,904**	**$90,502**	**$27,184**	**$10,534**	**$ 9,362**	**$3,612**	**$ 1**	**$144,099**

An additional $2,594 is included in the government-wide statements representing the interest receivable on the Build America Bonds (see note 12).

Amounts due to other governments as of June 30, 2014 are as follows:

	Governmental Funds					Enterprise Funds		
Payables:	**General**	**LTA**	**LTF**	**CURE**	**Nonmajor Funds**	**OCTD**	**Nonmajor Fund OCTAP**	**Total**
Projects	$1,212	$59,789	$ -	$391	$ -	$677	$ -	$62,069
Use taxes	-	-	-	-	-	11	1	12
Other	127	1,278	651	-	57	444	2	2,559
Total	**$1,339**	**$61,067**	**$651**	**$391**	**$57**	**$1,132**	**$3**	**$64,640**

7. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2014 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	CURE Fund	$ 962	Irvine Shuttle Program
General Fund	LTF Fund	738	TDA
General Fund	Nonmajor Governmental Funds	70	I-405 & I-5 HOV Projects
Nonmajor Governmental Funds	LTA Fund	40	Local Fair Share funds withheld from City of Placentia
OCTD Fund	LTF Fund	13,809	OCTD operations
OCTD Fund	Nonmajor Governmental Funds	6,363	OCTD operations
CURE Fund	LTA Fund	417	ARTIC
Total		**$ 22,399**	

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
Nonmajor Governmental Funds	LTA Fund	**$ 3,703**	M2 Expenditures
Total		**$ 3,703**	

Beginning with fiscal year 2006-07, OCUTT advanced monies to LTA to cover expenditures such as election costs, administrative costs, and accrued interest. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (1.83% for fiscal year 2013-14). LTA began repaying OCUTT when M2 funds were collected.

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
LTA Fund	LTA Debt Service Fund	$ 28,791	Debt service
LTA Fund	OCTD Enterprise Fund	2,798	Fare Stabilization and Senior Mobility program
Local Transportation Fund	General Fund	3,423	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	141,778	OCTD and CTSA operations
LTA Debt Service Fund	LTA Fund	13,381	Excess Interest
CURE Fund	General Fund	1,934	Irvine Shuttle program
CURE Fund	OCTD Enterprise Fund	2,039	Stationlink and rail feeder service

Transfers Out	Transfers In	Amount	Explanation
Nonmajor Governmental Funds	General Fund	507	Transportation projects and administrative costs
Nonmajor Governmental Funds	OCTD Enterprise Fund	22,823	OCTD operations
OCTD Enterprise Funds	General Fund	160	Laguna Beach Municipal Transit Lines projects & Anaheim Transit Network
Total		**$ 217,634**	

8. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 155,127	$ -	$ -	$ -	$ 155,127
Construction in progress	-	82	-	580	662
Total capital assets, not being depreciated	155,127	82	-	580	155,789
Capital assets, being depreciated:					
Building and improvements	4,351	-	-	-	4,351
Machinery, equipment and furniture	10,423	721	(104)	(580)	10,460
Total capital assets, being depreciated	14,774	721	(104)	(580)	14,811
Less accumulated depreciation for:					
Buildings and improvements	(2,427)	(207)	-	18	(2,616)
Machinery, equipment and furniture	(7,935)	(626)	22	(18)	(8,557)
Total accumulated depreciation	(10,362)	(833)	22	-	(11,173)
Total capital assets, being depreciated, net	4,412	(112)	(82)	(580)	3,638
Governmental activities capital assets, net	**$ 159,539**	**$ (30)**	**$ (82)**	**$ -**	**$ 159,427**
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 54,545	$ -	$ -	$ -	$ 54,545
Construction in progress	76	4,948	-	16,753	21,777
Total capital assets, not being depreciated	54,621	4,948	-	16,753	76,322

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, being depreciated:					
Building and improvements	148,824	787	(659)	3,968	152,920
Transit vehicles	288,486	19,498	(8,218)	-	299,766
Machinery, equipment and furniture	85,449	1,175	(1,037)	(20,721)	64,866
Total capital assets, being depreciated	522,759	21,460	(9,914)	(16,753)	517,552
Less accumulated depreciation for:					
Buildings and improvements	(67,898)	(4,695)	260	(3,531)	(75,864)
Transit vehicles	(204,050)	(18,387)	7,482	-	(214,955)
Machinery, equipment and furniture	(58,677)	(3,303)	958	3,531	(57,491)
Total accumulated depreciation	(330,625)	(26,385)	8,700	-	(348,310)
Total capital assets, being depreciated, net	192,134	(4,925)	(1,214)	(16,753)	169,242
Business-type activities capital assets, net	**$ 246,755**	**$ 23**	**$ (1,214)**	**$ -**	**$ 245,564**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 788
Measure M program	39
Motorist services	6
Total depreciation expense – governmental activities	**$ 833**

Business-type activities:	
Fixed route	$ 20,023
Paratransit	5,154
Tollroad	1,208
Total depreciation expense – business-type activities	**$ 26,385**

9. SERVICE CONCESSION ARRANGEMENTS – TOLL FACILITY FRANCHISE

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

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

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

Intangible asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Toll facility franchise	$ 205,264	$ -	$ -	$ 205,264
Less accumulated amortization	(69,463)	(2,586)	-	(72,049)
Total toll facility franchise, net	$ 135,801	$ (2,586)	$ -	$ 133,215

10. RISK MANAGEMENT – CLAIMS LIABILITY

OCTA is self-insured for workers' compensation and general liability claims, and also purchases excess workers' compensation and general liability insurance. Workers' compensation claims are self-insured up to a maximum amount of $750 per claim and have statutory coverage through a commercial insurer. General liability claims are self-insured up to a maximum amount of $4,000 and have additional coverage of $35,000 per occurrence through two commercial insurers. No losses have exceeded insurance coverage in the past three fiscal years. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. General liability and workers' compensation reserves are actuarially determined. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Management is of the opinion that the recorded liabilities for OCTA's self-insured claims are adequate.

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

	2014	2013
General Liability		
Unpaid claims as of July 1	**$ 7,830**	**$ 8,318**
Incurred claims (including claims incurred but not reported as of June 30)	306	3,245
Payments	(3,528)	(4,472)
Increase/(decrease) in provision for prior years' events	1,841	739
Unpaid claims at June 30	**6,449**	**7,830**
Workers' Compensation		
Unpaid claims as of July 1	**11,260**	**11,176**
Incurred claims (including claims incurred but not reported as of June 30)	1,343	2,983
Payments	(3,997)	(4,893)
Increase/(decrease) in provision for prior years' events	2,899	1,994
Unpaid claims at June 30	**11,505**	**11,260**
Total unpaid claims at June 30	**17,954**	**19,090**
Less current portion of unpaid claims	**3,633**	**3,994**
Total long-term portion of unpaid claims	**$ 14,321**	**$ 15,096**

11. SHORT-TERM DEBT

On January 28, 2008, LTA was authorized to issue up to $400,000 in Renewed Measure M Subordinate Tax-Exempt Commercial Paper Notes Series A and Series B (M2 Notes). As a requirement for the issuance of the M2 Notes, OCTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement, issued on a several and not joint basis, with Dexia Credit Local, Bank of America, N.A., BNP Paribas, and JP Morgan Chase Bank, N. A. as liquidity support for the M2 Notes. The Letter of Credit and Reimbursement Agreement had a termination date of November 2011. In October 2011, the Board approved the selection of JP Morgan Chase Bank, N.A. (JP Morgan) to serve as the successor Letter of Credit provider for the M2 Notes. The JP Morgan Letter of Credit expires on October 31, 2014.

In December 2010, OCTA issued taxable and tax-exempt sales tax revenue bonds for the M2 program (see note 12). A portion of the bonds issued ($75,000) were used to pay down the outstanding M2 Notes balance of $100,000. The M2 Notes program and supporting Letter of Credit were reduced from $400,000 to $50,000.

On June 9, 2014, the Board approved the use of $25,000 in M2 sales tax revenue funds to retire the total outstanding Tax-Exempt Commercial Paper notes and elected not to pursue another Letter of Credit facility.

As of June 30, 2014, LTA had outstanding M2 Notes in the amount of $25,000. Interest is payable on the respective maturity dates of the M2 Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the M2 Notes is 12.0%. The average issuance rate during fiscal year 2013-14 was 0.09%.

Changes in Short-Term Debt

Short-term debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Issues	Redemptions	Ending Balance
Tax exempt commercial paper – M2 Notes	$ 25,000	$100,000	$100,000	$ 25,000
Total short-term debt	**$ 25,000**	**$100,000**	**$100,000**	**$ 25,000**

12. LONG-TERM DEBT

Sales Tax Revenue Bonds

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

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)
Issuance date	12/9/10	12/9/10
Original issue amount	$ 293,540	$ 59,030
Original issue premium	-	6,023
Net Bond Proceeds	**$ 293,540**	**$ 65,053**

	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)
Issuance costs	$ 1,905	$ 274
Interest rates	5.56%-6.91%	3.00%-5.00%
Maturity range	2021-2041	2014-2020
Final maturity	2041	2020
Bonds outstanding	$ 293,540	$ 46,020
Plus unamortized premium	-	3,614
Total	**$ 293,540**	**$ 49,634**

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest
2015	$ 6,865	$ 21,927
2016	7,210	21,584
2017	7,475	21,317
2018	7,775	21,018
2019	8,165	20,629
2020-2024	46,225	96,644
2025-2029	56,620	80,861
2030-2034	70,505	59,499
2035-2039	87,820	32,860
2040-2041	40,900	4,269
Total	**$ 339,560**	**$ 380,608**

Toll Road Revenue Refunding Bonds

On July 30, 2013, OCTA issued $124,415 in Senior Lien Toll Road Revenue Refunding Bonds (91 Express Lanes), Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003 B-1 and Series 2003 B-2. OCTA refunded the outstanding Series 2003-A bonds to reduce its total debt service payments over the life of the bonds and refunded the Series 2003 B-1 and Series 2003 B-2 bonds to address the mandatory tender date of August 15, 2013 for the existing private placement with the OCIP. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,367. The transaction resulted in a reduction of debt service payments of $26,917 over the next 18 fiscal years and an economic gain (difference between the present values of the debt service payments of the original 2003 and 2013 debt) of $19,272. The Series 2013 Bonds were issued as fixed rate bonds. The transaction closed on August 8, 2013.

