

2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For fiscal year ended June 30, 2016



Comprehensive Annual Financial Report for fiscal year ended June 30, 2016

Submitted by:

Darrell Johnson

Chief Executive Officer

Finance and Administration Division

Andrew Oftelie

Executive Director



ORANGE COUNTY TRANSPORTATION AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June, 30 2016

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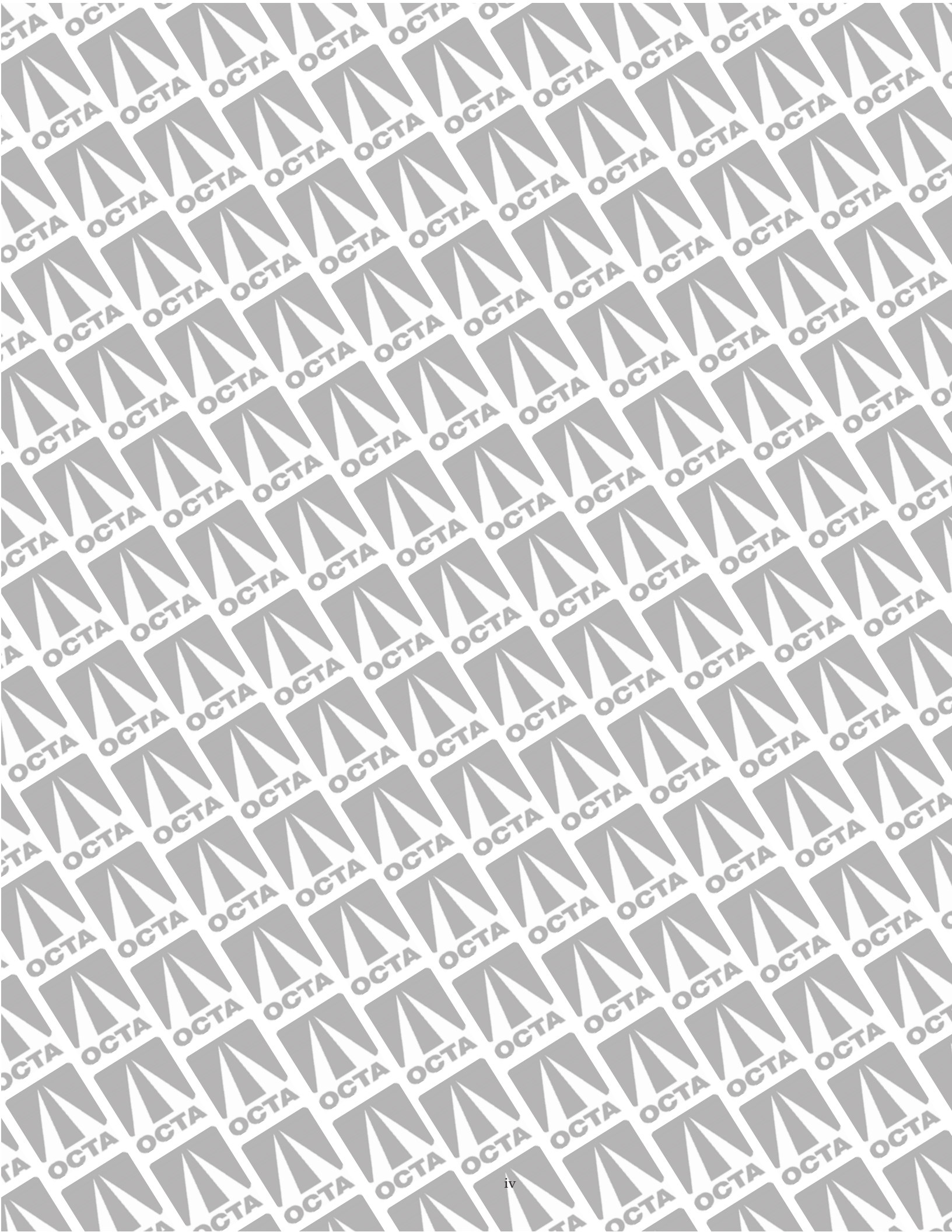
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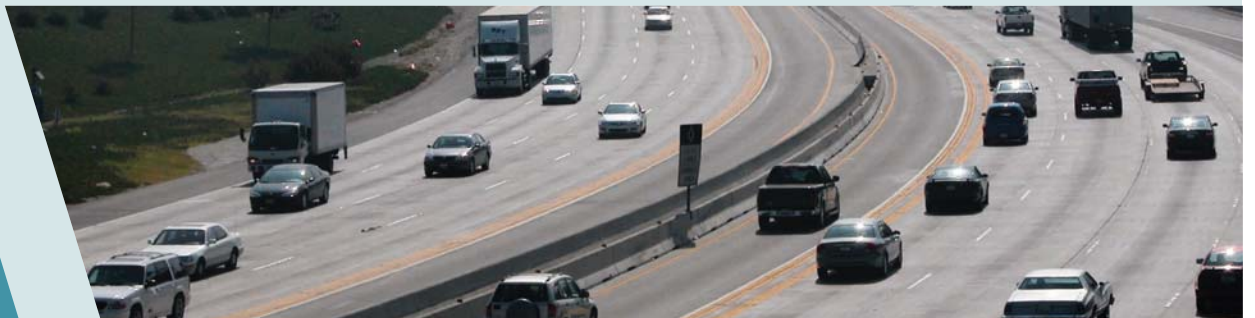
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FREEWAY





STREETS AND ROADS





AFFILIATED AGENCIES

*Orange County
Transit District*

*Local Transportation
Authority*

*Service Authority for
Freeway Emergencies*

*Consolidated Transportation
Service Agency*

*Congestion Management
Agency*

*Service Authority for
Abandoned Vehicles*

November 14, 2016

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, 2016. 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 controls 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, 2016. The independent auditors' report is located at the front of the financial section of this report.

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

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

Profile of OCTA

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

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

The unemployment rate in Orange County was 4 percent in March 2016. Statewide unemployment was 6.3 percent in March 2016, which is 0.2 percentage points lower than the same period in 2015. National unemployment sits at 5 percent. This makes Orange County's unemployment rate 2.3 points below the state rate and 1 point below the national rate.

The majority of new jobs added over the last year in Orange County were in the Education and Health Care industry. The industry created 9,942 new jobs in 2015, a 5.2 percent year-over-year increase that accounted for over 21 percent of the region's net job gains for total nonfarm employment. These positions tend toward the middle portion of the wage spectrum, but Orange County has been adding high wage positions as well. The Professional, Scientific, and Technical Services industry added 5,424 new jobs to company payrolls in 2015, a 4.4 percent increase over the prior year.

Falling oil prices, in addition to statewide subpar wage growth, have kept inflation at low levels over the last year. The price index for nationwide personal consumption expenditures (PCE), Federal Reserve's preferred measure of inflation, grew by just 0.3 percent in 2015. In contrast, the PCE price index grew by 1.4 percent in 2014.

The Orange County real estate market remains strong. Median home prices in March 2016 increased by 4.4 percent year-over-year to \$705,000, up from \$675,000. Home sales in March 2016 rose by 0.9 percent year-over-year to 1,260 from 1,249.

The estimated sales tax growth rate for FY 2016-17 is 3.6 percent for Measure M2 (M2) based on the forecast provided by MuniServices, LLC. Based on the forecast, sales tax for the M2 program is estimated to be \$14.2 billion over the life of the measure. In addition, the forecast for OCTA's Local Transportation Fund (LTF) estimates sales tax will grow by 2.8 percent in FY 2016-17.

Long-Term Financial Planning

In an effort to ensure long-term sustainability of transportation programs and services, OCTA developed the FY 2014-15 Comprehensive Business Plan (CBP), which was approved by the Board in January 2015. 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 CBP 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 budgeted positions as approved by the Board. The Position Control Policy ensures that OCTA does not employ more employees than approved by the Board, and ensures that positions are filled at or below the salary grade approved in OCTA's overall 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 over 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 2015-16, OCTA continued its proven strategy of taking advantage of favorable financial conditions and a competitive bidding environment 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. Titled Measure M2 (M2), this renewal allows OCTA to continue making transportation improvements that benefit the public and 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 based on the five-year M2 Early Action Plan (EAP) adopted in 2007 and the follow-on M2020 Plan adopted in 2012.

Despite the economic recession and recent funding reductions, which resulted in a 41 percent reduction in projected sales tax revenue during the life of M2, OCTA has managed to capitalize on low debt costs and a competitive bidding environment and leverage local, state and federal funds. Through these efforts, OCTA has been able to reduce the effects of cost escalation by starting and delivering projects years earlier, helping to backfill the funding gap in the M2 Freeway Program.

In the past FY, OCTA continued to move Orange County forward with M2 projects and other notable accomplishments, including:

- The M2 Ordinance No. 3 and Transportation Investment Plan were amended to close out Project T (Gateways that Connect Orange County to High-Speed Rail Systems) and transfer the remaining balance to two programs in need, the Fare Stabilization Program for Seniors and Persons with Disabilities (part

of Project U), and the Metrolink Service Expansion Program (Project R)

- The Measure M Taxpayers Oversight Committee determined that Measure M is being delivered as promised to Orange County voters for the 25th consecutive year
- Successfully developed more than \$196 million in grant requests from a variety of federal, state, and local sources. Of these, \$125 million were pursued through competitive grant programs. Over \$76 million in grants have been awarded to OCTA for FY 2015-16
- Completed construction of the Ortega Highway interchange on Interstate 5 (I-5)
- Completed construction on the westbound SR-91 widening project between State Route-57 (SR-57) and I-5
- Completed construction on the westbound SR-91 widening project from approximately State Route 55 (SR-55) to Tustin Avenue
- Completed construction of the Orangethorpe Avenue and Tustin/Rose Avenue railroad grade separations
- Received environmental clearance for Interstate 405 southbound auxiliary lane addition between State Route 133 and University Drive five months ahead of schedule
- Delivered ten signal synchronization projects on behalf of multiple cities that resulted in significant travel time improvements for approximately 73 miles of arterials and 261 signalized intersections
- Awarded \$38 million in Regional Capacity Program funds to 19 local agency projects and \$12.43 million in Regional Traffic Signal Synchronization Program funds to seven local agency projects
- Awarded approximately \$27 million for 17 capital and operations grants and seven planning grants to fund Community-Based Transit circulator projects
- Awarded \$2.86 million in Environmental Cleanup Tier 1 funds to 18 local agency projects
- Selected consultants to provide interim land management services and biological preserve monitoring for OCTA's acquired conservation lands for a five-year term
- The OC Streetcar project received full notice to proceed, a construction management firm has been selected for services, and the request for entry

into engineering will be submitted to the Federal Transit Administration (FTA) in fall 2016

- Environmental clearance and final design plans were achieved for the Orange Metrolink Parking Structure
- Funded by the Mobile Source Air Pollution Reduction Review Committee (MSRC), the Angels Express Metrolink rail service set a new record with more than 54,000 boardings, nearly 24 percent above last year and the highest ridership ever for the service
- Opened the Perris Valley extension to the Metrolink 91 Line, allowing riders to access Orange County and Los Angeles from the Inland Empire
- Launched OC Bus 360°, a comprehensive plan to grow ridership and improve the bus system from all angles
- Developed the 2016 Bus Service Plan and Bus Stop Spacing Efficiency Program in support of the OC Bus 360° ridership initiative. The program is expected to reverse the declining ridership trend and increase ridership by over 1.3 million boardings in three years
- Approved plans to use funds from the state Low Carbon Transit Operations Program to subsidize fares between June and August for the Youth Summer Pass
- Unveiled OCTA's first zero-emission hydrogen fuel cell bus, part of a two-year demonstration project funded by the FTA under the National Fuel Cell Bus Program
- Reduced commute times with the 57Xpress, a limited-stop service between Brea and Newport Beach. Those who travel the entire route save ten minutes per trip
- Unveiled the 64Xpress limited-stop bus service between the Westminster Mall and Larwin Square in Tustin via Bolsa Avenue and First Street
- Launched Bravo! Route 560, a reduced-stop bus service connecting Santa Ana and Long Beach via 17th Street
- For the fifth consecutive year, the OC Fair Express set a record with nearly 80,000 trips to and from the OC Fair during five weeks of service funded by the MSRC

- With funding from MSRC, launched the Angels Express Bus Service to offer non-stop travel to Angels Stadium from the Goldenwest Transportation Center in Huntington Beach to all weekday home games
- Contracted bus operations increased from 33.6 to 36.2 percent of total bus service to maintain financial sustainability
- Upgrades to 13 of the busiest bus stops in Orange County including bus shelter improvements were completed, with improvements underway for an additional 30 stops
- Increased the number of active vanpools by 4.7 percent from 488 to 511. Vanpools congestion and pollution by removing single occupancy vehicles from the road
- Approved more than \$19.5 million to improve bikeways and walkways. Funding from the federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) was awarded to 13 projects that promote safety, link to key destinations, close bikeway corridor gaps and improve air quality across the County
- Implemented a pedestrian and bicycle safety campaign to educate children and adults how to stay safe after dark. In Orange County, nearly 70 percent of pedestrian fatalities occur between 6 p.m. and 6 a.m. and one in four bike fatalities occurs between 6 p.m. and 10 p.m.
- Completed renovations to the OCTA Boardroom and Conference Center. The new space can accommodate large public meetings with better public access

Awards and Acknowledgments

For the sixth consecutive year, the National Purchasing Institute awarded OCTA the Achievement of Excellence in Procurement® award based on outstanding innovation, professionalism, productivity, e-procurement, and leadership attributes.

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, 2015. This was the 33rd 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, 2016, continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA, expecting it to be eligible for another certificate.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Darrell Johnson".

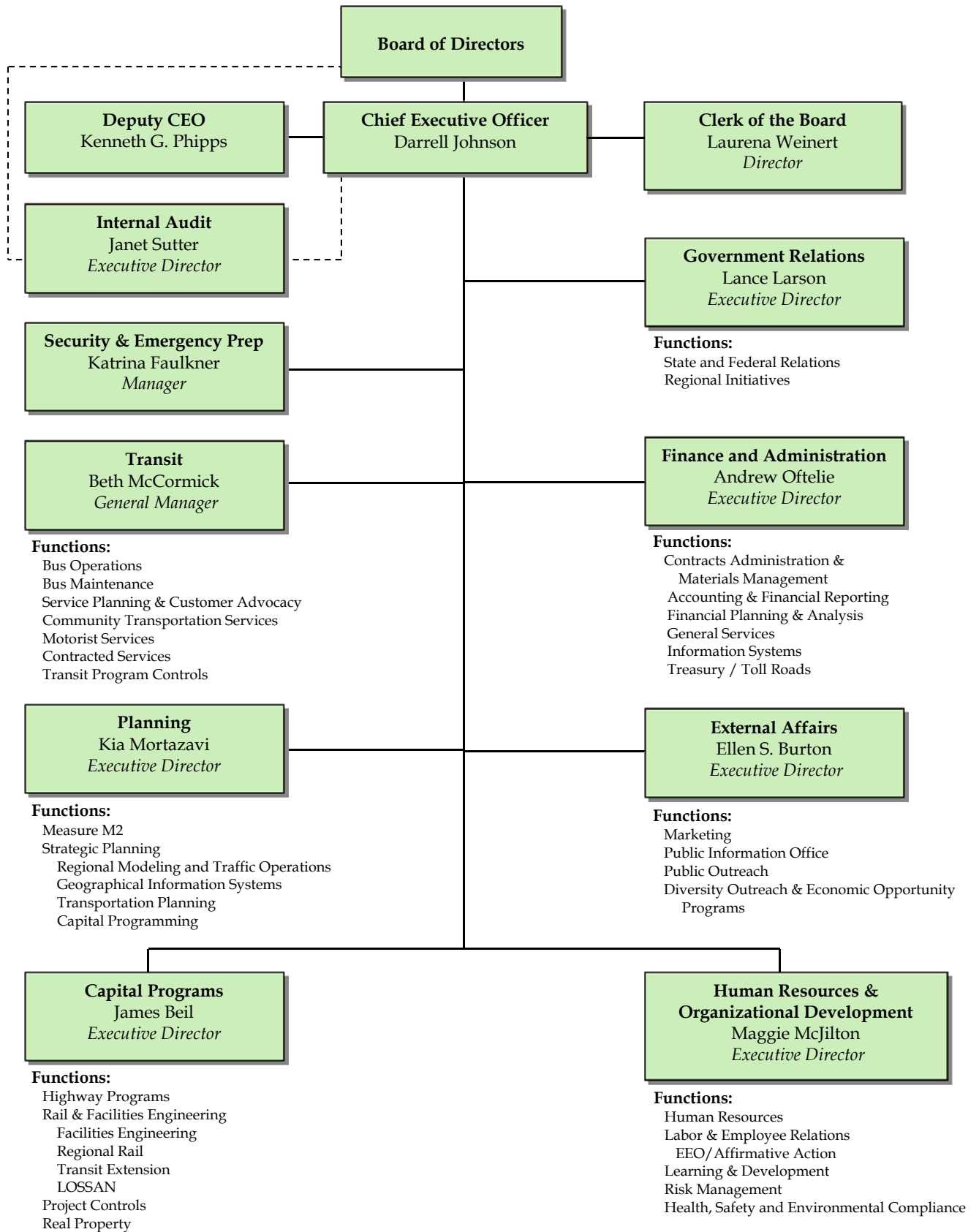
Darrell Johnson
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Andrew Oftelie".

Andrew Oftelie
Executive Director
Finance and Administration

ORANGE COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART



ORANGE COUNTY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

<p>Lori Donchak Chair City Member, 5th District</p>		<p>Michael Hennessey Vice-Chair Public Member</p>	
<p>Lisa A. Bartlett Director Supervisor, 5th District</p>		<p>Andrew Do Director Supervisor, 1st District</p>	
<p>Steve Jones Director City Member, 1st District</p>		<p>Jim Katapodis Director City Member, 2nd District</p>	
<p>Jeffrey Lalloway Director City Member, 3rd District</p>		<p>Gary A. Miller Director City Member, 2nd District</p>	
<p>Al Murray Director City Member, 3rd District</p>		<p>Shawn Nelson Director Supervisor, 4th District</p>	
<p>Miguel Pulido Director City Member, 1st District</p>		<p>Tim Shaw Director City Member, 4th District</p>	
<p>Todd Spitzer Director Supervisor, 3rd District</p>		<p>Michelle Steel Director Supervisor, 2nd District</p>	
<p>Tom Tait Director City Member, 4th District</p>		<p>Frank Ury Director City Member, 5th District</p>	
<p>Gregory T. Winterbottom Director Public Member</p>		<p>Ryan Chamberlain Governor's Ex-Officio Member District Director, Caltrans District 12</p>	

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT STAFF

Darrell Johnson	Chief Executive Officer
Kenneth G. Phipps	Deputy Chief Executive Officer
Laurena Weinert	Clerk of the Board
Janet Sutter	Executive Director, Internal Audit
James Donich	General Counsel

James Beil	Executive Director, Capital Programs
Ellen S. Burton	Executive Director, External Affairs
Katrina Faulkner	Manager, Security & Emergency Preparedness
Lance Larson	Executive Director, Government Relations
Beth McCormick	General Manager, Transit
Maggie McJilton	Executive Director, Human Resources & Organizational Development
Kia Mortazavi	Executive Director, Planning
Andrew Oftelie	Executive Director, Finance and Administration

Virginia Abadessa	Director, Contracts Administration and Materials Management
Vicki Austin	Manager, Accounting and Financial Reporting
Kirk Avila	Treasurer / General Manager, Toll Roads
Meena Katakia	Manager, Capital Projects
William Mao	Chief Information Officer, Information Systems
Sean Murdock	Director, Finance and Administration
Lori Parsel	Section Manager, General Services
Barry Reynolds	Manager, Information Systems & Operations Management
Lloyd Sullivan	Manager, Information Systems Enterprise Business Solutions
Pia Veaspen	Manager, Contracts and Procurement
Victor Velasquez	Manager, Financial Planning and Analysis



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, 2015

Executive Director/CEO



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, 2016, 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, 2016, 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.

Emphasis of Matter

As described in Note 18 to the financial statements, OCTA adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective July 1, 2015. 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 4 through 16, budgetary comparison information on pages 86 through 88, supplemental pension plan trend data and other postemployment benefit data on pages 89 through 92, and related notes on page 93, 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 relates 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.

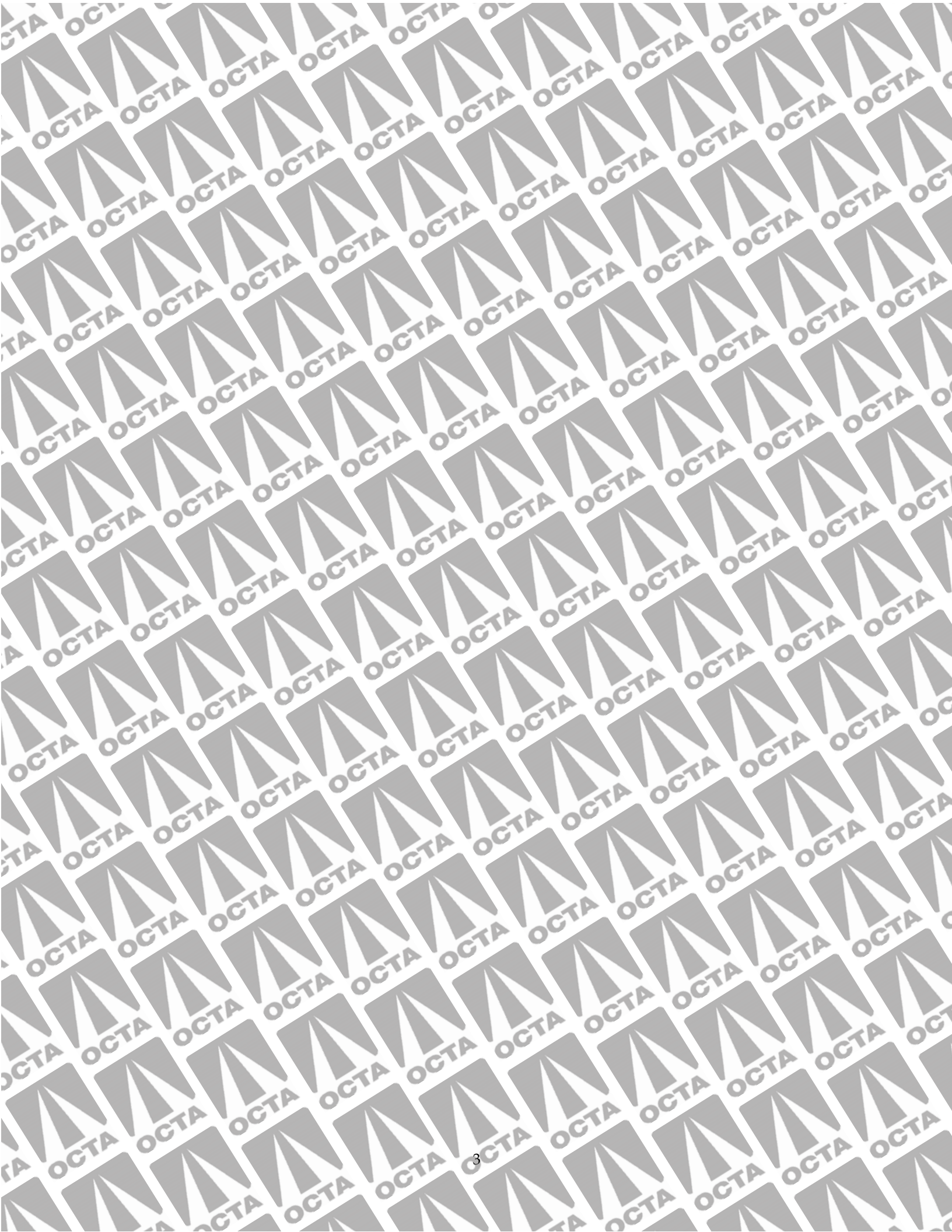
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, 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.

Vavreck, Train, Day & Co., LLP

Laguna Hills, California
October 31, 2016



ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)
For the Fiscal Year Ended June 30, 2016

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, 2016. 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 18. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- As of June 30, 2016 total net position of OCTA was \$1,417,447, which consisted of net investment in capital assets of \$485,946; restricted net position of \$558,295; and unrestricted net position of \$373,206.
- Net position increased \$157,089 during fiscal year 2015-16. The increase in net position from governmental activities of \$104,825 was primarily due to an increase in sales tax revenue for the Measure M program offset by a decrease in expenses related to the grade separation projects. The increase in net position from business-type activities of \$52,264 was primarily due to the receipt of grants and contributions for the purchase and improvement of transit vehicles, toll road revenues in excess of expenses and transfers from the Local Transportation Fund (LTF) and State Transit Assistance Fund (STAF) for transit operations. In addition, property taxes increased by 6%.
- OCTA's governmental funds reported combined ending fund balances of \$933,629, an increase of \$67,456 compared to fiscal year 2014-15. Approximately 89% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.
- Total capital assets, net of accumulated depreciation, increased \$27,137, or 6%, over June 30, 2015. This increase in capital assets is primarily due to the purchase of transit vehicles, and to progress made on the OC Streetcar and Interstate 405 (I-405) Express Lanes projects.
- Long-term liabilities increased \$36,225 primarily due to an increase in net pension liability in the amount of \$44,877 offset by a decrease in total outstanding bonds in the amount of \$12,285 due to scheduled payments of principal on outstanding bonds. The primary reason for the increase in net pension liability is lower than expected investment performance reflected in the pension trust fund managed by the Orange County Employees Retirement System (OCERS). Investment earnings were lower than the long-term actuarial assumption.

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.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Statements

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

The statement of net 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 OCTA's financial position 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.

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, toll road operations and the taxicab administration program.

The government-wide financial statements include only OCTA and its blended component units and can be found on pages 18-19 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.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTA maintains nine 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) and LTF, which are special revenue funds; and LTA Debt Service fund. Data from the other five 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 and LTF 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 20-23 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, toll road 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. Data from the I-405 Express Lanes fund and the Orange County Taxicab Administration Program fund are combined into a single, aggregated presentation. 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 24-30 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 31-32 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 33-84 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 pension plans is included. Required supplementary information can be found on pages 86-93 of this report.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The combining statements of nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for the LTA Debt Service Fund and nonmajor governmental funds are located in this section. This other supplementary information can be found on pages 95-111 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, 2016, OCTA's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,417,447.

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 \$485,946, compared to \$456,348 in fiscal year 2014-15. 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; intangible assets; 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 \$29,598 was primarily related to the addition of transit vehicles, progress made on the OC Streetcar and I-405 Express Lanes projects and other capital asset additions offset by continued depreciation.

Restricted net position, representing resources subjected to external restrictions on how they may be used, were 39% and 34% of the total net position at June 30, 2016 and 2015, respectively. Restricted net position from governmental activities increased \$123,935 due to continued improvement in the economy resulting in increased sales tax revenue in addition to a reduction in expenses related to the Measure M program. The increase in restricted net position from business-type activities of \$43 is due to investment activity in bond reserve accounts.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. At the end of fiscal year 2015-16, OCTA's unrestricted net position related to governmental activities was \$67,517. During fiscal year 2015-16, the unrestricted net position related to governmental activities decreased \$27,124 primarily due to expenses exceeding program revenues from the commuter rail activity in addition to an increase in net pension liability.

At the end of fiscal year 2015-16, OCTA's unrestricted net position related to business-type activities was \$305,689. During fiscal year 2015-16, the unrestricted net position related to business-type activities increased \$30,637 primarily due to the receipt of capital assistance grants, transfers from LTF and STAF for operating assistance and 91 Express Lanes revenues in excess of expenses consistent with the Comprehensive Business Plan (CBP). This increase was offset by an increase in net pension liability.

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

Table 1
Orange County Transportation Authority
Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$1,108,504	\$1,026,866	\$541,879	\$482,001	\$1,650,383	\$1,508,867
Restricted assets	-	-	23,874	23,831	23,874	23,831
Prepaid retirement	5,265	5,923	13,369	14,409	18,634	20,332
Assets held for resale	2,503	5,435	-	-	2,503	5,435
Capital assets, net	185,209	177,195	275,943	256,820	461,152	434,015
Intangible asset, net	-	-	128,041	130,628	128,041	130,628
Total assets	1,301,481	1,215,419	983,106	907,689	2,284,587	2,123,108
Deferred outflows of resources-debt	-	-	9,681	10,350	9,681	10,350
Deferred outflows of resources-pensions	21,036	10,710	47,228	26,499	68,264	37,209
Total deferred outflows of resources	21,036	10,710	56,909	36,849	77,945	47,559
Current liabilities	106,276	120,547	71,382	55,016	177,658	175,563
Long-term liabilities	410,652	404,249	331,655	301,833	742,307	706,082
Total liabilities	516,928	524,796	403,037	356,849	919,965	881,645
Deferred inflows of resources-pensions	7,643	8,212	17,477	20,452	25,120	28,664
Total deferred inflows of resources	7,643	8,212	17,477	20,452	25,120	28,664
Net position:						
Net investment in capital assets	185,209	177,195	300,737	279,153	485,946	456,348
Restricted	545,220	421,285	13,075	13,032	558,295	434,317
Unrestricted	67,517	94,641	305,689	275,052	373,206	369,693
Total net position	\$797,946	\$693,121	\$619,501	\$567,237	\$1,417,447	\$1,260,358

OCTA's total revenues increased by 6%, while the total costs of all programs increased by 3%. Sales tax revenue continues to increase due to the continued improvement in the economy. The increase in taxes during fiscal year 2015-16 was \$11,046. In addition, operating and capital grants and contributions increased \$25,828, which represents an increase of 13% from fiscal year 2014-15. The majority of this increase is related to capital assistance grants received for the purchase of transit vehicles. The commuter rail program received \$4,476 in operating assistance grants in fiscal year 2015-16, which represents an increase of \$2,320 from fiscal year 2014-15. The increase of \$5,437 in charges for services is primarily due to an increase in the 91 Express Lanes revenues due to an increase in total trips and the collection of violation fees. In addition, investment earnings increased \$9,287 primarily due to an increase in cash and investments and market performance.

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

During fiscal year 2015-16, OCTA's total expenses increased \$18,355. The increase in expenses is primarily due to costs related to the completion of freeway projects, Bristol Street project and services related to fixed route and paratransit. Approximately 49% 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.