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

Issuance date	7/30/13
Closing date	8/8/13
Original issue amount	$124,415
Cash reserve requirements	$23,805*
Cash reserve balance	$23,813
Interest rate range	2% - 5%
Maturity	December 2030
Principal payment date	August 15
Current balance	$124,415
Unamortized premium	$10,598
Deferred amount on refunding	$(11,020)

*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the following three reserve funds are required to be maintained: Senior Lien Reserve Fund - $10,805, Major Maintenance Reserve Fund - $10,000, and Operating Reserve Fund - $3,000. At June 30, 2014, all reserve requirements have been satisfied.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2014, are as follows:

Year Ending June 30,	**Principal**	**Interest**
2015	$ 4,925	$ 5,871
2016	5,075	5,721
2017	5,285	5,513
2018	5,525	5,270
2019	5,810	4,986
2020-2024	33,835	20,145
2025-2029	43,445	10,543
2030-2031	20,515	1,076
Total	**$ 124,415**	**$ 59,125**

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Sales tax revenue bonds	$ 346,160	$ -	$ 6,600	$ 339,560	$ 6,865
Unamortized premium	4,216	-	602	3,614	-
Compensated absences	4,119	4,722	4,201	4,640	6
Rent holiday	-	1,359	-	1,359	-
Other post employment	89	-	1	88	-
Total governmental activities long-term liabilities	**$ 354,584**	**$ 6,081**	**$ 11,404**	**$ 349,261**	**$ 6,871**
Business-type activities:					
Tax-exempt bonds	$ 155,460	$ 124,415	$ 155,460	$ 124,415	$ 4,925
Unamortized premium	4,398	11,162	4,962	10,598	-
Claims payable	19,090	6,389	7,525	17,954	3,633
Compensated absences	7,946	10,071	10,064	7,953	6,924
Other post employment	51	-	-	51	-
Total business-type activities long-term liabilities	**$ 186,945**	**$ 152,037**	**$ 178,011**	**$ 160,971**	**$ 15,482**

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

Arbitrage Rebate

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

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

Pledged Revenue

OCTA has a number of debt issuances outstanding that are repaid and secured by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the summary of bonds outstanding tables. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions.

Debt service payments as a ratio of the pledged gross revenue, less certain expenditures/expenses as required by the debt agreement, for the year ended June 30, 2014, 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	$ 219,423	$ 22,386	*	9.80
91 Express Lanes Net Toll Road Revenue	$ 28,701	$ 10,743		2.67

*OCTA received $6,405 in Build America Bonds subsidy to offset annual debt service payments for Measure M2 Sales Tax Revenue Bonds.

13. PENSION PLANS

Plan Description - OCTA contributes to three retirement plans, the Public Employees' Retirement System (PERS) of the State of California, the Orange County Employees Retirement System (OCERS), and a supplemental plan, the Additional Retiree Benefit Account.

Public Employees' Retirement System

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

Funding Policy - Beginning in 1991, OCTA elected to contribute 7% of gross salary to PERS for all participating employees employed as of June 30, 1991. The election is subject to renewal every year. As of June 30, 2014, OCTA has two employees who are members of PERS. OCTA is required to contribute at an actuarially determined rate. For fiscal year 2013-14, OCTA's actuarially determined contribution requirement was 0.0% of annual covered payroll. The contribution requirements are established and may be amended by PERS. OCTA's contributions to PERS were $0 for the years ended June 30, 2014, 2013, and 2012, and were equal to the required contribution calculated by the PERS actuary for each year. OCTA's plan and risk pool has a status of being superfunded.

Annual Pension Cost – Annual required contributions for fiscal year 2013-14 were based on the June 30, 2011 actuarial valuation. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.50% per annum compounded annually and an inflation factor of 2.75%; and (b) projected annual salary increases that vary by duration of service and include a factor of 2.75% for inflation, .25% for annual production growth and various amounts for merit according to longevity.

Orange County Employees Retirement System

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

Funding Policy - OCTA's actuarially determined contribution requirement was 24.55% of total covered payroll. OCTA's contributions to OCERS for the years ended June 30, 2014, 2013, and 2012 were $22,194, $19,180 and $18,882, respectively, and were equal to the required contribution calculated by the OCERS actuary for each year.

Beginning in fiscal year 2013-14, administrative employees pay 25% of the employee contribution to OCERS. This amount will increase by 25% per year until the employee pays 100% of the employee contribution. New employees pay 100% of the employee contribution. The employee contribution rate ranges from 4.55% to 12.06% (depending on age of entry). Employees that are employed under collective bargaining units pay their own employee contributions.

Annual Pension Cost – Annual required contributions for fiscal year 2013-14 were based on the OCERS actuarial valuation as of December 31, 2011, in which the investment return assumption was 7.75%, and the inflation factor was 3.50%. The salary increase rate assumption varies by duration of service between 4.75% and 13.75% for general members, which includes the inflation factor of 3.50%. The rate assumption for across the board salary increases was .25%.

Supplemental Pension Plan

Plan Description - On January 1, 1995, OCTA established the Additional Retiree Benefit Account (Plan). The Plan is a single-employer defined benefit retirement plan. The Plan is authorized under Section 31694(a) of the California Government Code, for the sole purpose of funding benefits provided under a post-employment group health, life, welfare or other supplemental benefit plan. The Plan is administered for OCTA through OCERS. The OCTA Board governs the plan and has the authority to amend the benefits of the Plan. The Plan provides a supplemental retirement benefit to individuals age 50 and over with at least 10 years of service with OCTA. Employees deferring retirement more than 30 days from date of separation from OCTA are not eligible. There is no separate benefit plan report issued.

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

Contributions - OCTA's policy is to make required contributions as determined by the Plan's actuary. The required contributions were determined as part of the January 1, 2014 actuarial valuation. The actuarial determined contribution for the fiscal year ending June 30, 2014 is $876. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

At June 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	556
Inactive plan members entitled to but not yet receiving benefits	0
Active plan Members	1,473
Total	**2,029**

Investment Policy – OCERS has the authority to invest the Plan assets, and has the sole, exclusive, and plenary discretionary authority and fiduciary responsibility to manage the investments and reinvestment of the Plan assets. The investment objectives are based on a 20-year investment horizon. The Plan may hold up to six months of cash, cash equivalent, and/or money market funds for near term benefits and expenses. All remaining assets will be invested in longer-term securities. The investment assets shall be diversified with the intent to minimize the risk of long-term investment losses. The total portfolio is constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries. Plan investments are presented at fair value or estimated fair value. The following was the assumed asset allocation as of June 30, 2014:

Asset Class	Target Allocation
Fixed Income	30%-45%
Domestic Equity	40%-50%
International Equity	15%-20%
Cash Equivalents	0%
Total	**100%**

As of June 30, 2014, the Plan held investments that represented 5% or more of the plans fiduciary net position. The Plan held 20.23% in Europe, Australia and Far East Equity Index Fund B, 48.25% in Russell 1000 Index Fund B, and 31.52% in U.S. Debt Index Fund B.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.51%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability – The components of the net pension liability at June 30, 2014 were as follows:

Total pension liability	$ 18,308
Plan fiduciary net position	(13,873)
OCTA's net pension liability	**$ 4,435**
Plan fiduciary net position as a percentage of the total pension liability	**75.78%**

The actuarial liabilities and assets are valued as of January 1, 2014.

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Return on assets	7.25%
Discount rate	6.90%
Inflation	2.75% per annum
Salary Scale	0.5% per annum, plus individual salary scale based on age
Cost of living	Not applicable

Experience Study	Given the size of the plan, there is not enough data available to conduct a credible experience study. However, OCTA participates in OCERS, and in general, demographic assumptions follow OCERS experience study. The most recent OCERS experience study was conducted in 2011 and collected and analyzed data for the period from January 1, 2008 to December 31, 2010.

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back three years.

The long-term expected rate of return on plan investments was determined using a building block method which best estimate ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.5%
Domestic Equity	5.5%
International Equity	6.5%
Cash	0.0%

The discount rate used to measure the total pension liability was 6.90%. This discount rate is a blended rate of return at 7.25% and the S&P Municipal Bond 20 Year High Grade Index rate of 3.75%. The projection of cash flows used to determine the discount rate assumed that ongoing contributions will be made at the actuarial determined amounts. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members until year 2054 (40 years) at which time the cash flows would be discounted to use the municipal index rate.

The following presents the net pension liability of OCTA, calculated using the discount rate of 6.90%, as well as what OCTA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
OCTA's net pension liability	$6,385	$4,435	$2,706

In accordance with Governmental Accounting Standards Board Statement No. 27, the following disclosures are presented as they apply to the employer reporting requirements.

Annual pension cost, the dollar amount of contributions, and annual pension cost contributed for the current year and two preceding years is as follows:

Fiscal Year Ending June	Annual Pension Cost	Actual Contribution	Percentage Contribution	Net Pension Obligation
2014	$ 876	$ 876	100%	$ 0
2013	$ 825	$ 825	100%	$ 0
2012	$ 797	$ 797	100%	$ 0

The plan description and funding policy have been described in the above sections of this note. The actuarial liabilities and assets are valued as of January 1, 2014. The actuarial funding method used is the entry age normal cost method. Under this method, the plan's normal cost is developed as a level percent of payroll throughout the participants' working lifetime.

The unfunded actuarial liability is the difference between the actuarial accrued liability and Plan assets. This difference is amortized as a level percent of payroll over an initial 20-year closed period. The remaining amortization period at January 1, 2014, is 14 years.

The following is a summary of the actuarial assumptions used in the January 1, 2014 valuation:

- Interest rate: 7.25%
- Inflation rate: 2.75%
- Mortality: OCERS assumptions
- Termination: sample rates in the first five years of service are:

Years of Service	Rate
0	20.0%
1	16.0%
2	12.0%
3	9.0%
4	7.0%

Sample rates with 5+ years of service are:

Age	Rate	Age	Rate
25	4.0%	45	3.0%
30	4.0%	50	3.0%
35	4.0%	55	3.0%
40	3.4%	60	3.0%

- Aggregate payroll increases: 3.25%
- Retirement rates: same as OCERS assumption. Sample rates are:

Age	Rate
50-54	2.0%
55	3.0%
60	8.0%
65	20.0%
70-74	40.0%

The actuarial asset value is the same as market asset value. As of January 1, 2014, the most recent actuarial valuation date, the Plan was 69% funded. The actuarial accrued liability for benefits was $17,381 and the actuarial value of assets was $12,024 resulting in an unfunded actuarial accrued liability (UAAL) of $5,357. The estimated covered payroll (annual payroll of active employees covered by the Plan) was $89,494 and the ratio of the UAAL to the covered payroll was 6.0% percent. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

OCTA allows Unrepresented Administrative Employees and Transportation Communications International Union Employees to continue participating in the group healthcare insurance program after retirement until age 65 for retirees who retire directly from OCTA at a minimum of age 50 with at least ten years of OCTA service. The retiree pays the full premium for retiree, spouse and dependents. OCTA does not provide any cash subsidy towards retiree medical benefits.

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

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

For fiscal year 2013-14, OCTA contributed $75 in implied subsidy through the active healthcare premiums:

	Amount
Total Active Health Premiums	$ 8,239
Reclassification for Implied Subsidy	(75)
Net Active Health Premiums	**$ 8,164**

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

The following table shows the components of OCTA's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the Plan, and changes in OCTA's net OPEB obligation.

	Amount
Annual required contribution	$ 75
Interest on net OPEB obligation	6
Adjustment to annual required contribution	(7)
Annual OPEB cost	74
Benefit payments made	(75)
Increase in net OPEB obligation	(1)
Net OPEB obligation – beginning of year	140
Net OPEB obligation – end of year	**$ 139**

OCTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net postemployment healthcare plan obligation for the year ended June 30, 2014 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	$ 74	101.0%	$ 139
6/30/13	$ 69	86.9%	$ 140
6/30/12	$ 67	80.6%	$ 131

Funded Status - The June 30, 2014 funded status, based on the January 1, 2014 actuarial valuation was:

	Amount
Actuarial Accrued Liability (AAL)	$ 775
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 775
Funded ratio (Actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 41,138
UAAL as a percentage of covered payroll	1.9%

Schedule of Employer Contributions

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
2014	$ 75	101.0%
2013	$ 69	86.9%
2012	$ 67	80.6%

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

In the January 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), and annual healthcare cost trend rates for medical of 7.1% (7.3% for Preferred Provider Organizations) decreasing to 5% over eight years. The salary increase rate assumption is 0.5% per annum, plus a rate which varies by age between 7% at age 20 to 0.6% at age 60. The inflation rate assumption is 3.50%. There are assumed to be no across the board salary increases. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on OCERS 2013 actuarial assumptions.

The UAAL is amortized over an initial 30-year closed period as a level percentage of payroll. The remaining amortization period at January 1, 2014 is 24 years. Current trend information about the funding progress is presented in the Required Supplementary Information following the notes to the basic financial statements.

15. PURCHASE COMMITMENTS

OCTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2014 are as follows:

	Total Purchase Commitments	Reserve for Encumbrances	Unencumbered Purchase Commitments
Governmental Funds:			
General	$ 105,239	$ 5,161	$ 100,078
LTA	747,228	123,432	623,796
LTF	465	-	465
CURE	17,382	196	17,186
Nonmajor governmental funds	18,214	50	18,164
Total Governmental Funds	888,528	128,839	759,689
Proprietary Funds:			
OCTD	269,329	26,229	242,100
91 Express Lanes	56,320	747	55,573
Internal Service Funds	1,118	1,053	65
Total Proprietary Funds	325,767	28,029	297,738
Total	**$ 1,214,295**	**$ 156,868**	**$ 1,057,427**

The majority of the contracts relate to the expansion of Orange County's freeway and road systems, grade separation projects, expansion of commuter rail service, upgrades to rail facilities, the design and build of a regional transportation center, the purchase of paratransit buses and paratransit bus services.

16. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

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

Federal Grants

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

Lease Commitments

Operating leases

OCTA is committed under various leases for building, office space, non-revenue vehicles, a Compressed Natural Gas (CNG) Fueling Facility and tires for revenue vehicles. These leases are considered for accounting purposes to be operating leases. The lease for OCTA's administrative headquarters in Orange was originally for 15 years beginning in September 1993, but was amended to extend the lease term to January 31, 2029. OCTA accounts for scheduled rent increases on a straight line basis. The amended agreement includes a rent holiday for the first 13 months of the lease. OCTA is recording a liability in the government-wide statements and will begin amortizing in fiscal year 2019-20. An expenditure will be recorded in the general fund when the payment becomes due. Lease expenditures for the year ended June 30, 2014 amounted to $7,145. Future minimum payments for these leases are as follows:

Year Ending June 30,	Amount
2015	$ 5,942
2016	3,974
2017	3,879
2018	3,409
2019	3,282
2020-2029	31,254
Total	**$ 51,740**

17. JOINT VENTURE

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino Associated Governments (SANBAG) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its pro rata share of rail lines serving Orange County. OCTA expended $29,100 during fiscal year 2013-14 for its share of

Metrolink capital and operating costs. Separate financial statements are prepared by, and available from, SCRRA, which is located at 700 N. Flower Street, 26th floor, Los Angeles, CA 90017.

OCTA is one of 11 members of the Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor Agency, a joint powers authority created in 1989 and amended in 2013. The purpose of the JPA is to oversee passenger rail service and improvements in the rail corridor between San Diego, Los Angeles and San Luis Obispo. The LOSSAN's board consists of two members appointed by the LACMTA; two members appointed by OCTA; one member appointed by RCTC; one member appointed by VCTC; one member appointed by the Santa Barbara County Association of Governments; one member appointed by the San Luis Obispo Council of Governments and the following three agencies receive one member appointment but only two votes – the San Diego Metropolitan Transit System, the North County Transit District, and the San Diego Association of Governments. OCTA was selected as the managing agency for LOSSAN and is responsible for the ongoing coordination and service integration efforts. Administrative support is funded by the member agencies. OCTA expended $86 during fiscal year 2013-14. Separate financial statements are prepared by, and available from, LOSSAN at the OCTA offices which is located at 550 South Main Street, Orange, CA 92868.

18. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the LTA Debt Service Fund, expenditures exceeded appropriations for transfers out of $13,381. During the year, an analysis was done on amounts required to be maintained in the custodian account. It was determined that there was an excess of funds in the account. That amount was transferred to the LTA Fund. An analysis will be scheduled annually during the budget development process and a corresponding budget transfer will be included as part of the budget, if necessary.

19. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 66

In March 2012, GASB issued Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. OCTA implemented this statement in fiscal year 2013-14.

GASB Statement No. 67

In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The objective of this statement is to improve financial reporting by state and local governmental pension plans. OCTA implemented this statement in fiscal year 2013-14 for the Supplemental Pension Plan. See note 13.

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for OCTA's fiscal year ending June 30, 2015.

GASB Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement is effective for OCTA's fiscal year ending June 30, 2015.

GASB Statement No. 70

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Additionally, this statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement was effective for OCTA's fiscal year ending June 30, 2014. During fiscal year 2013-14, OCTA did not extend any nonexchange financial guarantees.

GASB Statement No. 71

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contribution entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement is effective for OCTA's fiscal year ending June 30, 2015.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines	$ 133	$ 133	$ 153	$ 20
Contributions from other agencies	13,545	13,545	6,144	(7,401)
Interest and investment income	83	83	97	14
Capital assistance grants	11,441	11,441	621	(10,820)
Miscellaneous	247	247	66	(181)
Total revenues	**25,449**	**25,449**	**7,081**	**(18,368)**
Expenditures				
Current:				
General government:				
Salaries and benefits	43,064	43,183	41,527	1,656
Supplies and services	29,936	30,050	21,565	8,485
Interfund reimbursements	(54,695)	(54,695)	(51,905)	(2,790)
Transportation:				
Contributions to other local agencies	26,217	26,217	2,974	23,243
Capital outlay	13,365	13,490	1,125	12,365
Total expenditures	**57,887**	**58,245**	**15,286**	**42,959**
Deficiency of revenues under expenditures	**(32,438)**	**(32,796)**	**(8,205)**	**24,591**
Other financing sources				
Transfers in	25,973	25,973	6,024	(19,949)
Total other financing sources	**25,973**	**25,973**	**6,024**	**(19,949)**
Net change in fund balance	**$ (6,465)**	**$ (6,823)**	**$ (2,181)**	**$ 4,642**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (2,181)
Less: Estimated revenues for encumbrances outstanding at June 30	1,194
Add: Current year encumbrances outstanding at June 30	5,169
Net change in fund balance (GAAP basis)	$ 1,794

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Authority Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 283,192	$ 283,192	$ 279,587	$ (3,605)
Contributions from other agencies	153,310	153,310	232,645	79,335
Interest and investment income	8,122	8,122	5,399	(2,723)
Miscellaneous	349	349	2,997	2,648
Total revenues	**444,973**	**444,973**	**520,628**	**75,655**
Expenditures				
Current:				
General government:				
Supplies and services	161,569	158,520	70,838	87,682
Transportation:				
Contributions to other local agencies	358,198	361,201	186,484	174,717
Capital outlay	306,650	306,650	229,053	77,597
Debt service:				
Interest	125	125	73	52
Total expenditures	**826,542**	**826,496**	**486,448**	**340,048**
Excess (deficiency) of revenues over (under) expenditures	**(381,569)**	**(381,523)**	**34,180**	**415,703**
Other financing sources (uses)				
Transfers in	-	-	13,381	13,381
Transfers out	(26,625)	(26,625)	(31,589)	(4,964)
Total other financing sources (uses)	**(26,625)**	**(26,625)**	**(18,208)**	**8,417**
Net change in fund balance	**$ (408,194)**	**$ (408,148)**	**$ 15,972**	**$ 424,120**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ 15,972
Less: Estimated revenues for encumbrances outstanding at June 30	97,444
Add: Current year encumbrances outstanding at June 30	121,884
Net change in fund balance (GAAP basis)	$ 40,412

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 152,819	$ 152,819	$ 149,286	$ (3,533)
Interest and investment income	34	34	42	8
Total revenues	**152,853**	**152,853**	**149,328**	**(3,525)**
Expenditures				
Current:				
General government:				
Supplies and services	1,663	1,663	2,024	(361)
Transportation:				
Contributions to other local agencies	2,990	2,541	2,344	197
Total expenditures	**4,653**	**4,204**	**4,368**	**(164)**
Excess of revenues over expenditures	**148,200**	**148,649**	**144,960**	**(3,689)**
Other financing uses				
Transfers out	(148,552)	(148,552)	(145,201)	3,351
Total other financing uses	**(148,552)**	**(148,552)**	**(145,201)**	**3,351**
Net change in fund balance	**$ (352)**	**$ 97**	**$ (241)**	**$ (338)**