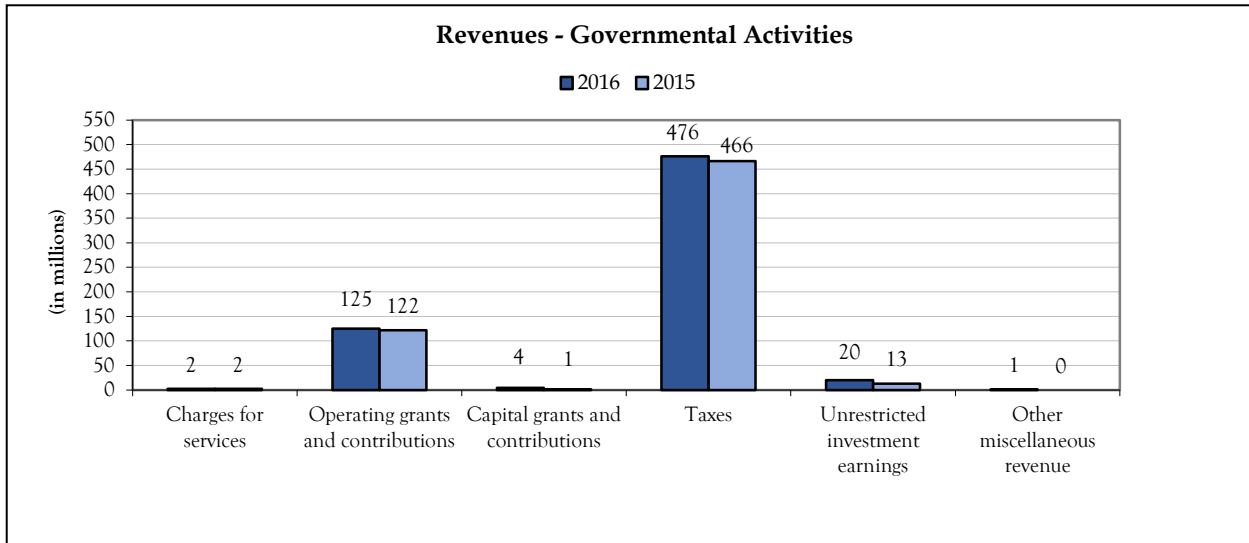
Table 2
Orange County Transportation Authority
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,267	\$ 1,825	\$ 111,087	\$ 106,092	\$ 113,354	\$ 107,917
Operating grants and contributions	125,220	122,282	65,226	67,356	190,446	189,638
Capital grants and contributions	3,897	586	35,848	14,139	39,745	14,725
General revenues:						
Taxes	476,368	466,127	14,098	13,293	490,466	479,420
Unrestricted investment earnings	19,447	13,301	7,672	4,531	27,119	17,832
Other miscellaneous revenue	918	168	791	1,218	1,709	1,386
Total revenues	628,117	604,289	234,722	206,629	862,839	810,918
Expenses:						
General government	95,155	74,852	-	-	95,155	74,852
Measure M program	272,627	301,329	-	-	272,627	301,329
Motorist services	6,355	5,281	-	-	6,355	5,281
Commuter rail	34,004	29,347	-	-	34,004	29,347
Fixed route	-	-	208,851	201,630	208,851	201,630
Paratransit	-	-	63,071	51,392	63,071	51,392
Tollroad	-	-	25,120	22,980	25,120	22,980
Taxicab administration	-	-	567	584	567	584
Total expenses	408,141	410,809	297,609	276,586	705,750	687,395
Indirect expense allocation	(37,748)	(35,996)	37,748	35,996	-	-
Increase (decrease) in net position before transfers	257,724	229,476	(100,635)	(105,953)	157,089	123,523
Transfers	(152,899)	(169,199)	152,899	169,199	-	-
Change in net position	104,825	60,277	52,264	63,246	157,089	123,523
Net position – beginning of year	693,121	632,844	567,237	503,991	1,260,358	1,136,835
Net position – end of year	\$ 797,946	\$ 693,121	\$ 619,501	\$ 567,237	\$ 1,417,447	\$ 1,260,358

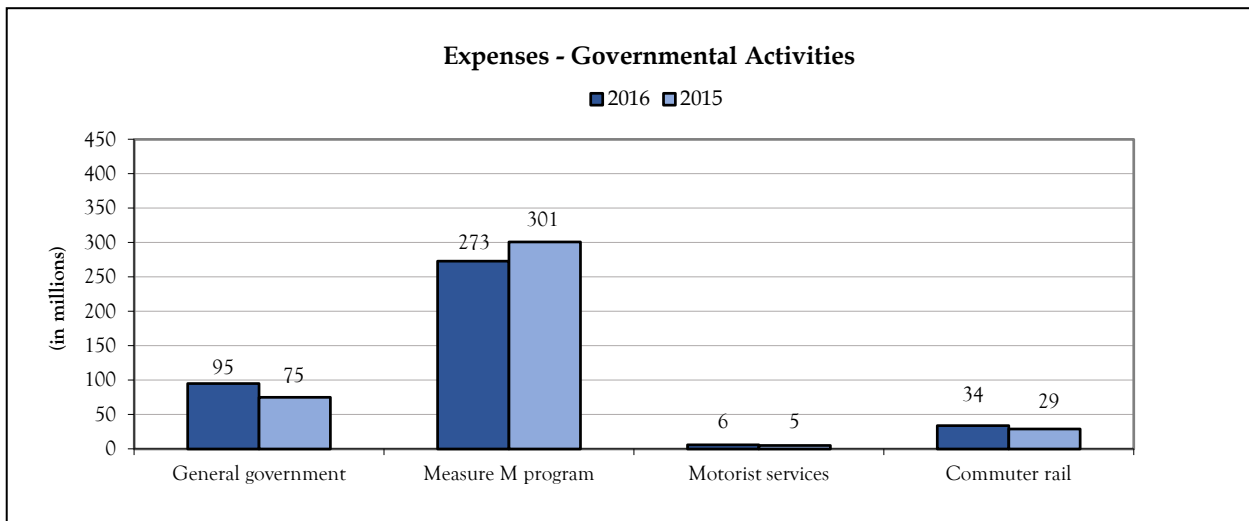
**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

Total revenues for OCTA's governmental activities increased \$23,828 primarily due to an increase in taxes and investment earnings. Sales taxes increased \$10,241 in comparison to fiscal year 2014-15. Cash and investments increased during fiscal year 2015-16 contributing to the \$6,146 increase in investment earnings. In addition, operating grants increased \$2,938 primarily due to an increase in operating assistance received for the commuter rail program.



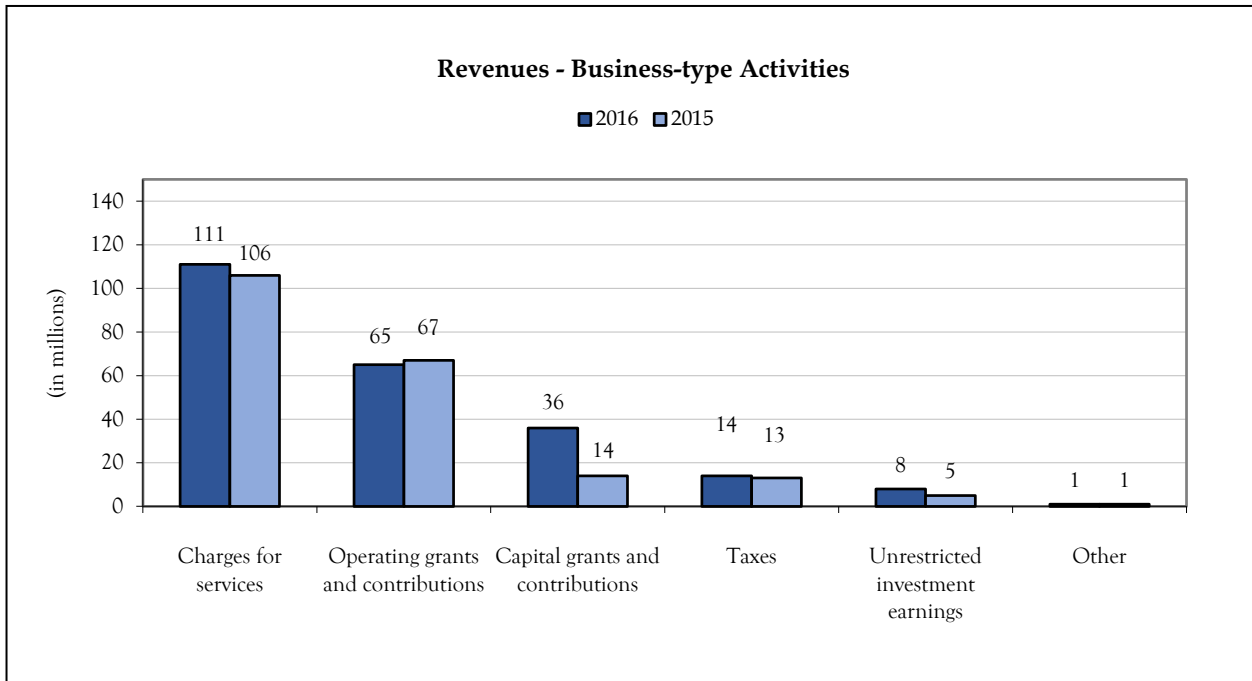
Total expenses for OCTA's governmental activities decreased \$2,668 primarily due to the decrease in Measure M program costs related to the grade separation projects and contributions to the construction of ARTIC. This decrease is offset by an increase in expenses in general government and commuter rail programs primarily due to costs related to freeway projects and an increase in payments issued to the Southern California Regional Rail Authority (SCRRA) for operating costs including the lease of locomotives, respectively.



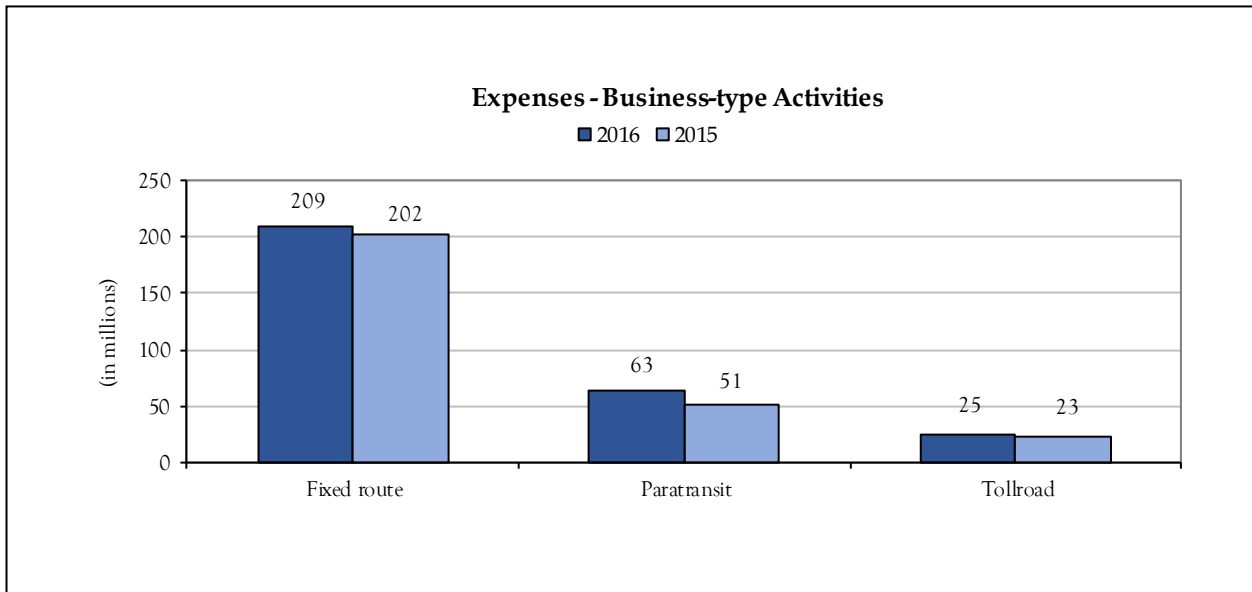
**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type Activities

Revenues of OCTA's business-type activities increased \$28,093 primarily due to an increase in capital grants and contributions for the purchase of buses. In addition, investment earnings increased by \$3,141 and charges for services increased by \$4,995, primarily due to an increase in revenues related to the 91 Express Lanes.



Total expenses related to business-type activities increased \$21,023 primarily due to an increase in operating expenses related to paratransit and fixed route.



ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of OCTA's Funds

As noted earlier, OCTA uses fund accounting to ensure and demonstrate compliance with financial and 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, 2016, OCTA's governmental funds reported combined ending fund balances of \$933,629, an increase of \$67,456 compared to fiscal year 2014-15. Approximately 95% or \$886,113 of this amount is restricted, the majority of which relates to the Measure M program. \$24,381 represents the portion of fund balance that is not in a spendable form, such as condemnation deposits, notes receivable and prepaid retirement. \$14,453 is assigned for the commuter rail program and \$8,682 for transportation capital projects.

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

The General fund decreased by \$33,195, primarily due to payments issued to SCRRA for operating costs including the lease of locomotives. Total revenues increased \$9,912, primarily due to contributions received for the completion of West County Connector freeway project and for projects related to SCRRA including the positive train control project. Total expenditures increased \$4,244, primarily due to payments issued to SCRRA as previously mentioned. The increase in costs related to the Bristol Street project was offset by transfers in from OCTD for this project.

The LTA fund increased by \$105,513, which represents an increase of 15% in comparison to fiscal year 2014-15, primarily due to an increase in sales tax revenue due to the improving economy offset by expenditures primarily related to freeway improvement and grade separation projects in addition to transfers out to the Capital Projects fund for the OC Streetcar project.

Proprietary funds

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

The net position of the enterprise funds totaled \$598,309 at June 30, 2016 compared to \$548,783 at June 30, 2015. Following are the significant changes in net position of OCTA's major proprietary funds:

The OCTD fund net position at June 30, 2016 was \$436,048. During fiscal year 2015-16, the total net position increased \$15,631, primarily due to the receipt of capital grants for the purchase of transit vehicles. In addition, transfers from LTF and STAF for operating assistance in excess of expenses consistent with the CBP contributed to this increase.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The 91 Express Lanes fund net position at June 30, 2016 was \$155,650. The unrestricted net position increased \$24,090 primarily due to revenues in excess of operating expenses. Total revenues increased primarily due to an increase in total trips in addition to an increase in the collection of violation fees. The 91 Express Lanes fund unrestricted net position was \$114,042 at June 30, 2016. The net investment in capital assets increased by \$3,333 to \$28,533 during fiscal year 2015-16 due to capital assets acquisitions and a reduction in debt used to acquire capital assets. The restricted net position was \$13,075 at June 30, 2016.

General Fund Budgetary Highlights

Revenues

The primary sources of revenues for the General fund are from federal, state, and local sources. In fiscal year 2015-16, the I-405 Express Lanes fund required a budget transfer in the amount of \$12,750 from the General fund for budgeted revenue line items pertaining to the I-405 Express Lanes project.

Actual revenues exceeded the final budget by \$108. This is primarily due to the unanticipated sale of excess right-of-way land associated with improvements to the Interstate 5/State Route 91 interchange in the amount of \$3,045. This overrun was offset by underruns within interest income and lower than anticipated reimbursements from the Los Angeles - San Diego - San Luis Obispo Rail Corridor (LOSSAN) Agency for lower than anticipated staffing levels and corresponding overhead expenses.

Expenditures

The variance in fiscal year 2015-16 between the original budgeted expenses and the final budgeted expenses was \$12,637. This variance was the result of both transfers in and transfers out of the General fund. \$12,750 was transferred from the General fund to the I-405 Express Lanes fund for project related expenditures. This transfer out was offset by transfers in from the OCTD fund.

Actual expenditures were less than the final budget by \$19,782. This was primarily due to the Placentia Metrolink station, Bristol Street widening project, and general and administrative costs. The Placentia Metrolink station underran the fiscal year 2015-16 budget by \$12,156. This is due to the changes in the funding plan and the timing of the BNSF negotiations to build the station. This project has been re-budgeted in fiscal year 2016-17. The Bristol Street widening project underran the budget by \$4,200 as a result of the project not incurring expenses at the level or timing that was originally anticipated. A total of \$13,000 has been re-budgeted for this project in fiscal year 2016-17. Lower than anticipated general and administrative costs primarily attributed to the balance of the underrun.

Capital Asset and Intangible Asset

Capital Assets

As of June 30, 2016, OCTA had \$461,152, net of accumulated depreciation, invested in a broad range of capital assets including: land, buildings, transit vehicles, construction in progress, and machinery, equipment and furniture (Table 3).