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Commuter and Urban Rail Endowment Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines	$ 13	$ 13	$ 23	$ 10
Contributions from other agencies	275	275	3,244	2,969
Interest and investment income	2,254	2,254	965	(1,289)
Capital assistance grants	2,950	2,950	10,661	7,711
Miscellaneous	617	617	774	157
Total revenues	**6,109**	**6,109**	**15,667**	**9,558**
Expenditures				
Current:				
General government:				
Supplies and services	32,145	32,113	24,246	7,867
Transportation:				
Contributions to other local agencies	1,625	1,658	-	1,658
Capital outlay	5,490	5,490	1,660	3,830
Total expenditures	**39,260**	**39,261**	**25,906**	**13,355**
Deficiency of revenues under expenditures	**(33,151)**	**(33,152)**	**(10,239)**	**22,913**
Other financing sources (uses)				
Transfers in	2,430	2,430	-	(2,430)
Transfers out	(6,025)	(6,025)	(3,973)	2,052
Proceeds from sale of capital assets	-	-	2,167	2,167
Total other financing uses	**(3,595)**	**(3,595)**	**(1,806)**	**1,789**
Net change in fund balance	**$ (36,746)**	**$ (36,747)**	**$ (12,045)**	**$ 24,702**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (12,045)
Add: Current year encumbrances outstanding at June 30	196
Net change in fund balance (GAAP basis)	$ (11,849)

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2014

(amounts expressed in thousands)

OCTA implemented GASB Statement No. 67, Financial Reporting for Pension Plans, for fiscal year 2013-14. Presented below is information for OCTA's supplemental pension plan, Additional Retiree Benefit Account (Plan), a single-employer defined benefit retirement plan, as required by GASB Statement No. 67:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balances at June 30, 2013	$17,716	$11,870	$5,846
Changes for the year:			
Service Cost	388	-	388
Interest	1,214	-	1,214
Contributions – employer	-	848	(848)
Net investment income	-	2,075	(2,075)
Benefit payments	(1,010)	(897)	(113)
Administrative expense	-	(23)	23
Net changes	592	2,003	(1,411)
Balances at June 30, 2014	$18,308	$13,873	$4,435

Plan fiduciary net position as a percentage of the total pension liability	75.78%
Covered employee payroll	$89,494
Net pension liability as a percentage of covered-employee payroll	4.96%

Schedule of Contributions

	2014
Actuarially determined contribution	$ 875
Contributions in relation to the actuarially determined contribution	848
Contribution deficiency (excess)	(27)
Covered employee payroll	$ 89,494
Contributions as a percentage of covered-employee payroll	0.95%

(amounts expressed in thousands)

Notes to the schedule

Valuation date: Actuarially determined contribution rates are calculated as of June 30, 2014.

Actuarial Assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed basis
Remaining amortization:	14 years
Asset valuation method:	5-year smoothed, market value
Return on Assets:	7.25%
Discount Rate:	6.90%
Inflation:	2.75% per annum
Salary Scale:	Individual salary scale based on age ranging from 0.6% to 7.0%.
Cost of Living:	Not applicable
Mortality Rates:	Rates are from the RP-2000 Combined Healthy Mortality Table set back three years.

Schedule of Investment Returns

	2014
Annual Money Rated Rate of Return, net of investment expense	17.51%

Presented below are the schedules of funding progress as required by GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers:

Schedule of Funding Progress for Years Ended June 30

Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2014	$ 12,024	$ 17,381	$ 5,357	69%	$ 89,494	6.0%
2012	$ 10,222	$ 14,868	$ 4,646	69%	$ 90,104	5.2%
2010	$ 8,947	$ 13,746	$ 4,799	65%	$ 101,596	4.7%

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2014

(amounts expressed in thousands)

Schedule of Funding Progress for Years Ended June 30

Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2014	$ -	$ 775	$ 775	0%	$ 41,138	1.9%
2012	$ -	$ 726	$ 726	0%	$ 36,670	2.0%
2010	$ -	$ 659	$ 659	0%	$ 38,764	1.7%

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

1. BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual operating budget for all governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2014 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

EXCESS EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations for fiscal year 2013-14 for the General Fund and the major special revenue funds.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Service Authority for Abandoned Vehicles (SAAV) – This fund is used to account for revenues received and expenditures made for the removal of abandoned vehicles from streets and roads throughout Orange County. The source of revenue is a one dollar per vehicle registration fee on vehicles registered in Orange County. Expenditure of monies in this fund must be made in accordance with the provisions of Section 22710 of the California Vehicle Code. In April 2012, the fee authorization for SAAV expired. SAAV will continue to fund abandoned vehicle abatements until all revenue is expended.

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

Gas Tax Fund – As of July 1, 1997, OCTA began receiving $23,000 in gas tax revenue from the County of Orange. The revenues are restricted and must either be used for their designated purpose or swapped with other Orange County government agencies that can utilize the revenues for their intended purpose and in return provide OCTA with unrestricted revenues. Diversion to OCTA of the gas tax revenue ended June 2013.

Capital Projects Funds

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2014

(amounts expressed in thousands)	Special Revenue						Capital Projects	
	OCUTT	**SAFE**	**SAAV**	**STAF**	**Gas Tax**	**Total**	**General**	**Total Nonmajor Governmental Funds**
Assets								
Cash and investments	$ 6,533	$ 2,204	$ 34	$ 12	$ -	$ 8,783	$ 9,495	$ 18,278
Receivables:								
Interest	55	22	-	-	-	77	-	77
Other	-	57	-	-	-	57	-	57
Due from other funds	40	-	-	-	-	40	-	40
Due from other governments	-	2,999	-	6,363	-	9,362	-	9,362
Advances to other funds	3,703	-	-	-	-	3,703	-	3,703
Other assets	3,765	-	-	-	-	3,765	-	3,765
Total Assets	**$ 14,096**	**$ 5,282**	**$ 34**	**$ 6,375**	**$ -**	**$ 25,787**	**$ 9,495**	**$ 35,282**
Liabilities								
Accounts payable	$ 5	$ 504	$ -	$ -	$ -	$ 509	$ -	$ 509
Due to other funds	70	-	-	6,363	-	6,433	-	6,433
Due to other governments	-	57	-	-	-	57	-	57
Total Liabilities	**75**	**561**	**-**	**6,363**	**-**	**6,999**	**-**	**6,999**
Deferred Inflows of Resources								
Unavailable revenue - interest on advances	704	-	-	-	-	704	-	704
Total Deferred Inflows of Resources	**704**	**-**	**-**	**-**	**-**	**704**	**-**	**704**
Fund Balances								
Nonspendable:								
Other assets	3,765	-	-	-	-	3,765	-	3,765
Restricted for:								
Transportation programs	9,552	-	-	12	-	9,564	-	9,564
Motorist services	-	4,721	34	-	-	4,755	-	4,755
Assigned to:								
Transportation capital projects	-	-	-	-	-	-	9,495	9,495
Total Fund Balances	**13,317**	**4,721**	**34**	**12**	**-**	**18,084**	**9,495**	**27,579**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 14,096**	**$ 5,282**	**$ 34**	**$ 6,375**	**$ -**	**$ 25,787**	**$ 9,495**	**$ 35,282**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Special Revenue OCUTT	Special Revenue SAFE	Special Revenue SAAV	Special Revenue STAF	Special Revenue Gas Tax	Special Revenue Total	Capital Projects General	Total Nonmajor Governmental Funds
Revenues								
Sales taxes	$ -	$ -	$ -	$ 22,280	$ -	$ 22,280	$ -	$ 22,280
Vehicle registration fees	-	2,667	2	-	-	2,669	-	2,669
Contributions from other agencies	-	2,614	-	-	-	2,614	-	2,614
Interest and investment income	189	35	-	7	-	231	-	231
Miscellaneous	-	62	-	-	-	62	-	62
Total revenues	**189**	**5,378**	**2**	**22,287**	**-**	**27,856**	**-**	**27,856**
Expenditures								
Current:								
General government:								
Supplies and services	18	5,937	5	2	-	5,962	9	5,971
Capital outlay	-	82	-	-	-	82	-	82
Total expenditures	**18**	**6,019**	**5**	**2**	**-**	**6,044**	**9**	**6,053**
Excess (deficiency) of revenues over (under) expenditures	**171**	**(641)**	**(3)**	**22,285**	**-**	**21,812**	**(9)**	**21,803**
Other financing uses								
Transfers out	(507)	-	-	(22,280)	(543)	(23,330)	-	(23,330)
Total other financing uses	**(507)**	**-**	**-**	**(22,280)**	**(543)**	**(23,330)**	**-**	**(23,330)**
Net change in fund balances	**(336)**	**(641)**	**(3)**	**5**	**(543)**	**(1,518)**	**(9)**	**(1,527)**
Fund balances - beginning	13,653	5,362	37	7	543	19,602	9,504	29,106
Fund balances - ending	**$ 13,317**	**$ 4,721**	**$ 34**	**$ 12**	**$ -**	**$ 18,084**	**$ 9,495**	**$ 27,579**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest and investment income	$ 6,514	$ 6,514	$ 6,410	$ (104)
Total revenues	**6,514**	**6,514**	**6,410**	**(104)**
Expenditures				
Debt service:				
Principal payments on long-term debt	6,600	6,600	6,600	-
Interest on long-term debt and commercial paper	22,191	22,191	22,191	-
Total expenditures	**28,791**	**28,791**	**28,791**	**-**
Deficiency of revenues under expenditures	**(22,277)**	**(22,277)**	**(22,381)**	**(104)**
Other financing sources				
Transfers in	22,277	22,277	28,791	6,514
Transfers out	-	-	(13,381)	(13,381)
Total other financing sources	**22,277**	**22,277**	**15,410**	**(6,867)**
Net change in fund balance	**$ -**	**$ -**	**$ (6,971)**	**$ (6,971)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest and investment income	$ 217	$ 217	$ 189	$ (28)
Total revenues	**217**	**217**	**189**	**(28)**
Expenditures				
Current:				
General government:				
Supplies and services	6	6	18	(12)
Total expenditures	**6**	**6**	**18**	**(12)**
Excess of revenues over expenditures	**211**	**211**	**171**	**(40)**
Other financing uses				
Transfers out	(800)	(800)	(507)	293
Total other financing uses	**(800)**	**(800)**	**(507)**	**293**
Net change in fund balance	**$ (589)**	**$ (589)**	**$ (336)**	**$ 253**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts	Variance with Final Budget
Revenues				
Vehicle registration fees	$ 2,460	$ 2,460	$ 2,667	$ 207
Contributions from other agencies	2,632	2,632	2,614	(18)
Interest and investment income	106	106	35	(71)
Miscellaneous	21	21	62	41
Total revenues	**5,219**	**5,219**	**5,378**	**159**
Expenditures				
Current:				
General government:				
Supplies and services	7,058	7,058	5,965	1,093
Capital outlay	104	104	105	(1)
Total expenditures	**7,162**	**7,162**	**6,070**	**1,092**
Deficiency of revenues under expenditures	**(1,943)**	**(1,943)**	**(692)**	**1,251**
Other financing sources				
Transfers in	1,264	1,264	-	(1,264)
Total other financing sources	**1,264**	**1,264**	**-**	**(1,264)**
Net change in fund balance	**$ (679)**	**$ (679)**	**$ (692)**	**$ (13)**

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	$ (692)
Add: Current year encumbrances outstanding at June 30	51
Net change in fund balance (GAAP basis)	$ (641)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Abandoned Vehicles Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Vehicle registration fees	$ 10	$ 10	$ 2	$ (8)
Total revenues	**10**	**10**	**2**	**(8)**
Expenditures				
Current:				
General government:				
Supplies and services	6	6	5	1
Total expenditures	**6**	**6**	**5**	**1**
Excess (deficiency) of revenues over (under) expenditures	**4**	**4**	**(3)**	**(7)**
Net change in fund balance	**$ 4**	**$ 4**	**$ (3)**	**$ (7)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 22,087	$ 22,087	$ 22,280	$ 193
Interest and investment income	-	-	7	7
Total revenues	**22,087**	**22,087**	**22,287**	**200**
Expenditures				
Current:				
General government:				
Supplies and services	-	-	2	(2)
Total expenditures	**-**	**-**	**2**	**(2)**
Excess of revenues over expenditures	**22,087**	**22,087**	**22,285**	**198**
Other financing uses				
Transfers out	(22,087)	(22,087)	(22,280)	(193)
Total other financing uses	**(22,087)**	**(22,087)**	**(22,280)**	**(193)**
Net change in fund balance	**$ -**	**$ -**	**$ 5**	**$ 5**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Other financing sources (uses)				
Transfers out	(543)	-	(543)	(543)
Total other financing sources (uses)	**(543)**	**-**	**(543)**	**(543)**
Net change in fund balance	**$ (543)**	**$ -**	**$ (543)**	**$ (543)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
General Capital Projects Fund (Budgetary Basis)
For the Year Ended June 30, 2014

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current:				
General government:				
Supplies and services	$ -	$ -	$ 9	$ (9)
Total expenditures	**-**	**-**	**9**	**(9)**
Deficiency of revenues under expenditures	**-**	**-**	**(9)**	**(9)**
Net change in fund balance	**$ -**	**$ -**	**$ (9)**	**$ (9)**

INTERNAL SERVICE FUNDS

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Fund Net Position - Internal Service Funds
June 30, 2014

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	$ 16,030	$ 17,134	$ 33,164
Receivables:			
Interest	84	65	149
Other	148	455	603
Due from other governments	1	-	1
Other assets	359	935	1,294
Total current assets	16,622	18,589	35,211
Total Assets	**16,622**	**18,589**	**35,211**
Liabilities			
Current liabilities:			
Accounts payable	190	418	608
Claims payable	1,677	1,956	3,633
Other liabilities	-	102	102
Total current liabilities	1,867	2,476	4,343
Noncurrent liabilities:			
Claims payable	4,772	9,549	14,321
Total noncurrent liabilities	4,772	9,549	14,321
Total Liabilities	**6,639**	**12,025**	**18,664**
Net Position			
Unrestricted	9,983	6,564	16,547
Total Net Position	**$ 9,983**	**$ 6,564**	**$ 16,547**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2014

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	$ 4,740	$ 6,447	$ 11,187
Total operating revenues	**4,740**	**6,447**	**11,187**
Operating expenses:			
Administrative services	161	68	229
Other	28	252	280
Insurance claims and premiums	3,109	4,678	7,787
Professional services	1,461	433	1,894
Total operating expenses	**4,759**	**5,431**	**10,190**
Operating income (loss)	**(19)**	**1,016**	**997**
Nonoperating revenues:			
Investment earnings	165	165	330
Other	264	784	1,048
Total nonoperating revenues	**429**	**949**	**1,378**
Change in net position	**410**	**1,965**	**2,375**
Total net position - beginning	9,573	4,599	14,172
Total net position - ending	**$ 9,983**	**$ 6,564**	**$ 16,547**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2014

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	$ 4,740	$ 6,428	$ 11,168
Payments to suppliers	(1,648)	(916)	(2,564)
Payments to claimants	(4,561)	(4,377)	(8,938)
Payments for interfund services used	(161)	(68)	(229)
Miscellaneous revenue received	264	784	1,048
Net cash provided by (used for) operating activities	**(1,366)**	**1,851**	**485**
Cash flows from investing activities:			
Investment earnings	178	174	352
Net cash provided by investing activities	**178**	**174**	**352**
Net increase (decrease) in cash and cash equivalents	**(1,188)**	**2,025**	**837**
Cash and cash equivalents at beginning of year	17,218	15,109	32,327
Cash and cash equivalents at end of year	**$ 16,030**	**$ 17,134**	**$ 33,164**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (19)	$ 1,016	$ 997
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Insurance recoveries	264	784	1,048
Change in assets and liabilities:			
Other receivables	(42)	40	(2)
Due from other governments	(1)	-	(1)
Other assets	(29)	(3)	(32)
Accounts payable	(158)	(231)	(389)
Claims payable	(1,381)	245	(1,136)
Total adjustments	(1,347)	835	(512)
Net cash provided by (used for) operating activities	**$ (1,366)**	**$ 1,851**	**$ 485**

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VANPOOL

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

Contents **Page**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 1
Net Position by Component, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

	For Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	$ 278,006	$ 551,907	$ 652,407	$ 155,502	$ 175,769	$ 180,131	$ 193,968	$ 191,149	$ 159,539	$ 159,427
Restricted	637,820	568,581	524,399	531,318	328,463	303,605	199,540	251,820	314,832	352,878
Unrestricted	(231,120)	(204,361)	(124,558)	(63,434)	149,839	133,070	234,876	200,226	207,674	181,216
Total government activities net position	$ 684,706	$ 916,127	$ 1,052,248	$ 623,386	$ 654,071	$ 616,806	$ 628,384	$ 643,195	$ 682,045	$ 693,521
Business-type activities:										
Net investment in capital assets	$ 249,263	$ 230,878	$ 259,930	$ 335,732	$ 367,144	$ 331,460	$ 303,063	$ 278,292	$ 257,439	$ 265,584
Restricted	25,771	28,046	13,168	15,349	19,355	20,219	20,298	20,340	20,383	13,015
Unrestricted	249,883	260,158	248,194	222,926	190,736	170,902	162,903	246,797	317,002	376,340
Total business-type activities net position	$ 524,917	$ 519,082	$ 521,292	$ 574,007	$ 577,235	$ 522,581	$ 486,264	$ 545,429	$ 594,824	$ 654,939
Primary government:										
Net investment in capital assets	$ 527,269	$ 782,785	$ 912,337	$ 491,234	$ 542,913	$ 511,591	$ 497,031	$ 469,441	$ 416,978	$ 425,011
Restricted	663,591	596,627	537,567	546,667	347,818	323,824	219,838	272,160	335,215	365,893
Unrestricted	18,763	55,797	123,636	159,492	340,575	303,972	397,779	447,023	524,676	557,556
Total primary government net position	$ 1,209,623	$ 1,435,209	$ 1,573,540	$ 1,197,393	$ 1,231,306	$ 1,139,387	$ 1,114,648	$ 1,188,624	$ 1,276,869	$ 1,348,460

Source: Accounting and Financial Reporting Department
Note:
In fiscal year 2007-08, the SR-22 freeway project was transferred to Caltrans.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 2
Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

For Year Ended June 30,

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	$ 79,777	$ 80,961	$ 125,160	$ 105,009	$ 106,676	$ 112,138	$ 104,305	$ 95,679	$ 96,925	$ 68,262
Measure M program	108,370	133,524	174,314	748,962	222,731	302,851	291,703	337,034	314,669	372,137
Motorist services	7,672	8,451	6,717	7,669	7,814	7,497	7,545	7,347	6,004	5,187
Commuter rail	20,505	18,442	49,791	21,585	27,009	29,395	14,393	26,806	34,586	23,556
Urban rail	10,115	128	-	-	-	-	-	-	-	-
Total governmental activities expenses	226,439	241,506	355,982	883,225	364,230	451,881	417,946	466,866	452,184	469,142
Business-type activities:										
Fixed route	220,037	223,160	233,827	243,151	224,538	210,526	200,999	201,629	207,363	212,170
Paratransit	32,558	28,285	28,002	35,631	37,980	42,999	46,151	51,225	53,803	51,735
Tollroad	33,886	33,693	34,430	35,375	38,224	33,713	31,371	23,231	20,573	22,996
Taxicab administration	245	271	366	431	299	344	393	490	456	506
Total business-type activities expenses	286,726	285,409	296,625	314,588	301,041	287,582	278,914	276,575	282,195	287,407
Total primary government expenses	$ 513,165	$ 526,915	$ 652,607	$ 1,197,813	$ 665,271	$ 739,463	$ 696,860	$ 743,441	$ 734,379	$ 756,549
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 39,429	$ 37,517	$ 43,840	$ 47,509	$ 133	$ 121	$ 140	$ 149	$ 137	$ 155
Other activities	735	713	880	1,172	967	1,008	1,093	1,297	1,136	1,350
Operating grants and contributions	35,263	29,632	31,963	35,125	36,092	68,015	115,154	172,733	159,069	146,863
Capital grants and contributions	154,565	107,349	59,344	34,142	30,747	8,279	1,204	4,335	10,923	2,222
Total governmental activities program revenues	229,992	175,211	136,027	117,948	67,939	77,423	117,591	178,514	171,265	150,590
Business-type activities:										
Charges for services:										
Fixed route	52,636	54,178	48,562	50,522	52,641	48,776	49,412	50,553	53,361	56,784
Tollroad	39,598	44,238	49,838	46,236	43,705	43,009	41,837	37,742	39,289	42,610
Other activities	4,660	5,016	6,063	6,593	6,870	7,133	7,206	7,154	7,893	8,579
Operating grants and contributions	42,681	44,555	46,493	53,561	80,242	88,597	72,441	90,099	83,305	63,099
Capital grants and contributions	25,218	8,750	15,948	69,693	56,588	1,841	8,648	10,023	8,821	23,717
Total business-type activities program revenues	164,793	156,737	166,904	226,605	240,046	189,356	179,544	195,571	192,669	194,789
Total primary government program revenues	$ 394,785	$ 331,948	$ 302,931	$ 344,553	$ 307,985	$ 266,779	$ 297,135	$ 374,085	$ 363,934	$ 345,379