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

During fiscal year 2015-16, OCTA's capital assets increased by \$27,137. Capital assets related to governmental activities increased by \$8,014. This increase is primarily due to construction in progress related to the OC Streetcar project. Capital assets related to business-type activities increased by \$19,123. This increase is primarily due to the acquisition of buses.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 172,236	\$ 172,239	\$ 52,402	\$ 54,545	\$ 224,638	\$ 226,784
Buildings and improvements	1,330	1,529	68,519	73,167	69,849	74,696
Transit vehicles	-	-	111,192	81,792	111,192	81,792
Machinery, equipment and furniture	2,882	2,272	27,956	29,020	30,838	31,292
Construction in progress	8,761	1,155	15,874	18,296	24,635	19,451
Totals	\$ 185,209	\$ 177,195	\$ 275,943	\$ 256,820	\$ 461,152	\$ 434,015

Major capital asset additions during 2016 included:

- \$34,351 for buses.
- \$8,634 for the I-405 Express Lanes project.
- \$8,596 for the OC Streetcar project.

Major capital asset deletions during 2016 included:

- \$26,251 for buses.
- \$9,952 for the Santa Ana Transit Terminal.

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$104,851 for purchase of 207 forty-foot low floor compressed natural gas powered (CNG) buses, \$47,388 for the Interstate 5 freeway widening construction project, \$15,020 for the purchase of 132 twenty-two foot Cutaway buses, \$14,885 for the purchase of 16 sixty-foot CNG Articulated buses, and \$14,144 for the Interstate 5 HOV freeway construction project.

More detailed information about OCTA's capital assets is presented in note 7 to the financial statements.

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

Intangible Asset

Intangible asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Toll facility franchise	\$ 205,264	\$ -	\$ -	\$ 205,264
Less accumulated amortization	(74,636)	(2,587)	-	(77,223)
Total toll facility franchise, net	\$ 130,628	\$ (2,587)	\$ -	\$ 128,041

More detailed information about the toll facility franchise service concession agreement is presented in note 8 to the financial statements.

Debt Administration

As of June 30, 2016, OCTA had \$439,900 in bonds outstanding compared to \$452,185 at June 30, 2015, as presented in Table 4. The decrease is due to payments for principal in the amount of \$12,285 during the fiscal year.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Sales tax revenue bonds	\$325,485	\$332,695	\$ -	\$ -	\$ 325,485	\$ 332,695
Revenue refunding bonds	-	-	114,415	119,490	114,415	119,490
Totals	\$325,485	\$332,695	\$114,415	\$119,490	\$439,900	\$452,185

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 "AA-" by Standard & Poor's.

Additional information on OCTA's long-term debt can be found in note 10 to the financial statements.

Economic and Other Factors

The Board of Directors (Board) adopted the fiscal year 2016-17 budget on June 13, 2016. The \$1.2 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 and is a reflection of OCTA's commitment to the residents of Orange County to be responsible stewards of taxpayer dollars.

ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

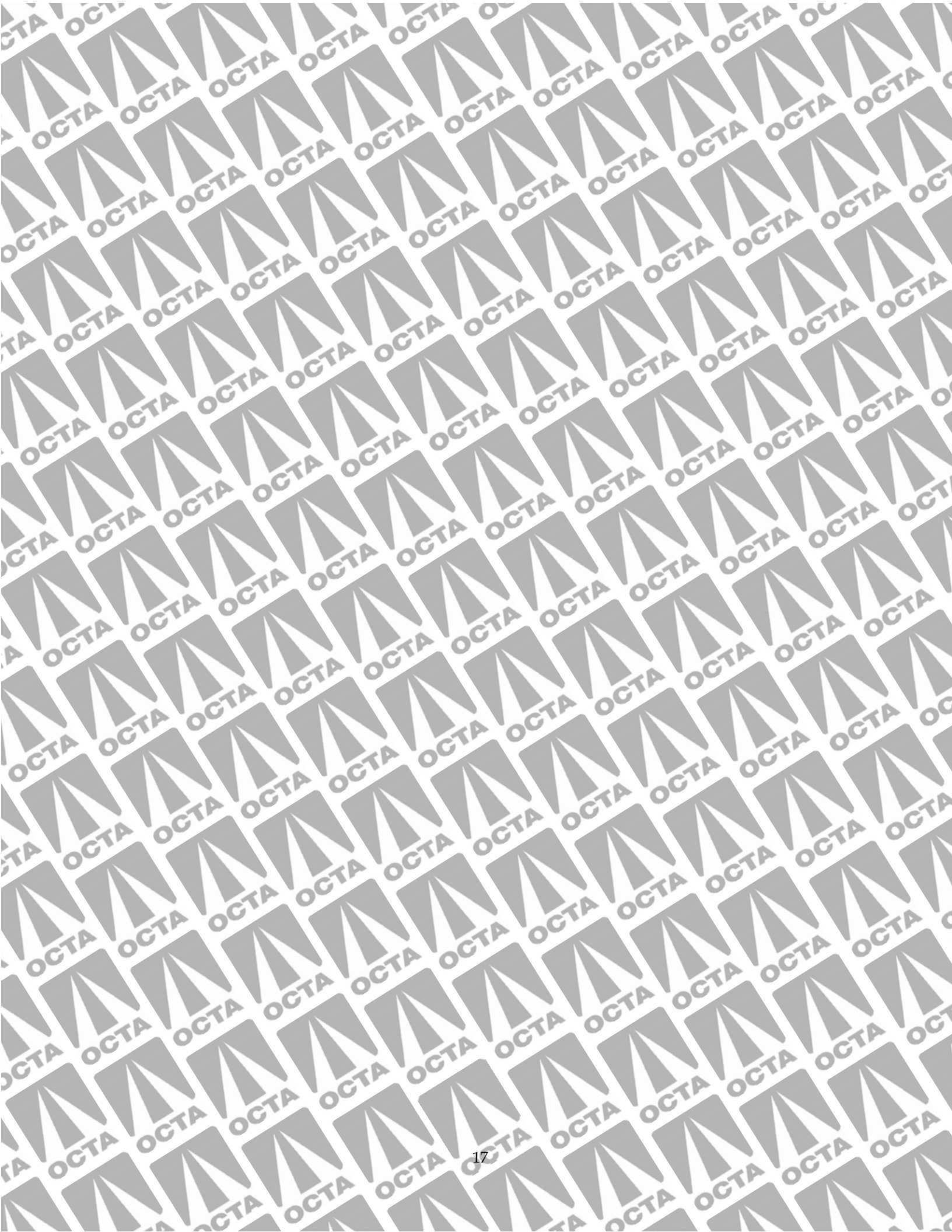
Under the Measure M2 program, funds will continue to provide improvements to freeways and streets and roads throughout Orange County, as well as fund several transit programs. Included in the proposed budget is \$230 million to make improvements to the Interstate 405, Interstate 5, State Route 55, State Route 57, and State Route 91 freeways. Approximately \$183 million is budgeted to improve streets and roads, including \$53 million to fund the Local Fair Share program, \$53 million for the Regional Capacity program, and \$50 million for the OC Bridges project. In addition, the Measure M2 transit budget includes \$61 million for the OC Streetcar project.

In fiscal year 2016-17, the budget to support the Bus program is \$345 million. The budget includes efforts to begin the implementation of OC Bus 360, which aims to increase bus ridership. The budget also maintains existing service levels at 1.6 million service hours and defers a planned fare increase. In order to maintain service levels, despite declines in fare revenue and State Transit Assistance, and lower forecasted growth in sales tax, OCTA reduced the bus operating budget by \$20 million. The budget also includes the transition of approximately 52,000 hours of directly operated service to the contracted service provider which will bring the total amount of contracted service to 40 percent.

The fiscal year 2016-17 budget demonstrates OCTA's continued commitment to provide an effective and efficient multi-modal transportation network to enhance quality of life and keep the residents of Orange County moving.

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, 2016

<i>(amounts expressed in thousands)</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 904,258	\$ 411,474	\$ 1,315,732
Receivables:			
Interest	1,788	1,285	3,073
Operating grants	18,183	63,460	81,643
Capital grants	929	18,749	19,678
Other	2,243	12,074	14,317
Internal balances	(12,290)	12,290	-
Due from other governments	153,746	11,959	165,705
Condemnation deposits	714	-	714
Note receivable	25,182	-	25,182
Inventory	-	3,658	3,658
Restricted cash and investments:			
Cash equivalents	-	23,874	23,874
Prepaid retirement	5,265	13,369	18,634
Other assets	13,751	6,930	20,681
Assets held for resale	2,503	-	2,503
Capital assets, net:			
Nondepreciable	180,997	68,276	249,273
Depreciable	4,212	207,667	211,879
Intangible asset - tollroad franchise, net	-	128,041	128,041
Total Assets	1,301,481	983,106	2,284,587
Deferred Outflows of Resources			
Deferred charge on refunding	-	9,681	9,681
Deferred outflows - pensions	21,036	47,228	68,264
Total Deferred Outflows of Resources	21,036	56,909	77,945
Liabilities			
Accounts payable	43,054	38,670	81,724
Accrued payroll and related items	2,160	7,774	9,934
Accrued interest payable	7,965	2,107	10,072
Due to other governments	23,553	7,543	31,096
Unearned revenue	29,462	15,015	44,477
Other liabilities	82	273	355
Noncurrent liabilities:			
Due within one year	7,476	16,194	23,670
Due in more than one year	330,068	135,113	465,181
Net pension liability	73,108	180,348	253,456
Total Liabilities	516,928	403,037	919,965
Deferred Inflows of Resources			
Deferred inflows - pensions	7,643	17,477	25,120
Total Deferred Inflows of Resources	7,643	17,477	25,120
Net Position			
Net investment in capital assets	185,209	300,737	485,946
Restricted for:			
Measure M program	530,439	-	530,439
Debt service	11,994	36	12,030
Motorist services	2,787	-	2,787
Capital	-	10,030	10,030
Operating reserve	-	3,009	3,009
Unrestricted	67,517	305,689	373,206
Total Net Position	\$ 797,946	\$ 619,501	\$ 1,417,447

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2016

	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<i>(amounts expressed in thousands)</i>								
Functions/Programs								
Primary government								
Governmental activities:								
General government	\$ 95,155	\$ (56,820)	\$ 1,180	\$ 4,250	\$ 3,533	\$ (29,372)	\$ -	\$ (29,372)
Measure M program	272,627	15,670	204	110,846	-	(177,247)	-	(177,247)
Motorist services	6,355	903	-	5,648	-	(1,610)	-	(1,610)
Commuter rail	34,004	2,499	883	4,476	364	(30,780)	-	(30,780)
Total governmental activities	408,141	(37,748)	2,267	125,220	3,897	(239,009)	-	(239,009)
Business-type activities:								
Fixed route	208,851	33,927	50,197	44,806	28,501	-	(119,274)	(119,274)
Paratransit	63,071	870	8,132	19,948	-	-	(35,861)	(35,861)
Tollroad	25,120	2,709	52,240	472	7,347	-	32,230	32,230
Taxicab administration	567	242	518	-	-	-	(291)	(291)
Total business-type activities	297,609	37,748	111,087	65,226	35,848	-	(123,196)	(123,196)
Total primary government	\$ 705,750	\$ -	\$ 113,354	\$ 190,446	\$ 39,745	(239,009)	(123,196)	(362,205)
General Revenues:								
Property taxes						-	14,098	14,098
Sales taxes						476,368	-	476,368
Unrestricted investment earnings						19,447	7,672	27,119
Other miscellaneous revenue						918	791	1,709
Transfers						(152,899)	152,899	-
Total general revenues and transfers						343,834	175,460	519,294
Change in net position						104,825	52,264	157,089
Net position - beginning						693,121	567,237	1,260,358
Net position - ending						\$ 797,946	\$ 619,501	\$ 1,417,447

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Funds
June 30, 2016

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 41,172	\$ 820,074	\$ 14,399	\$ 11,992	\$ 16,621	\$ 904,258
Receivables:						
Interest	187	1,524	3	2	72	1,788
Operating grants	3,360	14,823	-	-	-	18,183
Capital grants	-	-	-	-	929	929
Other	154	2,060	-	-	29	2,243
Due from other funds	1,477	-	-	-	4,352	5,829
Due from other governments	2,033	107,098	28,241	-	13,774	151,146
Condemnation deposits	-	714	-	-	-	714
Note receivable	25,182	-	-	-	-	25,182
Advances to other funds	389	-	-	-	3,188	3,577
Prepaid retirement	9,027	-	-	-	-	9,027
Other assets	1,946	8,500	-	-	3,305	13,751
Total Assets	\$ 84,927	\$ 954,793	\$ 42,643	\$ 11,994	\$ 42,270	\$ 1,136,627
Liabilities						
Accounts payable	\$ 4,563	\$ 32,578	\$ -	\$ -	\$ 5,913	\$ 43,054
Accrued payroll and related items	2,160	-	-	-	-	2,160
Compensated absences	1	-	-	-	-	1
Due to other funds	-	4,866	14,163	-	49	19,078
Due to other governments	1,224	21,432	650	-	247	23,553
Unearned revenue - other	451	29,011	-	-	-	29,462
Other liabilities	62	20	-	-	-	82
Advances from other funds	-	3,188	-	-	-	3,188
Total Liabilities	8,461	91,095	14,813	-	6,209	120,578
Deferred Inflows of Resources						
Unavailable revenue - interest on advances	-	-	-	-	754	754
Unavailable revenue - grant reimbursements	1,921	41,687	-	-	133	43,741
Unavailable revenue - sale of land	526	-	-	-	-	526
Unavailable revenue - sales tax	-	-	-	-	10,538	10,538
Unavailable revenue - DMV fees	-	-	-	-	2,705	2,705
Unavailable revenue - ARTIC	24,156	-	-	-	-	24,156
Total Deferred Inflows of Resources	26,603	41,687	-	-	14,130	82,420
Fund Balances						
Nonspendable:						
Condemnation deposits	-	714	-	-	-	714
Note receivable	500	-	-	-	-	500
Prepaid retirement	9,027	-	-	-	-	9,027
Other assets	1,946	8,500	-	-	3,305	13,751
Advances	389	-	-	-	-	389
Restricted for:						
Transportation programs	23,548	812,797	27,830	-	9,862	874,037
Motorist services	-	-	-	-	82	82
Debt service	-	-	-	11,994	-	11,994
Assigned to:						
Metrolink/rail operations	14,453	-	-	-	-	14,453
Transportation capital projects	-	-	-	-	8,682	8,682
Total Fund Balances	49,863	822,011	27,830	11,994	21,931	933,629
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 84,927	\$ 954,793	\$ 42,643	\$ 11,994	\$ 42,270	\$ 1,136,627

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Net Position (page 18) are different because:

Total fund balances (page 20)	\$	933,629
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		185,209
Interest subsidy on the Build America Bonds is not reported in the funds.		2,600
Assets held for resale are not current financial resources and, therefore, are not reported in the funds.		2,503
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.		82,420
Deferred outflows of resources related to pensions are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		17,274
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.		570
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(7,965)
Other liabilities, including other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.		(90)
Long-term liabilities related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		(73,108)
Deferred inflows of resources related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		(7,643)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(337,453)
Net position of governmental activities (page 18)	\$	797,946

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, 2016

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Sales taxes	\$ -	\$ 300,937	\$ 156,974	\$ -	\$ 7,919	\$ 465,830
Vehicle registration fees	-	-	-	-	3,401	3,401
Fines	220	-	-	-	-	220
Contributions from other agencies	9,938	93,316	-	-	278	103,532
Interest and investment income	1,036	11,023	49	6,501	308	18,917
Capital assistance grants	974	-	-	-	2,246	3,220
Miscellaneous	4,505	504	8	-	73	5,090
Total Revenues	16,673	405,780	157,031	6,501	14,225	600,210
Expenditures						
Current:						
General government	43,941	72,274	2,128	-	8,027	126,370
Transportation:						
Contributions to other local agencies	15,961	105,824	2,285	-	160	124,230
Capital outlay	5,683	89,240	-	-	8,518	103,441
Debt service:						
Principal	-	-	-	7,210	-	7,210
Interest	-	30	-	21,584	-	21,614
Total Expenditures	65,585	267,368	4,413	28,794	16,705	382,865
Excess (deficiency) of revenues over (under) expenditures	(48,912)	138,412	152,618	(22,293)	(2,480)	217,345
Other financing sources (uses)						
Transfers in	15,240	6,513	-	28,794	6,175	56,722
Transfers out	(2,533)	(39,412)	(152,834)	(6,513)	(8,329)	(209,621)
Proceeds from sale of capital assets	3,010	-	-	-	-	3,010
Total other financing sources (uses)	15,717	(32,899)	(152,834)	22,281	(2,154)	(149,889)
Net change in fund balances	(33,195)	105,513	(216)	(12)	(4,634)	67,456
Fund balances - beginning	83,058	716,498	28,046	12,006	26,565	866,173
Fund balances - ending	\$ 49,863	\$ 822,011	\$ 27,830	\$ 11,994	\$ 21,931	\$ 933,629