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

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

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

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

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

In fiscal year 2013-14, the decrease in General government expenses is primarily due to the conclusion of the gasoline tax exchange in June 2013.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 2
Changes in Net Position, Last Ten Fiscal Years, *continued*

(accrual basis of accounting - thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Indirect expenses allocation:										
Governmental activities	-	-	-	-	$ (36,091)	$ (31,187)	$ (27,248)	$ (29,340)	$ (33,654)	$ (34,089)
Business-type activities	-	-	-	-	36,091	31,187	27,248	29,340	33,654	34,089
Net (expense) revenue										
Governmental activities	$ 3,553	$ (66,295)	$ (219,955)	$ (765,277)	$ (260,200)	$ (343,271)	$ (273,107)	$ (259,012)	$ (247,265)	$ (284,463)
Business-type activities	(121,933)	(128,672)	(129,721)	(87,983)	(97,086)	(129,413)	(126,618)	(110,344)	(123,180)	(126,707)
Total primary government net expense	$ (118,380)	$ (194,967)	$ (349,676)	$ (853,260)	$ (357,286)	$ (472,684)	$ (399,725)	$ (369,356)	$ (370,445)	$ (411,170)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	$ 351,185	$ 385,090	$ 421,067	$ 393,350	$ 335,465	$ 326,005	$ 329,971	$ 409,556	$ 428,262	$ 451,153
Vehicle registration	-	-	-	-	-	-	-	-	-	-
Motor fuel taxes	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	20,496	16,583	37,322	49,331	31,501	17,325	14,487	15,192	11,295	13,776
Other miscellaneous revenue	310	494	668	1,271	412	328	229	355	125	288
Transfers	(91,273)	(104,451)	(102,981)	(107,537)	(76,493)	(75,038)	(66,230)	(151,280)	(155,999)	(169,278)
Total governmental activities	280,718	297,716	356,076	336,415	290,885	268,620	278,457	273,823	283,683	295,939
Business-type activities:										
Taxes:										
Property taxes	8,473	9,762	10,338	11,178	11,295	10,220	10,736	11,193	13,560	12,366
Unrestricted investment earnings	8,506	8,127	18,117	21,476	12,186	4,184	15,552	926	2,805	4,765
Other miscellaneous revenue	443	497	495	507	340	207	2,769	228	2,832	413
Transfers	91,273	104,451	102,981	107,537	76,493	75,038	66,230	151,280	155,999	169,278
Total business-type activities	108,695	122,837	131,931	140,698	100,314	89,649	95,287	163,627	175,196	186,822
Total primary government	$ 389,413	$ 420,553	$ 488,007	$ 477,113	$ 391,199	$ 358,269	$ 373,744	$ 437,450	$ 458,879	$ 482,761
Change in Net Position										
Governmental activities	$ 284,271	$ 231,421	$ 136,121	$ (428,862)	$ 30,685	$ (74,651)	$ 5,350	$ 14,811	$ 36,418	$ 11,476
Business-type activities	(13,238)	(5,835)	2,210	52,715	3,228	(39,764)	(31,331)	53,283	52,016	60,115
Total primary government	$ 271,033	$ 225,586	$ 138,331	$ (376,147)	$ 33,913	$ (114,415)	$ (25,981)	$ 68,094	$ 88,434	$ 71,591

Source: Accounting and Financial Reporting Department

Notes:

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

In fiscal year 2007-08, Governmental activities had a negative change in net position due to the transfer of the SR-22 freeway project to Caltrans.

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

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

(modified accrual basis of accounting - thousands)

	For Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	$ 5,052	$ 4,708	$ 9,195	$ 10,842	$ 12,895	$ 10,756	$ -	$ -	$ -	$ -
Unreserved	759	(1,096)	(4,022)	(1,754)	(8,260)	(8,378)	-	-	-	-
Nonspendable	-	-	-	-	-	-	4,711	5,459	5,637	7,473
Unassigned	-	-	-	-	-	-	(4,061)	(4,203)	(168)	(210)
Total general fund	$ 5,811	$ 3,612	$ 5,173	$ 9,088	$ 4,635	$ 2,378	$ 650	$ 1,256	$ 5,469	$ 7,263
All Other Governmental Funds										
Reserved	$ 649,596	$ 588,661	$ 576,815	$ 599,244	$ 537,118	$ 433,513	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	150,419	134,571	111,018	94,322	92,482	76,653	-	-	-	-
Capital projects funds	6,241	2,293	8,011	(4,976)	(2,082)	(3,851)	-	-	-	-
Nonspendable	-	-	-	-	-	-	10,513	18,826	77,547	56,991
Restricted	-	-	-	-	-	-	663,669	680,191	638,718	707,365
Committed	-	-	-	-	-	-	70,304	68,084	-	-
Assigned, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	69,531	41,273
Capital projects funds	-	-	-	-	-	-	9,557	9,514	9,504	9,495
Total all other governmental funds	$ 806,256	$ 725,525	$ 695,844	$ 688,590	$ 627,518	$ 506,315	$ 754,043	$ 776,615	$ 795,300	$ 815,124

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

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

(modified accrual basis of accounting - thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Sales taxes	$ 351,185	$ 385,090	$ 421,067	$ 393,350	$ 335,465	$ 326,005	$ 326,804	$ 412,722	$ 428,262	$ 451,153
Gasoline taxes	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,447	22,553	-
Vehicle registration fees	4,816	5,096	5,114	5,137	5,193	4,993	5,109	2,610	2,588	2,669
Fines	172	170	191	197	157	144	156	159	140	176
Contributions from other agencies	117,572	45,595	22,101	20,894	10,818	38,945	68,130	152,836	135,762	146,216
Charges for services	39,242	37,354	43,663	47,326	-	-	-	-	-	-
Interest and investment income	19,262	17,072	42,431	49,282	31,418	17,167	11,638	15,325	10,702	13,144
Capital assistance grants	27,549	71,250	36,357	22,132	26,998	7,655	1,877	695	1,118	11,075
Miscellaneous	1,056	1,203	1,532	4,577	3,386	3,949	1,354	1,642	1,351	3,899
Total revenues	583,854	585,830	595,456	565,895	436,435	421,858	438,068	609,436	602,476	628,332
Expenditures										
Current:										
General government	106,579	89,766	95,350	130,155	89,184	101,897	94,155	101,457	94,455	83,294
Transportation:										
Contributions to other local agencies	90,517	98,701	208,152	157,761	174,434	259,623	208,882	222,485	166,899	191,698
Capital outlay	141,805	301,496	132,514	84,201	72,666	56,462	86,106	88,529	135,968	135,747
Debt service:										
Principal payments on long-term debt	60,615	63,720	67,325	71,290	75,355	78,405	82,795	-	6,410	6,600
Interest	28,325	25,306	22,303	18,648	13,829	9,421	8,582	22,508	22,509	22,264
Bond issuance costs	-	-	-	-	-	-	2,181	-	-	-
Total expenditures	427,841	578,989	525,644	462,055	425,468	505,808	482,701	434,979	426,241	439,603
Excess of revenues over expenditures	156,013	6,841	69,812	103,840	10,967	(83,950)	(44,633)	174,457	176,235	188,729
Other financing sources (uses):										
Transfers in	138,679	103,709	175,338	111,507	113,508	128,366	289,776	29,295	37,909	48,196
Transfers out	(229,951)	(208,095)	(275,264)	(218,708)	(190,002)	(203,404)	(356,006)	(180,574)	(193,908)	(217,474)
Proceeds from sale of capital assets	1,093	7,269	1,994	22	2	5	4	-	2,662	2,167
Bond issuance	-	-	-	-	-	-	352,570	-	-	-
Bond premium	-	-	-	-	-	-	6,023	-	-	-
Total other financing sources (uses)	(90,179)	(97,117)	(97,932)	(107,179)	(76,492)	(75,033)	292,367	(151,279)	(153,337)	(167,111)
Net changes in fund balances	$ 65,834	$ (90,276)	$ (28,120)	$ (3,339)	$ (65,525)	$ (158,983)	$ 247,734	$ 23,178	$ 22,898	$ 21,618
Debt service as a percentage of noncapital expenditures	29.1%	29.3%	21.1%	22.6%	22.1%	17.6%	19.5%	5.2%	6.8%	6.6%

Source: Accounting and Financial Reporting Department

Notes:

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

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

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

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

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

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

g) In fiscal year 2013-14, the increase in capital assistance grants is due to Prop 116 funds received for Metrolink Fiber Optic.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 5

Program Revenues by Function/Program - Last Ten Fiscal Years

(accrual basis of accounting - thousands)

Program Revenues	For Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Governmental activities:										
General government	$ 66,437	$ 62,570	$ 76,481	$ 82,704	$ 38,715	$ 32,876	$ 30,225	$ 33,981	$ 32,585	$ 5,280
Measure M program	148,759	106,740	27,950	23,267	18,034	33,211	78,206	137,209	120,265	136,929
Motorist services	9,096	5,387	8,186	8,576	8,170	8,042	8,172	5,325	5,259	5,274
Commuter rail	553	514	26,896	3,401	3,020	3,294	988	1,999	13,156	3,107
Urban rail	5,147	-	-	-	-	-	-	-	-	-
Total governmental activities	229,992	175,211	139,513	117,948	67,939	77,423	117,591	178,514	171,265	150,590
Business-type activities:										
Fixed route	115,180	102,824	106,127	166,327	182,941	133,122	120,534	133,785	123,467	123,244
Paratransit	9,740	9,345	10,505	13,524	12,851	12,621	16,350	23,307	29,080	28,130
Tollroad	39,598	44,238	49,838	46,246	43,705	43,048	42,010	37,742	39,289	42,610
Taxicab administration	225	330	434	508	549	565	650	737	833	805
Total business-type activities	164,743	156,737	166,904	226,605	240,046	189,356	179,544	195,571	192,669	194,789
Total primary government	$ 394,735	$ 331,948	$ 306,417	$ 344,553	$ 307,985	$ 266,779	$ 297,135	$ 374,085	$ 363,934	$ 345,379

Source: Accounting and Financial Reporting Department

Notes:

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

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

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

In fiscal year 2013-14, the decrease in General government expenses is primarily due to the conclusion of the gasoline tax exchange in June 2013.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 6
Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

For Year Ended June 30,	Sales & Use	Gasoline (a)	Total
2005	328,853	23,000	351,853
2006	385,090	23,000	408,090
2007	421,067	23,000	444,067
2008	393,350	23,000	416,350
2009	335,465	23,000	358,465
2010	326,005	23,000	349,005
2011	326,804	23,000	349,804
2012	412,722	23,447	436,169
2013	428,262	22,553	450,815
2014	451,153	-	451,153
Change 2005 - 2014	37.2%	-100.0%	28.2%

Source: Accounting and Financial Reporting Department

Note:

(a) In 1995, as a result of the Orange County 1994 bankruptcy, the California State Legislature diverted $38 million to the County from OCTA's TDA sales tax revenue.
In return, $23 million in annual County gasoline tax revenue was diverted to OCTA until 2013.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 7
Taxable Sales by Category, Last Ten Calendar Years

	Calendar Year									
(amounts expressed in thousands)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
										(a)
1 Apparel stores	$ 1,881,882	$ 2,062,892	$ 2,152,410	$ 2,217,996	$ 2,340,116	$ 2,742,626	$ 2,923,680	$ 3,164,857	$ 3,510,757	$ 1,719,254
2 General merchandise	5,205,075	5,467,357	5,741,912	5,856,810	5,493,287	4,376,154	4,527,201	4,771,143	5,026,911	2,365,892
3 Specialty stores	5,700,317	6,028,089	6,514,211	4,447,931	3,665,066	1,638,968	1,622,910	1,669,585	1,691,589	817,160
4 Food stores	1,563,145	1,716,228	1,781,284	1,815,201	1,745,903	1,894,642	1,911,192	1,990,893	2,056,803	1,040,060
5 Eating and drinking establishments	4,475,791	4,798,676	5,051,841	5,296,863	5,245,480	5,024,379	5,109,383	5,449,117	5,853,267	3,038,587
6 Home furnishings and appliances	2,135,876	2,269,650	2,202,194	2,079,957	1,900,534	2,829,758	2,928,251	3,229,447	3,501,432	1,710,728
7 Building material	2,950,592	3,000,086	3,029,741	2,798,938	2,370,154	2,039,686	2,112,467	2,267,363	2,351,574	1,298,027
8 Automotive	10,585,091	11,283,156	11,490,939	11,469,589	10,431,086	8,286,158	9,045,917	10,603,810	11,615,228	5,754,816
9 Other	944,184	1,046,700	1,109,919	3,004,942	2,576,969	1,061,492	1,064,825	1,087,735	1,180,969	587,446
10 Business and personal services	2,819,934	2,938,129	2,987,539	2,968,831	2,828,005	1,268,759	1,306,282	1,353,844	1,583,927	896,009
11 All other outlets	13,420,172	14,452,283	15,140,757	15,336,413	15,010,229	14,550,164	15,115,073	16,143,344	16,858,156	8,468,095
Total	$ 51,682,059	$ 55,063,246	$ 57,202,747	$ 57,293,471	$ 53,606,829	$ 45,712,786	$ 47,667,181	$ 51,731,138	$ 55,230,613	$ 27,696,074
Measure M Ordinance direct sales tax rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Source: California State Board of Equalization

Note:

(a) Represents the first and second quarter only. 2014 data not yet available.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 8

Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years

(amounts expressed in thousands)

Calendar Year	Measure M Direct rate	County of Orange	
2005	0.50%	7.25%	
2006	0.50%	7.25%	
2007	0.50%	7.25%	
2008	0.50%	7.25%	
2009	0.50%	8.25%	(a)
2010	0.50%	8.25%	
2011	0.50%	8.25%	
2012	0.50%	7.25%	
2013	0.50%	7.50%	(b)
2014	0.50%	7.50%	

Sources: County of Orange information provided by the California State Board of Equalization,
Notes:
Measure M information provided by the Measure M Ordinance

(a) Effective April 1, 2009 through June 30, 2011 the state sales and use tax rate increased by 1%.
(b) Effective April 1, 2013 the state sales and use tax rate increased by .25%.

Schedule 9

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

(amounts expressed in thousands)

City		Calendar Year 2012 Taxable Sales	Rank	Percentage of Total		Calendar Year 2003 Taxable Sales	Rank	Percentage of Total
Aliso Viejo	$	407,934	28	0.83%	$	279,371	30	0.65%
Anaheim		5,548,091	1	11.26%		4,744,127	1	11.11%
Brea		1,635,639	12	3.32%		1,320,858	14	3.09%
Buena Park		2,217,943	8	4.50%		1,321,763	13	3.10%
Costa Mesa		4,058,400	3	8.24%		3,452,450	4	8.09%
Cypress		1,019,521	16	2.07%		938,572	17	2.20%
Dana Point		407,753	29	0.83%		353,797	27	0.83%
Fountain Valley		976,496	18	1.98%		824,719	18	1.93%
Fullerton		1,670,833	11	3.39%		1,429,159	10	3.35%
Garden Grove		1,771,891	10	3.60%		1,625,963	8	3.81%
Huntington Beach		3,020,719	6	6.13%		2,220,984	6	5.20%
Irvine		4,518,099	2	9.17%		4,087,470	2	9.58%
La Habra		802,546	19	1.63%		722,843	19	1.70%
La Palma		484,516	24	0.98%		363,707	26	0.85%
Laguna Beach		396,858	30	0.81%		332,120	28	0.78%
Laguna Hills		473,278	26	0.96%		602,775	21	1.41%
Laguna Niguel		981,885	17	1.99%		953,851	16	2.24%
Laguna Woods		81,372	33	0.17%		87,455	33	0.21%
Lake Forest		1,172,051	15	2.38%		1,050,389	15	2.46%
Los Alamitos		231,750	32	0.47%		218,361	32	0.51%
Mission Viejo		1,445,932	13	2.94%		1,356,743	12	3.18%
Newport Beach		2,566,623	7	5.21%		1,913,046	7	4.48%
Orange		3,119,329	5	6.33%		2,617,651	5	6.13%
Placentia		472,843	27	0.96%		490,962	24	1.15%
Rancho Santa Margarita		525,714	22	1.07%		478,288	25	1.12%
San Clemente		632,268	21	1.28%		497,072	23	1.16%
San Juan Capistrano		663,369	20	1.35%		701,331	20	1.64%
Santa Ana		3,492,395	4	7.09%		3,588,645	3	8.41%
Seal Beach		477,065	25	0.97%		266,912	31	0.63%
Stanton		321,040	31	0.65%		303,812	29	0.71%
Tustin		1,901,061	9	3.86%		1,596,029	9	3.74%
Villa Park		15,223	34	0.03%		14,090	34	0.03%
Westminster		1,242,341	14	2.52%		1,383,905	11	3.24%
Yorba Linda		508,199	23	1.03%		547,264	22	1.28%
Total		49,260,977		100%		42,686,484		100%
Unincorporated Cities		5,969,635				4,830,582		
Total Orange County	$	55,230,612			$	47,517,066		

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

Note:

The most current data available is for 2012.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 10
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

(amounts expressed in thousands except per capita)

	Governmental Activities		Business-Type Activities					
For Year Ended June 30,	Sales Tax Revenue Bonds	Commercial Paper Notes	Certificates of Participation	Toll Road Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2005	$ 440,996	$ 40,900	$ 4,965	$ 198,056	$ -	$ 684,917	0.49%	231.61
2006	376,925	34,500	2,470	193,791	6,534	614,220	0.41%	207.83
2007	309,249	29,100	1,235	189,423	15,741	544,748	0.36%	183.68
2008	237,608	47,600	-	184,946	13,060	483,214	0.32%	162.00
2009	161,902	50,000	-	180,348	9,779	402,029	0.28%	134.06
2010	83,146	100,000	-	175,581	6,362	365,089	0.25%	121.00
2011	357,991	25,000	-	170,589	2,802	556,382	0.36%	182.61
2012	357,389	25,000	-	165,356	571	548,316	0.34%	178.34
2013	350,376	25,000	-	159,858	-	535,234	n/a	173.48
2014	343,174	25,000	-	135,013	-	503,187	n/a	161.59

Source: Accounting and Financial Reporting Department

Notes:

The fiscal years 2005-13 Sales Tax Revenue Bonds and Toll Road Revenue Bonds columns have been restated to include the unamortized premium amounts.

In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

See schedule 13 for personal income and population data

n/a - data not available

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 11
Legal Debt Margin Information, Last Ten Fiscal Years

(amounts expressed in thousands)

Measure M Ordinance No. 2 (Measure M1)

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

Measure M Ordinance No. 3 (Measure M2)

Legal Debt Margin Calculation for Fiscal Year 2014	
Debt service	$ 22,386
Debt coverage (1.3 % of debt service)	29,102
Sales tax revenue	277,939
Less: local fair share & other expenses	(58,516)
Net sales tax revenues	219,423
Legal debt margin	$ 190,321

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2014	
Debt service	$ 10,742
Debt coverage (1.3 % of debt service)	13,965
Toll revenues	43,857
Less: operating expenses	(15,156)
Net toll revenues	28,701
Legal debt margin	$ 14,736

	Measure M1				Measure M2				Toll Road Revenue Bonds				
For Year Ended June 30,	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit		Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2005	$ 182,621	$ 88,557	$ 94,064	48.5%	$ -	$ -	$ -	-	$ 22,793	$ 12,635		$ 10,158	55.4%
2006	198,671	88,557	110,114	44.6%	-	-	-	-	27,662	12,635		15,027	45.7%
2007	204,594	88,557	116,037	43.3%	-	-	-	-	34,760	12,635		22,125	36.3%
2008	198,815	88,557	110,258	44.5%	-	-	-	-	28,786	12,635		16,151	43.9%
2009	173,541	87,422	86,119	50.4%	-	-	-	-	26,503	15,504	(a)	10,999	58.5%
2010	156,246	87,422	68,824	56.0%	-	-	-	-	26,523	16,038	(a)	10,485	60.5%
2011	156,850	87,422	69,428	55.7%	6,635	21,839	(15,204)	329.1%	24,071	14,503	(a)	9,568	60.3%
2012	-	-	-	-	193,361	15,425	177,936	8.0%	22,462	10,721		11,741	47.7%
2013	-	-	-	-	201,022	21,835	179,187	10.9%	23,204	10,226		12,978	44.1%
2014	-	-	-	-	212,707	22,386	190,321	10.5%	25,478	10,742		14,736	42.2%