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, 2016

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 19) are different because:

Net change in fund balances - total governmental funds (page 22)	\$	67,456
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.		8,213
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(5,605)
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.		30,032
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.		7,897
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.		(452)
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.		(3,014)
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.		298
Change in net position of governmental activities (page 19)	\$	<u>104,825</u>

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 252,863	\$ 117,148	\$ 1,490	\$ 371,501	\$ 39,973
Receivables:					
Interest	957	177	2	1,136	149
Operating grants	63,460	-	-	63,460	-
Capital grants	17,222	-	1,527	18,749	-
Violations, net	-	9,060	-	9,060	-
Farebox	569	-	-	569	-
Other	616	1,141	-	1,757	688
Due from other funds	13,249	-	-	13,249	-
Due from other governments	11,804	155	-	11,959	-
Inventory	3,658	-	-	3,658	-
Prepaid retirement	13,307	-	62	13,369	-
Other assets	1,568	4,030	-	5,598	1,332
Total current assets	379,273	131,711	3,081	514,065	42,142
Noncurrent assets:					
Restricted cash and investments:					
Cash equivalents	-	23,874	-	23,874	-
Capital assets, net:					
Nondepreciable	58,270	1,372	8,634	68,276	-
Depreciable	205,300	2,367	-	207,667	-
Intangible asset - tollroad franchise, net	-	128,041	-	128,041	-
Total noncurrent assets	263,570	155,654	8,634	427,858	-
Total Assets	642,843	287,365	11,715	941,923	42,142
Deferred Outflows of Resources					
Deferred charge on refunding	-	9,681	-	9,681	-
Deferred outflows - pensions	47,018	-	210	47,228	-
Total Deferred Outflows of Resources	47,018	9,681	210	56,909	-

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds, Continued
June 30, 2016

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	29,211	4,670	4,076	37,957	713
Accrued payroll and related items	7,743	-	31	7,774	-
Accrued interest	-	2,107	-	2,107	-
Claims payable	-	-	-	-	4,022
Due to other governments	1,468	6,045	30	7,543	-
Unearned revenue	10,435	4,577	3	15,015	-
Other liabilities	2	271	-	273	-
Current portion of long-term liabilities	6,862	5,285	25	12,172	-
Total current liabilities	55,721	22,955	4,165	82,841	4,735
Noncurrent liabilities:					
Advances from other funds	-	-	389	389	-
Claims payable	-	-	-	-	15,645
Net pension liability	179,670	-	678	180,348	-
Long-term liabilities	1,025	118,441	2	119,468	-
Total noncurrent liabilities	180,695	118,441	1,069	300,205	15,645
Total Liabilities	236,416	141,396	5,234	383,046	20,380
Deferred Inflows of Resources					
Deferred inflows - pensions	17,397	-	80	17,477	-
Total Deferred Inflows of Resources	17,397	-	80	17,477	-
Net Position					
Net investment in capital assets	263,570	28,533	8,634	300,737	-
Restricted for:					
Debt service	-	36	-	36	-
Capital	-	10,030	-	10,030	-
Operating reserves	-	3,009	-	3,009	-
Unrestricted	172,478	114,042	(2,023)	284,497	21,762
Total Net Position	\$ 436,048	\$ 155,650	\$ 6,611	\$ 598,309	\$ 21,762

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, 2016

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Net Position (page 18) are different because:

Total net position (page 25)	\$	598,309
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Internal service funds are used by management to charge the costs of risk

management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund is included in this difference.

		<u>21,192</u>
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Net position of business-type activities (page 18)	\$	<u><u>619,501</u></u>
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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, 2016

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
User fees and charges	\$ 51,061	\$ 52,240	\$ -	\$ 103,301	\$ -
Permit fees	-	-	518	518	-
Charges for services	-	-	-	-	14,492
Total operating revenues	51,061	52,240	518	103,819	14,492
Operating expenses:					
Wages, salaries and benefits	118,373	-	505	118,878	-
Maintenance, parts and fuel	16,479	-	-	16,479	-
Purchased services	80,754	8,293	-	89,047	-
Administrative services	34,640	2,323	627	37,590	157
Other	11,129	27	1	11,157	170
Insurance claims and premiums	-	334	-	334	10,633
Professional services	17,029	6,992	317	24,338	2,039
General and administrative	4,208	407	9	4,624	-
Depreciation and amortization	26,386	3,133	-	29,519	-
Total operating expenses	308,998	21,509	1,459	331,966	12,999
Operating income (loss)	(257,937)	30,731	(941)	(228,147)	1,493
Nonoperating revenues (expenses):					
State assistance	-	-	259	259	-
Federal operating assistance grants	64,891	-	-	64,891	-
Property taxes allocated by the County of Orange	14,098	-	-	14,098	-
Investment earnings	5,435	1,692	30	7,157	514
Interest expense	-	(5,670)	(1)	(5,671)	-
Other	8,462	713	16	9,191	1,029
Total nonoperating revenues (expenses)	92,886	(3,265)	304	89,925	1,543
Income (loss) before contributions and transfers	(165,051)	27,466	(637)	(138,222)	3,036
Capital contributions	27,530	-	7,319	34,849	-
Transfers in	163,952	-	-	163,952	-
Transfers out	(10,800)	-	(253)	(11,053)	-
Change in net position	15,631	27,466	6,429	49,526	3,036
Total net position - beginning	420,417	128,184	182	548,783	18,726
Total net position - ending	\$ 436,048	\$ 155,650	\$ 6,611	\$ 598,309	\$ 21,762

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, 2016

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Activities (page 19) are different because:

Net change in fund net position - total enterprise funds (page 27)	\$ 49,526
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Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of the general liability and workers' compensation internal service funds are included in business-type activities in the Statement of Net Position. Additionally, the effect of allocating the workers' compensation Internal Service Fund loss to the governmental activities is included in this difference.

2,738

Change in net position of business-type activities (page 19)	\$ 52,264
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See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 47,127	\$ 50,032	\$ 518	\$ 97,677	\$ -
Receipts from interfund services provided	-	-	-	-	14,414
Payments to suppliers	(129,881)	(13,183)	(303)	(143,367)	(2,549)
Payments to claimants	-	-	-	-	(6,622)
Payments to employees	(109,231)	-	(468)	(109,699)	-
Payments for interfund services used	(35,305)	(2,323)	(627)	(38,255)	(157)
Advertising revenue received	4,317	-	-	4,317	-
Miscellaneous revenue received	3,928	500	16	4,444	1,029
Net cash provided by (used for) operating activities	(219,045)	35,026	(864)	(184,883)	6,115
Cash flows from noncapital financing activities:					
Federal operating assistance grants received	16,170	-	-	16,170	-
Property taxes received	14,109	-	-	14,109	-
State transit assistance funds received	-	-	259	259	-
Transfers from other funds	168,774	-	-	168,774	-
Transfers to other funds	(10,800)	-	(253)	(11,053)	-
Repayment of advances from other funds	-	-	389	389	-
Net cash provided by noncapital financing activities	188,253	-	395	188,648	-
Cash flows from capital and related financing activities:					
Federal capital grants for acquisition and construction of capital assets	19,556	-	-	19,556	-
Proceeds from sale of capital assets	2,747	-	-	2,747	-
Principal payment on long-term debt	-	(5,074)	-	(5,074)	-
Interest paid on long-term debt	-	(5,721)	(1)	(5,722)	-
Acquisition and construction of capital assets	(38,567)	(1,360)	1,232	(38,695)	-
Net cash provided by (used for) capital and related financing activities	(16,264)	(12,155)	1,231	(27,188)	-
Cash flows from investing activities:					
Investment earnings	5,277	1,618	28	6,923	509
Net cash provided by investing activities	5,277	1,618	28	6,923	509
Net increase (decrease) in cash and cash equivalents	(41,779)	24,489	790	(16,500)	6,624
Cash and cash equivalents at beginning of year	294,642	116,533	700	411,875	33,349
Cash and cash equivalents at end of year	\$ 252,863	\$ 141,022	\$ 1,490	\$ 395,375	\$ 39,973

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds, Continued
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (257,937)	\$ 30,731	\$ (941)	\$ (228,147)	\$ 1,493
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	26,386	546	-	26,932	-
Amortization of franchise agreement	-	2,587	-	2,587	-
Amortization of prepaid retirement	20,010	-	95	20,105	-
Amortization of prepaid expense	-	313	-	313	-
Amortization of prepaid insurance	-	334	-	334	-
Pension expense	23,186	-	106	23,292	-
Advertising revenue	4,650	-	-	4,650	-
Miscellaneous	3,812	500	16	4,328	-
Insurance recoveries	-	-	-	-	1,029
Change in assets and liabilities:					
Receivables	356	(2,338)	-	(1,982)	(156)
Due from other governments	(4,025)	-	-	(4,025)	1
Inventory	687	-	-	687	-
Prepaid retirement	(18,985)	-	(80)	(19,065)	-
Other assets	(212)	(4,345)	-	(4,557)	(9)
Deferred outflows of resources related to pensions	(6,208)	-	(36)	(6,244)	-
Accounts payable	(2,647)	736	(4)	(1,915)	(374)
Accrued payroll and related items	569	-	-	569	-
Compensated absences	(267)	-	(6)	(273)	-
Claims payable	-	-	-	-	4,234
Due to other governments	711	5,832	28	6,571	-
Unearned revenue	-	131	-	131	-
Other liabilities	-	(1)	-	(1)	(103)
Net pension liability	(9,131)	-	(42)	(9,173)	-
Total adjustments	38,892	4,295	77	43,264	4,622
Net cash provided by (used for) operating activities	\$ (219,045)	\$ 35,026	\$ (864)	\$ (184,883)	\$ 6,115
Reconciliation of cash and cash equivalents to statement of net position:					
Cash and investments	\$ 252,863	\$ 117,148	\$ 1,490	\$ 371,501	\$ 39,973
Restricted cash and cash equivalents	-	23,874	-	23,874	-
Total cash and cash equivalents	\$ 252,863	\$ 141,022	\$ 1,490	\$ 395,375	\$ 39,973
Noncash capital, financing and investing activities:					
Capital contributions *	\$ 15,453	\$ -	\$ -	\$ 15,453	\$ -
Investment earnings - accrued interest	(584)	64	(2)	(522)	(1)
Amortization of bond premium	-	(644)	-	(644)	-
Amortization of deferred amount on refunding	-	670	-	670	-

*Cash portion related to this amount includes \$19,556 for federal capital grants from acquisition and construction of capital assets and \$(7,479) from 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, 2016

<i>(amounts expressed in thousands)</i>	Scholarship Trust Fund	ARBA Trust Fund
<hr/>		
Assets		
Cash and cash equivalents held in OCTA pool	\$ 5	\$ -
Cash and cash equivalents held in OCERS pool	-	96
Investments at fair value:		
Mutual funds	-	14,189
Total Assets	5	14,285
 Net Position		
Held in trust for future scholarships	5	-
Restricted for pension benefits	-	14,285
Total Net Position	\$ 5	\$ 14,285

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, 2016

<i>(amounts expressed in thousands)</i>	Scholarship Trust Fund	ARBA Trust Fund
Additions		
Contributions:		
Employer contributions	\$ -	\$ 955
Private donations	14	-
Total contributions	<u>14</u>	<u>955</u>
Investment income:		
Investment income	-	208
Less investment expense	-	(24)
Net investment income	<u>-</u>	<u>184</u>
Total additions	<u>14</u>	<u>1,139</u>
Deductions		
Benefits	-	1,065
Scholarships	13	-
Total deductions	<u>13</u>	<u>1,065</u>
Net increase in net position	1	74
Net position - beginning	<u>4</u>	<u>14,211</u>
Net position - ending	<u><u>\$ 5</u></u>	<u><u>\$ 14,285</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility (see note 8).

The OCTA Board of Directors (Board) consists of 18 members. Five members are the Orange County Board of Supervisors, 10 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

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

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 (absolute dollars) 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 (absolute dollars) 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.

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 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.

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

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 toll road 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, 2016, interest expense of \$20,927, and \$5,671, was included in Measure M, and toll road 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*** - This fund is the general operating fund of OCTA. It is used to account for the financial resources of the general government as well as the transit operations of OCTA, except for those required to be accounted for in another fund.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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In fiscal year 2014-15, the Commuter and Urban Rail Endowment (CURE) fund, previously reported as a special revenue fund, was consolidated with the General fund as it no longer met the definition of a special revenue fund.

- ***Local Transportation Authority (LTA) Fund*** - This special revenue 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 special revenue 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.
- ***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. OCTA's internal services funds are the General Liability fund and the Worker's Compensation fund.

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NOTES TO THE FINANCIAL STATEMENTS**

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.

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

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

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 Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended on June 13, 2016. The Policy complies with, or is more restrictive than, the California Government Code (Code). The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2016, 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.

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs. OCTA's leveled investments are measured using Level 2 inputs.

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted market prices, except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value. The 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 Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal instrumentality securities, federal agencies, state of California and local agency obligations, banker's acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other

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mutual funds, mortgage or asset-backed securities, LAIF, OCIP, California Asset Management Program, variable and floating rate securities, derivatives 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 Policy. 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 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 12-month average of violations collected during that time and is recorded net of an allowance for uncollectible accounts of \$949. For those violations in excess of 90 days, the receivable is estimated using a three-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 \$355. Approximately \$6,375 of the 91 Express Lanes 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."

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As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2015-16 fiscal year, \$57,898 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 \$14,492 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 5.80% discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2016-17 in order to benefit from this discount. Under the full accrual basis of accounting, the portion of prepaid retirement, which is expected to reduce the OCTA's net pension liability (NPL) at the next measurement date, is recorded as deferred outflows of resources. The remaining amount, which is not expected to be applied to NPL at the next measurement date, is reported as prepaid asset.

Since OCERS records the prepaid retirement as a liability (unearned contributions) and recognizes them over the periods of the related payroll, the prepaid retirement is reported as a prepaid asset in the governmental fund financial statements (modified accrual perspective).

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.

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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. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the acquisition date. Prior to fiscal year 2015-16, donated capital assets were recorded at estimated fair value at the date of donation.

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

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

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

<u>Asset Type</u>	<u>Useful Life</u>
Buildings and improvements	10-30 years
Machinery, equipment and furniture	3-10 years
Transit vehicles	3-12 years
Transponders	5-7 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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
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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 has two items that qualify for reporting in this category. Both of them are reported in the government-wide statement of net position. The first item is the deferred charge on refunding which 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. The second item is the deferred outflow related to pensions which is the result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 representing OCTA's pension contributions made subsequent to the measurement date, change of assumptions, and the net difference between projected and actual earnings on plan investments.

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, a note receivable with the City of Buena Park 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. In addition, OCTA has a deferred inflow of resources reported in the government-wide statement of net position. This item is the deferred inflows related to pensions which is the result of the implementation of GASB Statement No. 68 and it represents the change of assumptions and difference between expected and actual experience.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Refer to note 11 for information related to amortization of the deferred outflows/inflows of resources related to pensions.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the OCTA's Orange County Employees Retirement System (OCERS) plans (OCERS Plans) and additions to/deductions from the OCERS Plans' fiduciary net position have been determined on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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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 Commuter and Urban Rail Endowment (CURE) fund.

Net Position

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

- *Net investment in capital assets* - This balance reflects the net position of OCTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.
- *Restricted Net Position* - This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net position reports \$533,226 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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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, 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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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 \$185,209 difference are as follows:

Capital assets	\$ 197,308
Less accumulated depreciation	<u>(12,099)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 185,209</u></u>

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 \$(337,453) difference are as follows:

Bonds payable	\$ (325,485)
Plus unamortized bond issuance premium (to be amortized to interest expense)	(2,409)
Administrative headquarters' rent holiday	(4,272)
Compensated absences	<u>(5,287)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (337,453)</u></u>

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

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

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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 \$8,213 difference are as follows:

Capital outlay	\$ 9,368
Depreciation expense	(1,155)
	<hr/>
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 8,213</u></u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 \$7,897 difference are as follows:

Principal repayments	\$ 7,210
Change in accrued interest	84
Amortization of premium	603
	<hr/>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 7,897</u></u>

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

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2016:

Deposits:	
Deposits	\$ 23,350
Petty Cash	6
Total cash	<u>23,356</u>
Investments:	
With Orange County Treasurer	14,418
With LAIF	10,194
With Trustee	80,907
With Custodian	1,225,021
Total investments	<u>1,330,540</u>
Total Cash and Investments	<u>\$ 1,353,896</u>

Total cash and investments are reported in the following funds:

Unrestricted Cash and Investments:	
Governmental Funds	\$ 904,258
Proprietary Funds:	
Enterprise	371,501
Internal Service	39,973
Fiduciary Funds	14,290
Restricted Cash and Investments:	
Proprietary Funds:	
Enterprise	23,874
Total Cash and Investments	<u>\$ 1,353,896</u>

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

Restricted investments at June 30, 2016, represent reserves for debt service, capital and operations. As of June 30, 2016, OCTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
Orange County Investment Pool	\$ 14,418	\$ 14,419	.417% - .630%	1 day-3 years	397 days or 1.08
Local Agency Investment Fund	10,194	10,187	.299% - .576%	167- 239 days	167 days or .45
U. S. Treasuries	664,387	660,527	.511% - 1.734%	7/31/16-6/30/21	1.99
U. S. Agency Notes	159,185	158,814	.519% - 1.834%	8/25/16-10/9/19	1.63
Medium Term Notes	254,865	254,322	.694% - 2.674%	7/22/16-5/19/21	1.92
Mortgage and Asset Backed Securities	101,926	101,754	.580% - 2.450%	11/25/16-5/17/21	2.90
Money Market Funds *	60,705	60,705	.010% - .250%	7/1/16	1 Day
Variable Rate Notes	30,290	30,241	.783% - 1.864%	1/30/17-8/17/20	2.31
State of CA & Local Agencies	4,661	4,599	1.169% - 2.344%	5/15/17-11/1/19	1.86
Commercial Paper *	29,909	29,909	0.300% - 0.874%	7/5/16-10/18/16	.09
Total Investments	\$ 1,330,540	\$ 1,325,477			

Portfolio Weighted **1.86**

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

OCTA holds investments that are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are significant unobservable inputs.

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

As of June 30, 2016, OCTA's investments, categorized within the fair value hierarchy, are classified as Level 2 and are valued using the market valuation approach based on quoted prices for similar assets.

	<u>Fair Value Hierarchy</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Major Type				
U.S. Treasuries	\$ 664,387		\$ 664,387	
U.S. Agency Notes	159,185		159,185	
Medium Term Notes	254,865		254,865	
Mortgage & Asset-Backed Securities	101,926		101,926	
Variable Rate Notes	30,290		30,290	
State & Local Agencies	<u>4,661</u>		<u>4,661</u>	
Total Leveled Investments	\$1,215,314		\$1,215,314	
Money Market Funds	60,705			
Commercial Paper	29,909			
Orange County Investment Pool	14,418			
Local Agency Investment Fund	<u>10,194</u>			
Total Investments Measured at Fair Value	<u>\$1,330,540</u>			

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 two years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore, less sensitive to interest rate changes. In accordance with the Policy, amounts restricted for debt service reserves are invested in accordance with the maturity provision of their specific indenture, which may extend beyond five years.

As of June 30, 2016, mortgage and asset-backed securities totaled \$101,926. 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).

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

As of June 30, 2016, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	\$ 538	LIBOR + 55 basis points	Quarterly
Bank of New York	603	LIBOR + 87 basis points	Quarterly
Barclay's	1,800	LIBOR + 34 basis points	Monthly
Chevron	3,053	LIBOR + 41 basis points	Quarterly
Duke Energy	1,877	LIBOR + 20 basis points	Quarterly
Exxon Mobil	1,662	LIBOR + 60 basis points	Quarterly
General Electric	2,996	LIBOR + 45 basis points	Monthly
Goldman Sachs	1,347	LIBOR + 120 basis points	Quarterly
Honda	2,205	LIBOR + 46 basis points	Quarterly
HSBC	1,343	LIBOR + 61 basis points	Quarterly
HSBC	818	LIBOR + 88 basis points	Quarterly
IBM	3,010	LIBOR + 45 basis points	Quarterly
IBM	170	LIBOR + 37 basis points	Quarterly
JP Morgan Chase	2,050	LIBOR + 90 basis points	Quarterly
JP Morgan Chase	842	LIBOR + 95.5 basis points	Quarterly
Lowe's Inc.	282	LIBOR + 60 basis points	Quarterly
Manuf. & Traders Trust	1,341	LIBOR + 37.5 basis points	Quarterly
National City Bank	1,348	LIBOR + 37 basis points	Quarterly
Paccar Financial	231	LIBOR + 60 basis points	Quarterly
Toronto Dominion Bank	1,354	LIBOR + 56 basis points	Quarterly
UBS AG Stamford	589	LIBOR + 85 basis points	Quarterly
Westpac Banking Corp.	831	LIBOR + 74 basis points	Quarterly
Total Variable Rate Notes	\$ 30,290		

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. The 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, 2016, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three NRSROs: Standard & Poor's (S&P), Moody's Investor Service (Moody's), and Fitch Rating's (Fitch).

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by 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, 2016. (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	1.08%
Local Agency Investment Fund	NR	NR	NR	0.77%
U.S. Treasuries	US	US	US	49.93%
U.S. Agency Notes				
FHLB, FNMA, HUD and FHLMC	AA	Aaa	AAA	11.51%
FNMA	AA	Aaa	AA	0.45%
Medium Term Notes				
Corporate Notes	AAA	Aaa	AAA	0.04%
Corporate Notes	AAA	Aaa	AA	0.28%
Corporate Notes	AA	Aaa	AAA	0.12%
Corporate Notes	AA	Aaa	NR	0.50%
Corporate Notes	AA	Aa	AA	0.61%
Corporate Notes	AA	Aa	A	1.05%
Corporate Notes	AA	Aa	NR	1.31%
Corporate Notes	AA	A	AA	0.74%
Corporate Notes	AA	A	A	0.75%
Corporate Notes	AA	A	NR	0.64%
Corporate Notes	A	Aa	AA	0.07%
Corporate Notes	A	Aa	A	0.19%
Corporate Notes	A	Aa	NR	0.19%
Corporate Notes	A	A	AA	1.24%
Corporate Notes	A	A	A	7.43%
Corporate Notes	A	A	BBB	0.04%
Corporate Notes	A	A	NR	3.00%
Corporate Notes	A	Baa	A	0.05%
Corporate Notes	BBB	A	A	0.88%
Corporate Notes	BBB	Baa	BBB	0.04%
Mortgage and Asset-Backed Securities				
Securities	AAA	Aaa	AAA	0.89%
Securities	AAA	Aaa	NR	1.78%
Securities	AAA	NR	AAA	1.03%
Securities	AA	Aaa	AAA	2.72%
Securities	NR	Aaa	AAA	1.24%

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

Investments	S&P	Moody's	Fitch	% of Portfolio
Variable Rate Notes				
Notes	AAA	Aaa	NR	0.14%
Notes	AA	Aaa	NR	0.12%
Notes	AA	Aa	AA	0.16%
Notes	AA	Aa	A	0.24%
Notes	AA	Aa	NR	0.23%
Notes	A	Aa	A	0.14%
Notes	A	A	AA	0.21%
Notes	A	A	A	0.50%
Notes	A	A	NR	0.20%
Notes	BBB	A	A	0.10%
Notes	NR	Aaa	AAA	0.23%
Money Market Funds	AAA	Aaa	AAA	4.56%
State of CA & Local Agencies				
University of California	AA	Aa	AA	0.06%
University of California	AA	Aa	NR	0.11%
LA County Public Works	AA	A	AA	0.04%
LA County Municipal	A	NR	A	0.10%
California Earthquake Authority	NR	A3	A	0.04%
Commercial Paper	A-1	P-1	F1	2.25%
Total				100%

Concentration of Credit Risk

At June 30, 2016, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines for All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements, and OCTA's 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 \leq 7 days.
- 35% of any one repurchase agreement counter-party name if maturity/term is $>$ 7 days.

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

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

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

The following is a summary of the concentration of credit risk by issuer as a percentage of the OCTA's investment portfolio at June 30, 2016:

Issuer	Amount	% of OCTA's Portfolio
Federal Home Loan Mortgage Corporation (FHLMC)	\$ 84,903	6.38%
Federal National Mortgage Association (FNMA)	\$ 66,567	5.00%

The following is a summary of the concentration of credit risk by issuer as a percentage of the 91 Express Lanes Fund's investment portfolio at June 30, 2016:

Issuer	Amount	% of 91 Express Lanes Portfolio
Toyota (Commercial Paper)	\$ 12,996	9.23%
GE Capital Treasury (Commercial Paper)	\$ 10,835	7.69%

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. Deposits and withdrawals are made on the basis of \$1.00 (absolute dollars) and not fair value.

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

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). Deposits and withdrawals are made on the basis of \$1.00 (absolute dollars) and not fair value.

4. GRANTS AND STATE ASSISTANCE

Operating Assistance Grants

Under provisions of the Federal Transit Administration (FTA), funds are available to OCTA 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. The appropriations for fiscal years 2014-15 and 2015-16 total \$64,190 and \$66,195 respectively. A receivable of \$81,643 is outstanding as of June 30, 2016.

The U.S. Department of Labor (DOL) was holding the federal transit grant funding. This was a result of the Teamsters Union objections to the DOL resulting from employee pension changes directed by the recently enacted California Public Employees' Pension Reform Act (PEPRA). On March 28, 2016, the OCTA Board approved the acceptance of DOL's conditions to award and execute the FTA grants. This action enabled OCTA staff to begin the process of submitting all pending FTA grants for review and certification with the DOL.

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 2014-15 or 2015-16 appropriation is for capital grants. A receivable of \$19,678 is outstanding as of June 30, 2016.

Local Transportation Fund

In fiscal year 2015-16, 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.

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

In fiscal year 2015-16, OCTA and OCTD became entitled to \$3,790 and \$149,044 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 \$7,919 in fiscal year 2015-16.

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). OCTA received no additional funds during the fiscal year. As of June 30, 2016, OCTA has unspent Prop 1B proceeds and interest of \$25,207 and \$3,591 in PTMISEA and TSSSDRA funds, respectively.

5. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2016 in the fund financial statements are as follows:

Receivables:	Governmental Funds				Enterprise Funds		
	General	LTA	LTF	Nonmajor Funds	OCTD	SR 91 Tollroad	Total
Sales taxes	\$ -	\$ 54,368	\$28,241	\$ 10,538	\$ -	\$ -	\$ 93,147
Project reimbursements	1,422	52,730	-	-	-	155	54,307
Other	611	-	-	3,236	11,804	-	15,651
Total	\$2,033	\$107,098	\$28,241	\$ 13,774	\$11,804	\$155	\$163,105

An additional \$2,600 is included in the government-wide statements representing the interest receivable on the Build America Bonds (see note 10).

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

Amounts due to other governments as of June 30, 2016 are as follows:

Payables:	Governmental Funds				Enterprise Funds			
	General	LTA	LTF	Nonmajor Funds	OCTD	Tollroad	Nonmajor Fund I-405 EL	Total
Projects	\$1,134	\$20,551	\$ -	\$204	\$ 739	\$5,901	\$ 30	\$28,559
Use taxes	-	-	-	-	14	-	-	14
Other	90	881	650	43	715	144	-	2,523
Total	\$1,224	\$21,432	\$650	\$247	\$1,468	\$6,045	\$30	\$31,096

6. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2016 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	LTA Fund	\$ 514	ARTIC & Placentia Rail Station
General Fund	LTF Fund	914	TDA
General Fund	Nonmajor Governmental Funds	49	I-5 HOV projects
Nonmajor Governmental Funds	LTA Fund	49	Local Fair Share funds withheld from City of Placentia
OCTD Fund	LTF Fund	13,249	OCTD operations
Nonmajor Governmental Funds	LTA Fund	4,303	OC Streetcar project
Total		\$ 19,078	

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	Nonmajor Enterprise Funds	\$ 389	I-405 Express Lanes project
Nonmajor Governmental Funds	LTA Fund	3,188	M2 Expenditures
Total		\$ 3,577	

Beginning with fiscal year 2006-07, OCUTT advanced monies to LTA to cover expenditures such as election costs, administrative costs, and accrued interest. The advance does not have a defined maturity schedule. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (0.77% for fiscal year 2015-16). LTA began repaying OCUTT when Measure M funds were collected.

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

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
General Fund	OCTD Enterprise Fund	\$ 2,533	Irvine shuttle and Stationlink & rail feeder service
LTA Fund	LTA Debt Service Fund	28,794	Debt service
Nonmajor Governmental Funds	General Fund	403	Transportation projects
LTA Fund	Nonmajor Governmental Funds	6,098	OC Streetcar project
LTA Fund	General Fund	71	Placentia Rail Station Fare Stabilization, La Habra Express, Placentia Station and Senior Mobility program
LTA Fund	OCTD Enterprise Fund	4,449	
Local Transportation Fund	General Fund	3,790	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	149,044	OCTD and CTSA operations
LTA Debt Service Fund	LTA Fund	6,513	Excess Interest
Nonmajor Governmental Funds	OCTD Enterprise Fund	7,926	OCTD operations
Nonmajor Enterprise Funds	General Fund	176	I-405 Express Lanes project
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	77	I-405 Express Lanes project
OCTD Enterprise Funds	General Fund	10,800	Bristol Street project
Total		<u><u>\$ 220,674</u></u>	

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

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 172,239	\$ -	\$ (3)	\$ -	\$ 172,236
Construction in progress	1,155	8,403	-	(797)	8,761
Total capital assets, not being depreciated	173,394	8,403	(3)	(797)	180,997
Capital assets, being depreciated:					
Building and improvements	4,351	612	(1,086)	-	3,877
Machinery, equipment and furniture	11,216	969	(548)	797	12,434
Total capital assets, being depreciated	15,567	1,581	(1,634)	797	16,311
Less accumulated depreciation for:					
Buildings and improvements	(2,822)	(199)	474	-	(2,547)
Machinery, equipment and furniture	(8,944)	(956)	348	-	(9,552)
Total accumulated depreciation	(11,766)	(1,155)	822	-	(12,099)
Total capital assets, being depreciated, net	3,801	426	(812)	797	4,212
Governmental activities capital assets, net	\$ 177,195	\$ 8,829	\$ (815)	\$ -	\$ 185,209
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 54,545	\$ -	\$ (2,143)	\$ -	\$ 52,402
Construction in progress	18,296	8,159	-	(10,581)	15,874
Total capital assets, not being depreciated	72,841	8,159	(2,143)	(10,581)	68,276
Capital assets, being depreciated:					
Building and improvements	153,816	2,147	(7,808)	(1,656)	146,499
Transit vehicles	306,438	36,398	(26,251)	10,384	326,969
Machinery, equipment and furniture	88,337	1,912	(1,812)	1,853	90,290
Total capital assets, being depreciated	548,591	40,457	(35,871)	10,581	563,758
Less accumulated depreciation for:					
Buildings and improvements	(80,649)	(4,733)	7,402	-	(77,980)
Transit vehicles	(224,646)	(17,382)	26,251	-	(215,777)
Machinery, equipment and furniture	(59,317)	(4,817)	1,800	-	(62,334)
Total accumulated depreciation	(364,612)	(26,932)	35,453	-	(356,091)
Total capital assets, being depreciated, net	183,979	13,525	(418)	10,581	207,667
Business-type activities capital assets, net	\$ 256,820	\$ 21,684	\$ (2,561)	\$ -	\$ 275,943

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

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General Government	\$ 1,102
Measure M program	32
Motorist services	21
Total depreciation expense - governmental activities	\$ 1,155
 Business-type activities:	
Fixed route	\$ 24,801
Paratransit	1,585
Toll road	546
Total depreciation expense - business-type activities	\$ 26,932

8. 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.