Source: Treasury and Accounting and Financial Reporting Departments

Notes:

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

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

c) In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 12

Pledged-Revenue Coverage, Last Ten Fiscal Years

(amounts expressed in thousands)

	Measure M1 Sales Tax Revenue Bonds					Measure M2 Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
For Year Ended June 30,	Sales Tax Revenue	Less: Turnback	Debt Service Principal	Debt Service Interest	Coverage	Sales Tax Revenue	Less: Fair Share & Other Expenses	Debt Service Principal	Debt Service Interest	Coverage	Toll Road Revenue	Less: Operating Expenses	Debt Service Principal	Debt Service Interest	Coverage	Grant Revenues	Debt Service Principal	Debt Service Interest	Coverage
2005	$ 245,501	(36,313)	60,615	27,603	2.37	-	-	-	-	-	$ 41,089	(14,506)	3,635	8,313	2.22	2,341	2,445	302	0.85
2006	263,378	(38,139)	63,720	24,466	2.55	-	-	-	-	-	45,960	(14,507)	4,005	8,249	2.57	2,146	2,495	187	0.80
2007	272,287	(41,126)	67,325	20,994	2.62	-	-	-	-	-	53,032	(14,482)	4,115	8,142	3.15	831	1,235	97	0.62
2008	266,443	(41,061)	71,290	17,168	2.55	-	-	-	-	-	50,649	(13,659)	4,225	8,028	3.02	831	1,235	32	0.66
2009	236,128	(36,361)	75,355	13,201	2.26	-	-	-	-	-	46,726	(15,572)	4,345	11,159	2.01	-	-	-	-
2010	214,162	(31,689)	78,405	9,000	2.09	-	-	-	-	-	44,665	(13,330)	4,515	11,523	1.95	-	-	-	-
2011	214,641	(31,564)	82,795	4,627	2.09	16,309	(3,286)	-	2,228	5.85	42,072	(13,650)	4,740	9,763	1.96	-	-	-	-
2012	-	-	-	-	-	249,263	(51,274)	-	15,425	12.84	38,370	(12,692)	4,980	5,741	2.40	-	-	-	-
2013	-	-	-	-	-	262,468	(54,895)	6,410	15,425	9.51	39,526	(13,254)	5,245	4,981	2.57	-	-	-	-
2014	-	-	-	-	-	277,939	(58,516)	6,600	15,786	9.80	43,857	(15,156)	5,525	5,218	2.67	-	-	-	-

Source: Accounting and Financial Reporting Department

Notes:

a) The Certificates of Participation matured in July 2007.

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

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

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

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

f) In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 13

Demographic and Economic Statistics, Last Ten Calendar Years

Calendar Year	Population (a)	Personal Income *(millions)* (b)	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
2005	2,957,151	138,687	47,172	35.1	513,744	3.8%
2006	2,955,433	148,885	50,775	35.4	510,114	3.7%
2007	2,965,823	150,955	51,492	35.9	503,955	3.9%
2008	2,982,788	152,873	51,688	36.1	503,492	5.3%
2009	2,998,816	145,898	48,841	35.8	504,136	9.5%
2010	3,017,299	147,195	48,769	36.1	502,239	9.5%
2011	3,046,783	154,768	50,642	36.2	502,895	9.2%
2012	3,074,546	161,744	52,342	36.2	502,195	7.9%
2013	3,085,269	n/a	n/a	n/a	501,801	6.1%
2014	3,113,991	n/a	n/a	n/a	500,487	5.2%

Notes:

n/a - data not available

Estimates for population for 2010-2013 were revised; personal income and per capita personal income for 2009-2011 were revised for new estimates.

Sources:

(a) July 1 estimates for 2005-2012 and January 1 estimates for 2013 and 2014 from California Department of Finance, http://www.dof.ca.gov/
(b) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov/
(c) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov/
(d) U.S. Census Bureau, http://factfinder2.census.gov/
(e) California Department of Education, http://www.dq.cde.ca.gov/
(f) CA Employment Development Department, http://www.labormarketinfo.edd.ca.gov/

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 14

Principal Employers, Current Year and Nine Years Ago

	2014			2005		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	25,000	1	1.64%	21,000	1	1.38%
University of California, Irvine	22,253	2	1.46%	15,500	3	1.02%
County of Orange	18,035	3	1.19%	17,597	2	1.15%
St. Joseph Health System	12,062	4	0.79%	8,975	5	0.59%
Boeing Co.	6,890	5	0.45%	11,160	4	0.73%
Kaiser Permanente	6,040	6	0.40%			
Bank of America Corp.	6,000	7	0.39%			
Walmart	6,000	8	0.39%			
Memorial Care Health System	5,635	9	0.37%			
Target Corp.	5,400	10	0.36%	5,436	10	0.36%
Albertsons Inc.				8,700	6	0.57%
Tenet Healthcare Corp.				8,389	7	0.55%
Yum! Brands Inc.				6,500	8	0.43%
SBC Communications, Inc.				5,658	9	0.37%

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 15
Full-Time Equivalent Government Employees by Function/Program for Ten Years

Full-Time Equivalent Employees as of June 30

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	210	215	233	227	220	219	215	225	224	226
Measure M program	27	27	29	39	43	45	45	40	40	40
Motorist services	1	1	1	1	1	2	2	3	3	3
Commuter rail	1	2	2	2	15	12	10	12	10	10
Urban rail	1	4	-	-	-	-	-	-	-	-
Fixed route	1,619	1,587	1,611	1,633	1,540	1,319	1,247	1,169	1,135	1,152
Paratransit	13	14	13	12	11	11	10	11	12	12
Tollroad	4	4	4	4	3	3	3	3	3	3
Taxicab	3	3	3	3	3	3	4	3	4	4
Total	1,879	1,857	1,896	1,921	1,836	1,614	1,536	1,466	1,431	1,450

Source: Financial Planning & Analysis Department

Note:

In fiscal year 2008-09, the Rail Division was created under Commuter Rail; the full-time equivalent positions were reduced from General Government and transferred to the Rail Division. In addition, from fiscal year 2008-09 through 2012-13 there were decreases in the full-time equivalent positions in Fixed Route due to service reductions.

In fiscal year 2013-14, the number of full-time equivalent positions for General government and Fixed route reported for fiscal year 2012-13 were restated.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 16
Operating Indicators by Function/Program

	For Year Ended June 30,									
Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Measure M1 program (thousands)										
Freeways	$ 141,969	$ 298,667	$ 112,732	$ 99,599	$ 53,283	$ 55,060	$ 25,890	$ 12,742	$ 11,595	$ 744
Regional streets and roads	10,493	17,198	65,247	40,556	24,169	42,591	6,946	11,468	11,818	14,441
Local streets and roads	43,996	41,057	32,481	52,681	53,534	61,863	62,348	5,273	8,142	17,203
Transit	23,195	8,169	55,916	18,309	63,822	83,677	204,916	101,628	3,379	8,608
Total program expenses	$ 219,653	$ 365,091	$ 266,376	$ 211,145	$ 194,808	$ 243,191	$ 300,100	$ 131,111	$ 34,934	$ 40,996
Measure M2 program (thousands)										
Freeways	$ -	$ -	$ -	$ 6,300	$ 16,490	$ 17,682	$ 43,210	$ 34,930	$ 27,494	$ 25,056
Streets and roads	-	-	-	25	3,279	15,226	32,453	109,863	103,073	124,079
Transit	-	-	-	3,565	11,570	22,073	41,617	42,576	27,744	28,601
Environmental cleanup	-	-	-	7	175	324	1,086	401	1,993	2,299
Total program expenses	$ -	$ -	$ -	$ 9,897	$ 31,514	$ 55,305	$ 118,366	$ 187,770	$ 160,304	$ 180,035
Motorist services										
Calls made from call boxes	18,540	15,600	7,459	7,306	4,361	4,138	3,560	3,074	2,744	4,949
Vehicles removed	13,413	9,096	434	642	931	1,306	1,390	1,760	1,256	357
Vehicles assisted by FSP	68,160	70,000	70,935	70,128	43,520	60,865	67,267	65,949	64,851	59,014
Commuter rail										
Weekday trips	40	44	44	44	44	42	42	48	54	54
Annual boardings	3,230,988	3,547,697	3,841,259	4,074,443	4,189,455	3,941,628	3,871,939	4,146,016	4,443,362	4,437,991
Fixed route										
Annual boardings	67,009,989	67,779,946	69,035,226	65,203,611	64,353,673	53,376,023	51,305,266	52,631,935	51,418,393	48,963,660
Vehicle revenue hours	1,835,463	1,846,458	1,910,707	1,938,129	1,894,657	1,842,128	1,707,743	1,543,637	1,556,967	1,603,969
Miles of fixed route	2,320	2,378	2,488	2,943	2,126	2,039	2,038	2,039	2,048	2,045
Paratransit										
Annual boardings	1,181,892	1,114,639	1,231,346	1,375,370	1,464,730	1,482,950	1,554,773	1,570,341	1,631,527	1,654,081
Vehicle revenue hours	597,821	565,543	614,620	656,222	678,340	671,456	678,137	677,645	687,618	718,150
Eligible riders	25,569	26,204	26,110	26,611	26,834	27,104	28,447	29,856	30,992	31,576
Tollroad										
Annual drivers trips	12,741,319	14,182,916	14,639,848	13,477,488	12,036,831	12,659,051	11,998,541	11,944,555	12,085,552	12,326,874
Taxicab										
Permits Issued	1,662	1,698	2,170	2,303	2,364	2,481	2,648	2,773	3,090	3,066

Source: Various departments within OCTA

Notes:

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

In fiscal year 2013-14, the decrease in Motorist services vehicles removed is due to the expiration of the related program in April 2012.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 17

Capital Asset Statistics by Function/Program

	For Year Ended June 30,								
	2005	2006	2007	2008	2009	2010	2012	2013	2014
Fixed route									
Bus bases	4	4	4	5	5	5	5	5	5
Large revenue vehicles	563	570	566	572	530	510 (a)	527	527	537
Small revenue vehicles	84	80	82	82	80	19 (a)	19	19	19
Paratransit									
Paratransit vehicles	249	264	263	263	263	252 (a)	248	248	248
Tollroad									
Transponders in use	172,220	171,589	176,818	176,149	171,485	170,458	167,329	168,507	171,304

Source: Various departments within the Orange County Transportation Authority

Note:

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

www.octa.net

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