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

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, 2016 was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Toll facility franchise	\$ 205,264	\$ -	\$ -	\$ 205,264
Less accumulated amortization	(74,636)	(2,587)	-	(77,223)
Total toll facility franchise, net	\$ 130,628	\$ (2,587)	\$ -	\$ 128,041

9. 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 \$60,000 per occurrence through three 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:

	2016	2015
General Liability		
Unpaid claims as of July 1	\$ 3,582	\$ 6,449
Incurred claims (including claims incurred but not reported as of June 30)	3,232	707
Payments	(780)	(744)
Increase/(decrease) in provision for prior years' events	830	(2,830)
Unpaid claims at June 30	6,864	3,582

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	2016	2015
Workers' Compensation		
Unpaid claims as of July 1	11,851	11,505
Incurred claims (including claims incurred but not reported as of June 30)	1,817	1,885
Payments	(5,081)	(4,411)
Increase in provision for prior years' events	4,216	2,872
Unpaid claims at June 30	12,803	11,851
Total unpaid claims at June 30	19,667	15,433
Less current portion of unpaid claims	4,022	3,029
Total long-term portion of unpaid claims	\$ 15,645	\$ 12,404

10. 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
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

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	2010 Series A (Taxable Build America Bonds)	2010 Series B (Tax-Exempt Bonds)
Bonds outstanding	\$ 293,540	\$ 31,945
Plus unamortized premium	-	2,409
Total	\$ 293,540	\$ 34,354

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest
2017	\$ 7,475	\$ 21,317
2018	7,775	21,018
2019	8,165	20,629
2020	8,530	20,263
2021	8,915	19,879
2022-2026	49,960	91,104
2027-2031	61,800	72,890
2032-2036	76,975	49,539
2037-2041	95,890	20,454
Total	\$ 325,485	\$ 337,093

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 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	\$23,799*
Cash reserve balance	\$23,874
Interest rate range	2% - 5%
Maturity	December 2030
Principal payment date	August 15

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Current balance	\$114,415
Unamortized premium	\$9,310
Deferred amount on refunding	\$(9,681)

*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 - \$10,799, Major Maintenance Reserve Fund - \$10,000, and Operating Reserve Fund - \$3,000.

At June 30, 2016, all reserve requirements have been satisfied.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest
2017	\$ 5,285	\$ 5,513
2018	5,525	5,270
2019	5,810	4,986
2020	6,110	4,688
2121	6,420	4,375
2022-2026	37,395	16,586
2027-2031	47,870	6,115
Total	\$ 114,415	\$ 47,533

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Sales tax revenue bonds	\$ 332,695	\$	\$ 7,210	\$ 325,485	\$ 7,475
Unamortized premium	3,012	-	603	2,409	-
Compensated absences	4,823	5,147	4,682	5,288	1
Rent holiday	3,820	452	-	4,272	-
Net pension liability	59,810	21,212	7,914	73,108	-
Other postemployment	89	1	-	90	-
Total governmental activities					
long-term liabilities	\$ 404,249	\$ 26,812	\$ 20,409	\$ 410,652	\$ 7,476

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	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Business-type activities:					
Tax-exempt bonds	\$ 119,490	\$ -	\$ 5,075	\$ 114,415	\$ 5,285
Unamortized premium	9,954	-	644	9,310	-
Claims payable	15,433	10,095	5,861	19,667	4,022
Compensated absences	8,135	9,588	9,861	7,862	6,887
Net pension liability	148,769	49,656	18,077	180,348	-
Other postemployment	52	1	-	53	-
Total business-type activities					
long-term liabilities	\$ 301,833	\$ 69,340	\$ 39,518	\$ 331,655	\$ 16,194

Compensated absences, net pension liability and other postemployment benefits 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.

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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, 2016, 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	\$ 237,151	\$ 22,324 *	10.62
91 Express Lanes Net Toll Road Revenue	\$ 35,576	\$ 10,796	3.30

*OCTA received \$6,469 in Build America Bonds subsidy to offset annual debt service payments for Measure M2 Sales Tax Revenue Bonds.

11. PENSION PLANS

OCTA participates in the Orange County Employees Retirement System (OCERS) and Additional Retiree Benefit Account (ARBA) for supplemental pension plan which are subject to GASB Statement no. 68. A summary of pension amounts for OCTA's plans at June 30, 2016 is presented below:

	OCERS	ARBA	Total
Deferred outflows - pensions	\$ 67,217	\$ 1,047	\$ 68,264
Net pension liability	\$ 250,193	\$ 3,263	\$ 253,456
Deferred inflows - pensions	\$ 23,130	\$ 1,990	\$ 25,120
Pension Expenses	\$ 32,701	\$ 737	\$ 33,438

A. Orange County Employees Retirement System

General Information about the Pension Plan

Plan Description: OCTA participates in OCERS Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by OCERS. The County Employees Retirement Law of 1937 and other applicable statutes grant the authority to establish and amend the benefit terms to the OCERS. OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by OCERS. This report is issued for each year ending December 31 and can be obtained online at www.ocers.org, or from its executive office: 2223 Wellington Avenue, Santa Ana, CA 92701.

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Benefits Provided: OCERS provides for service retirement, death, disability, survivor benefits and annual cost-of-living benefits to plan members, who must be public employees and beneficiaries. Service retirement benefits are based on Plan Type, years of service, age at retirement and final average salary. The benefit formulas are an annual annuity equal to 2% of the employee's one-year final average salary for each year of service rendered at age 57 for Plan A members who were hired prior to September 21, 1979 and 1.67% of the employee's three year final average salary for each year of service rendered at age 57.5 for Plan B members who were hired after September 21, 1979.

Contributions: Per Government Code sections 31453.5 and 31454, participating employers are required to contribute a percentage of covered salary to the Plan. The contribution requirements of participating active members and employers are established and may be amended by the OCERS' Board of Retirement. Employee contributions are established by the OCERS' Board of Retirement and guided by state statute (Government Code sections 31621, 31621.5, 31621.8, 31639.25 and 31639.5) and vary based upon employee age at the time of entering OCERS membership. Participating employers may pay a portion of the participating active employees' contributions through negotiations and bargaining agreements.

Funding contributions for the OCERS plan are determined annually on an actuarial basis by OCERS. The contribution requirement for the year ended June 30, 2016 was 26.99% of total covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. OCTA's contributions to OCERS were \$26,347 for the year ended June 30, 2016.

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 5.44% to 14.00% (depending on age of entry). Employees that are employed under collective bargaining units pay their own employee contributions.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, OCTA reported a liability of \$250,193 for its proportionate share of the net pension liability (NPL). The NPL was measured as of December 31, 2015, and determined by rolling forward the total pension liability (TPL) as of December 31, 2014 actuarial valuation date. OCTA's proportion of the NPL was based on the total contribution. Legally required employer contributions for each year less any amounts of those legally required contributions that are paid by the employees are used as the basis for determining each participating employer's proportion of total contributions. Contributions made by the employer on behalf of employees under

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Government Code Section 31581.2 are considered employee contributions and are not included in the proportionate share calculation.

At December 31, 2015, OCTA's proportion was 4.377%, which was an increase of 0.371% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, OCTA recognized pension expense of \$32,701. At June 30, 2016, OCTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 23,411	\$ -
Net difference between projected and actual earning on plan investments	42,751	-
Difference between expected and actual experience	1,055	9,302
Changes of assumptions	-	13,828
Total	\$ 67,217	\$ 23,130

\$23,411 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows/outflows of resources related to changes of assumptions and difference between expected and actual experience will be recognized as pension expense over the average of the expected remaining service lives of all employees that are provided with pensions through OCERS which is 6.068 years determined as of December 31, 2014 (the beginning of the measurement period ended December 31, 2015). In addition, amounts reported as deferred outflows of resources related to earnings on plan investments will be recognized as pension expense over an initial five-year closed period.

Following is a schedule for amortization of deferred outflows/inflows of resources:

Year ended June 30:	Increase/(Decrease) in Pension Expense
2017	\$ 6,107
2018	6,107
2019	6,107
2020	3,130
2021	(787)
Thereafter	12
Total	\$ 20,676

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Actuarial Assumptions

Following are the key methods and assumptions used for the TPL as of December 31, 2015:

Actuarial Experience Study	Three year period ending December 31, 2013
Actuarial Cost Method	Entry age normal cost
Actuarial Assumptions:	
Investment Rate of Return	7.25% net of pension plan investment expenses, including inflation
Discount Rate	7.25%
Inflation Rate	3.00%
Cost of Living Adjustment	3.00% of retirement income
Projected Salary Increases	4.25% to 13.50%; Varies by service, including inflation

Mortality Assumptions: The underlying mortality assumptions used in the TPL at December 31, 2015 were based on the results of the actuarial experience study using the RP-2000 Combined Healthy Mortality Table projected with the Society of Actuaries Scale BB to 2020.

Long-term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses.

The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (US Credit)	8.00%	4.97%
Diversified Credit (Non-US Credit)	2.00%	6.76%

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

Discount Rate: The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity of the Proportionate Share of the NPL to Changes in the Discount Rate: The following table represents the net pension liability of participating employers calculated using the discount rate of 7.25%, as well as what the NPL would be if it was calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
OCTA's Proportionate Share of the NPL	\$ 365,613	\$ 250,193	\$ 155,223

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial report.

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B. Supplemental Pension Plan

General Information about the Supplemental Pension Plan

Plan Description: On January 1, 1995, OCTA established the Additional Retiree Benefit Account (ARBA). ARBA is a single-employer defined benefit retirement plan. ARBA 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. ARBA is administered for OCTA through OCERS. The OCTA Board governs the plan and has the authority to amend the benefits of ARBA.

The plan financial statements are prepared using the accrual basis of accounting. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan. There is no stand-alone financial report for the plan issued.

Benefit Provided: ARBA 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. The plan provides a lifetime monthly annuity equal to \$10 times the number of years of OCTA continuous service prior to retirement with a maximum of \$150 per month. ARBA has no termination, disability, or survivor benefits.

Employees Covered by Benefit Terms: At June 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	634
Inactive plan members entitled to but not yet receiving benefits	0
Active plan Members	1,403
Total	2,037

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, 2016 actuarial valuation. The actuarial determined contribution rate for the year ended June 30, 2016 was 0.84% of annual covered payroll and OCTA's contribution to the plan were \$955. 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. ARBA requires no employee contributions. Administrative costs of ARBA are paid through investment earnings.

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Investment Policy: OCERS has the authority to invest the plan’s assets, and has the sole, exclusive, and plenary discretionary authority and fiduciary responsibility to manage the investments and reinvestment of the plan’s 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’s investments are presented at fair value or estimated fair value. The following was the assumed asset allocation as of June 30, 2016:

Asset Class	Target Allocation
Fixed Income	35.0%
Domestic Equity	50.0%
International Equity	15.0%
Cash Equivalents	0.0%
Total	100.0%

As of June 30, 2016, the plan held investments that represented 5% or more of the plan’s fiduciary net position. The plan held 16.64% in Europe, Australia and Far East Equity Index Fund B, 51.11% in Russell 1000 Index Fund B, and 32.25% in U.S. Debt Index Fund B.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

OCTA’s NPL for the ARBA is measured as the TPL, less ARBA’s fiduciary net position. The NPL is measured as of June 30, 2016, using a bi-annual actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the NPL is shown below.

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The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions: The total pension liability in the January 1, 2016 was determined using the following actuarial assumptions:

Valuation Date	January 1, 2016
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry age normal cost
Actuarial Assumptions:	
	7.25% net of pension plan investment expenses, including inflation
Investment Rate of Return	
Discount Rate	7.25%
Inflation Rate	3.00%
Cost of Living Adjustment	Not applicable
Projected Salary Increases	Inflation plus 0.5% per annum across-the-board salary increase plus merit and promotional increases

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.

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 2014 and collected and analyzed data for the period from January 1, 2011 to December 31, 2013.

The long-term expected rate of return on plan investments was determined using a building block method which best estimates ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation) 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, 2016 are summarized in the following table:

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

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Discount Rate: As of June 30, 2016 measurement date, the discount rate used to measure the TPL was 7.25%, which changed from 6.80% as of June 30, 2015. 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/2015	\$ 19,198	\$ 14,211	\$ 4,987
Changes for the year:			
Service Cost	361	-	361
Interest	1,294	-	1,294
Difference between expected and actual experience	(99)	-	(99)
Changes of assumptions	(2,140)	-	(2,140)
Contributions - Employer	-	955	(955)
Net investment income	-	209	(209)
Benefits payments, including refunds of employee	(1,066)	(1,066)	-
Administrative expense	-	(24)	24
Net changes	(1,650)	74	(1,724)
Balance at 6/30/2016	\$ 17,548	\$ 14,285	\$ 3,263

Plan fiduciary net position as a percentage of the total pension liability 81.40%

Sensitivity of the NPL to Change in the Discount Rate: The following presents the NPL of OCTA, calculated using the discount rate of 7.25%, as well as what OCTA's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
OCTA's net pension liability	\$ 4,947	\$ 3,263	\$ 1,801

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Pension Expenses and Deferred Outflows/Inflows of Resources Related to ARBA

For the year ended June 30, 2016, OCTA recognized pension expense for the ARBA of \$737. At June 30, 2016, OCTA reported deferred outflows/inflows of resources related to ARBA from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earning on plan investments	\$ 886	\$ -
Difference between expected and actual experience	-	88
Changes of assumptions	161	1,902
Total	\$ 1,047	\$ 1,990

\$886 reported as deferred outflows of resources related to investment earnings is cumulative net difference that will be recognized as pension expense using a systematic and rational method over an initial five-year closed period. All other amounts reported as deferred outflows/inflows of resources are also cumulative and will be recognized as pension expense over the average of the expected remaining service lives of all employees. Below is the amortization schedule of collective deferred outflows/inflows of resources:

Year ended June 30:	Increase/(Decrease) in Pension Expense
2017	\$ 19
2018	19
2019	19
2020	(75)
2021	(225)
Thereafter	(700)
Total	\$ (943)

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12. 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 Statement No. 45 requires that this implied subsidy be reclassified when reporting the contributions for retiree medical costs.

For the year ended June 30, 2016, OCTA contributed \$72 in implied subsidies through the active healthcare premiums:

	<u>Amount</u>
Total Active Health Premiums	\$ 10,341
Reclassification for Implied Subsidy	<u>(72)</u>
Net Active Health Premiums	<u>\$ 10,269</u>

Annual OPEB Cost and Net OPEB Obligation: OCTA’s annual other postemployment benefit (OPEB) cost is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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.

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The following table shows the components of OCTA's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the Plan, and changes in OCTA's net OPEB obligation.

	Amount
Annual required contribution	\$ 76
Interest on net OPEB obligation	5
Adjustment to annual required contribution	(7)
Annual OPEB cost	74
Benefit payments made	(72)
Increase in net OPEB obligation	2
Net OPEB obligation - beginning of year	141
Net OPEB obligation - end of year	\$ 143

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, 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 74	97.3%	\$ 143
6/30/2015	\$ 77	97.4%	\$ 141
6/30/2014	\$ 74	101.0%	\$ 139

Funded Status: The June 30, 2016 funded status of the OPEB plan is as follows:

	Amount
Actuarial Accrued Liability (AAL)	\$ 748
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 748
Funded ratio (Actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 43,782
UAAL as a percentage of covered payroll	1.7%

The above noted actuarial accrued liability was based on the January 1, 2016 actuarial valuation. The actuarial valuations contained in the Report involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. In addition, the actuarial calculations reflect a long-term perspective.

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

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, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), and annual healthcare cost trend rates for medical of 6.5%, decreasing to 5% over four 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 3.0%. 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 2014 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, 2016 is 22 years. Current trend information about the funding progress is presented in the Required Supplementary Information following the notes to the basic financial statements.

13. 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, 2016 are as follows:

	Total Purchase Commitments	Reserve for Encumbrances	Unencumbered Purchase Commitments
Governmental Funds:			
General	\$ 102,661	\$ 7,870	\$ 94,791
LTA	537,043	63,959	473,084
LTF	23	-	23
CURE	40,260	4,282	35,978
Nonmajor governmental funds	63,341	13,339	50,002
Total Governmental Funds	743,328	89,450	653,878
Proprietary Funds:			
OCTD	370,635	131,545	239,090
91 Express Lanes	73,061	1,391	71,670
I-405 Express Lanes	19,904	76	19,828
Internal Service Funds	2,966	2,842	124
Total Proprietary Funds	466,566	135,854	330,712
Total	\$ 1,209,894	\$ 225,304	\$ 984,590

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

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, services for the OC Streetcar project, the purchase of buses, paratransit bus services and services for the operation of the contracted fixed route, stationlink and express buses.

14. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

OCTA is a defendant in various legal actions. To the extent the outcome of such litigation has been determined to result in probable loss to OCTA, such loss has been accrued in the accompanying financial statements. OCTA believes that these accruals are adequate to provide for its estimated future obligations in these matters, and that any amounts in excess of such accruals 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 included 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.

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

Total costs for leases for the year ended June 30, 2016 amounted to \$6,761. Future minimum payments for these leases are as follows:

Year Ending June 30,	Amount
2017	\$ 6,834
2018	6,686
2019	6,664
2020	6,309
2021	4,187
2022-2031	32,828
Total	\$ 63,508

15. 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 \$28,066 during fiscal year 2015-16 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by, and available from, SCRRA, which is located at One Gateway Plaza, 12th Floor, Los Angeles, CA 90012.

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 \$1,043 during fiscal year 2015-16. 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.

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

16. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the OCUTT Fund, expenditures exceeded appropriations for transfers out for \$328. This was a result of more than anticipated transfers to cover expenditures relating to the I-5 HOV project.

In the LTA Debt Service Fund, expenditures exceeded appropriations for transfers out for \$6,513. 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.

17. FUND DEFICIT

The Orange County Taxi Administration Program (OCTAP) fund, an enterprise fund, had a net position deficit of \$85. The fund deficit was the result of operating expenses exceeding operating revenues due to a decrease in operating revenue from permit fees.

18. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 72

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is considered to be the exit price. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for OCTA's fiscal year ending June 30, 2016. Notes 1 and 3 include information required by this Statement.

GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of

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

Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement is effective in two phases for periods beginning after June 15, 2015 and June 15, 2016. However, OCTA decided to early implement the provisions effective next fiscal year. Therefore, this Statement is effective for OCTA's fiscal year ending June 30, 2016.

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for OCTA's fiscal year ending June 30, 2017. OCTA has not determined the effect of this Statement.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for OCTA's fiscal year ending June 30, 2018. OCTA has not determined the effect of this Statement.

GASB Statement No. 76

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting

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

environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for OCTA’s fiscal year ending June 30, 2016. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 77

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government’s financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. This Statement is effective for OCTA’s fiscal year ending June 30, 2017. OCTA has not determined the effect of this Statement.

GASB Statement No. 78

In December 2015, GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. However, OCTA decided to early implement this Statement in fiscal year ending June 30, 2016. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 79

In December 2015, GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. This Statement is effective for OCTA’s fiscal year ending June 30, 2016. The implementation of this Statement did not have a material effect on the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

GASB Statement No. 80

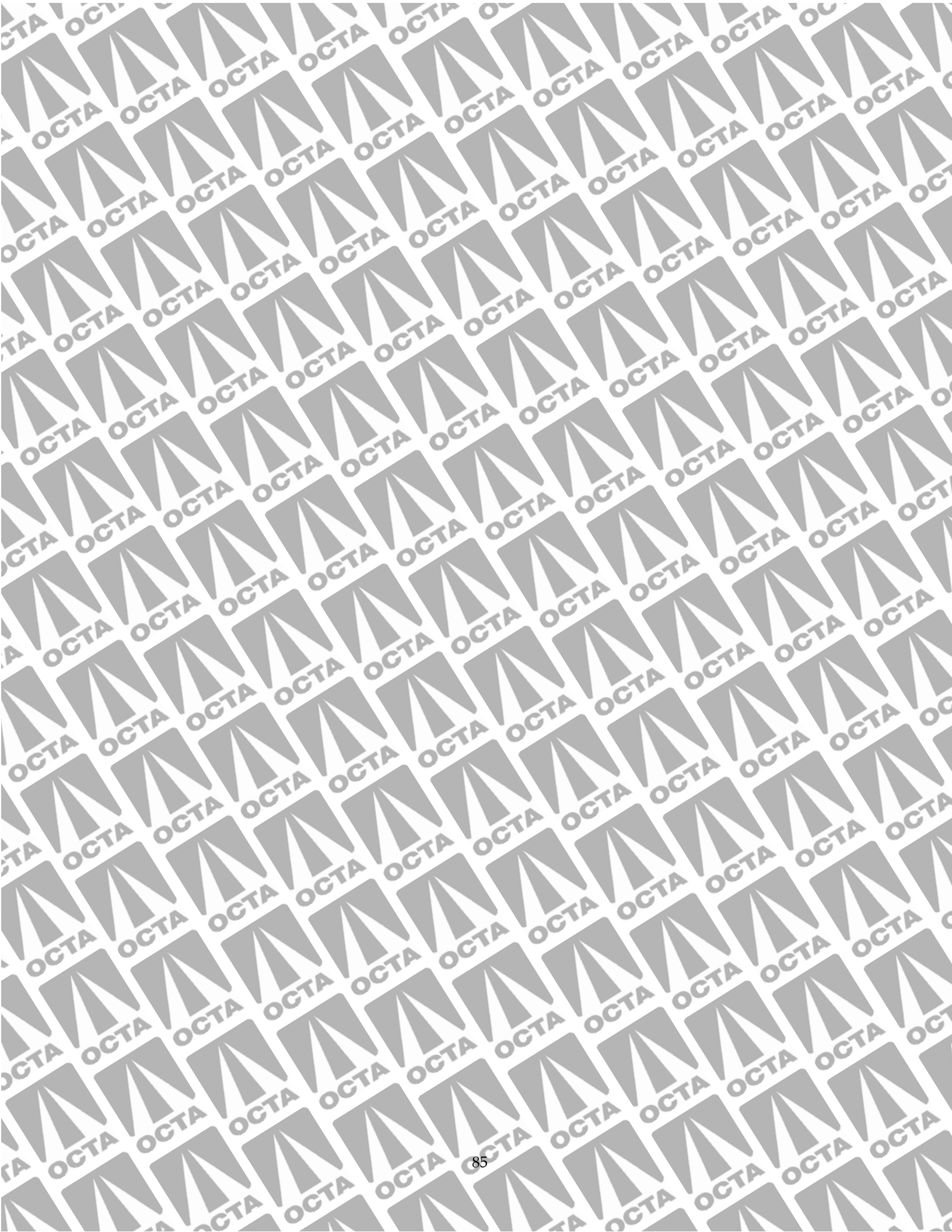
In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement is effective for OCTA’s fiscal year ending June 30, 2017. OCTA has not determined the effect of this Statement.

GASB Statement No. 81

In March 2016, GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for OCTA’s fiscal year ending June 30, 2018. OCTA has not determined the effect of this Statement.

GASB Statement No. 82

In March 2016, GASB issued Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues related to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The issues addressed by this Statement are related to the presentation of payroll-related measures in required supplementary information. In addition, this Statement addresses the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting period beginning after June 15, 2016. However, OCTA decided to early implement this Statement. Therefore, this Statement is effective for OCTA’s fiscal year ending June 30, 2016.



ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Budgetary Basis)
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines	\$ 140	\$ 140	\$ 207	\$ 67
Contributions from other agencies	16,024	7,134	6,727	(407)
Interest and investment income	1,745	1,745	664	(1,081)
Capital assistance grants	6,045	2,185	426	(1,759)
Miscellaneous	202	202	3,490	3,288
Total revenues	24,156	11,406	11,514	108
Expenditures				
Current:				
General government:				
Salaries and benefits	51,134	51,109	47,292	3,817
Supplies and services	37,841	31,296	26,389	4,907
Interfund reimbursements	(66,319)	(66,319)	(57,898)	(8,421)
Transportation:				
Contributions to other local agencies	20,929	20,924	14,788	6,136
Capital outlay	25,816	19,754	6,411	13,343
Total expenditures	69,401	56,764	36,982	19,782
Deficiency of revenues under expenditures	(45,245)	(45,358)	(25,468)	19,890
Other financing sources				
Transfers in	33,887	33,887	17,013	(16,874)
Proceeds from sale of capital assets	-	-	10	10
Total other financing sources	33,887	33,887	17,023	(16,864)
Net change in fund balance	\$ (11,358)	\$ (11,471)	\$ (8,445)	\$ 3,026

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (8,445)
Net change in fund balance (budgetary basis) - from CURE fund	(33,982)
Less: Estimated revenues for encumbrances outstanding at June 30	1,747
Less: Estimated revenues for encumbrances outstanding at June 30 - from CURE fund	1,201
Add: Current year encumbrances outstanding at June 30 - from CURE fund	4,282
Add: Current year encumbrances outstanding at June 30	7,898
Net change in fund balance (GAAP basis)	\$ (33,195)

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, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 310,127	\$ 310,127	\$ 300,937	\$ (9,190)
Contributions from other agencies	70,173	75,773	130,614	54,841
Interest and investment income	3,430	3,430	11,023	7,593
Miscellaneous	102	102	504	402
Total revenues	383,832	389,432	443,078	53,646
Expenditures				
Current:				
General government:				
Supplies and services	171,669	173,174	118,722	54,452
Transportation:				
Contributions to other local agencies	154,279	159,475	105,829	53,646
Capital outlay	170,749	170,749	106,494	64,255
Debt service:				
Interest	-	-	30	(30)
Total expenditures	496,697	503,398	331,075	172,323
Excess (deficiency) of revenues over (under) expenditures	(112,865)	(113,966)	112,003	225,969
Other financing sources (uses)				
Transfers in	13,153	13,153	6,513	(6,640)
Transfers out	(68,897)	(68,897)	(39,412)	29,485
Total other financing uses	(55,744)	(55,744)	(32,899)	22,845
Net change in fund balance	\$ (168,609)	\$ (169,710)	\$ 79,104	\$ 248,814

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ 79,104
Less: Estimated revenues for encumbrances outstanding at June 30	37,298
Add: Current year encumbrances outstanding at June 30	63,707
Net change in fund balance (GAAP basis)	\$ 105,513

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, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 165,253	\$ 156,539	\$ 156,974	\$ 435
Interest and investment income	25	25	49	24
Miscellaneous	-	-	8	8
Total revenues	165,278	156,564	157,031	467
Expenditures				
Current:				
General government:				
Supplies and services	1,798	1,798	2,128	(330)
Transportation:				
Contributions to other local agencies	2,355	2,355	2,285	70
Total expenditures	4,153	4,153	4,413	(260)
Excess of revenues over expenditures	161,125	152,411	152,618	207
Other financing uses				
Transfers out	(161,126)	(161,126)	(152,834)	8,292
Total other financing uses	(161,126)	(161,126)	(152,834)	8,292
Net change in fund balance	\$ (1)	\$ (8,715)	\$ (216)	\$ 8,499

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2016

(amounts expressed in thousands)

Schedule of OCTA's Proportionate Share of the Net Pension Liability

Orange County Employees Retirement System Pension Plan

Last 10 Fiscal Years*

	2016	2015	2014
OCTA's Proportion of the NPL	4.377%	4.006%	4.112%
OCTA's proportionate share of the NPL	\$ 250,193	\$ 203,592	\$ 217,569
OCTA's covered payroll**	\$ 93,110	\$ 95,061	\$ 92,200
OCTA's proportionate share of the NPL as a percentage of its covered payroll**	268.71%	214.17%	235.98%
Plan fiduciary net position as a percentage of the total pension liability	67.10%	69.42%	67.16%

Note: The amounts presented for each fiscal year were determined as of December 31.

Schedule of OCTA Contributions

Orange County Employees Retirement System Pension Plan

Last 10 Fiscal Years*

	2016	2015	2014
Actuarially determined contribution	\$ 26,347	\$ 24,722	\$ 22,244
Contributions in relation to the actuarially determined contributions	26,347	24,722	22,244
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll**	\$ 97,616	\$ 92,878	\$ 94,244
Contributions as a percentage of covered payroll**	26.99%	26.62%	23.60%

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

** Covered payroll represents compensation that is earnable and pensionable. Due to implementation of GASB Statement No. 82, Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73, previous years' information has been revised accordingly.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2016

(amounts expressed in thousands)

Schedule of the Changes in OCTA's Net Pension Liability and Related Ratios

Additional Retiree Benefit Account Plan

Last 10 Fiscal Years*

	2016	2015	2014
Total pension liability			
Service cost	\$ 361	\$ 423	\$ 388
Interest	1,294	1,240	1,214
Changes of assumptions	(2,140)	207	-
Difference between expected and actual experience	(99)	-	-
Benefit payments, including refunds of employee contributions	(1,066)	(980)	(1,010)
Net change in total pension liability	(1,650)	890	592
Total pension liability - beginning	19,198	18,308	17,716
Total pension liability - ending (a)	\$ 17,548	\$ 19,198	\$ 18,308
Plan fiduciary net position			
Contributions - employer	\$ 955	\$ 875	\$ 848
Net investment income	209	467	2,075
Benefit payments, including refunds of employee contributions	(1,066)	(980)	(897)
Administrative expenses	(24)	(24)	(23)
Net change in plan fiduciary net position	\$ 74	\$ 338	\$ 2,003
Plan fiduciary net position - beginning	14,211	13,873	11,870
Plan fiduciary net position - ending (b)	\$ 14,285	\$ 14,211	\$ 13,873
Net pension liability - ending (a) - (b)	\$ 3,263	\$ 4,987	\$ 4,435
Plan fiduciary net position as a percentage of the total pension liability	81.40%	74.02%	75.78%
Covered payroll	\$ 91,781	\$ 92,403	\$ 89,494
Net pension liability as a percentage of covered payroll	3.56%	5.40%	4.96%

Notes to the schedule for Additional Retiree Benefit Account Plan

Change of assumptions: In 2016, amounts reported as changes of assumptions resulted from adjustments to discount rate.

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2016

(amounts expressed in thousands)

Schedule of Investment Returns

Additional Retiree Benefit Account Plan

Last 10 Fiscal Years*

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.47%	3.38%	17.51%

Schedule of OCTA Contributions

Additional Retiree Benefit Account Plan

Last 10 Fiscal Years*

	2016	2015	2014
Actuarially determined contribution	\$ 772	\$ 904	\$ 875
Contributions in relation to the actuarially determined contributions	955	874	848
Contribution (deficiency)/excess	\$ 183	\$ (30)	\$ (27)
Covered payroll	\$ 91,781	\$ 92,403	\$ 89,494
Contributions as a percentage of covered payroll	1.04%	0.95%	0.95%

Notes to the schedule for Additional Retiree Benefit Account Plan

Valuation date: Actuarially determined contribution rates are calculated as of January 1, 6 months prior to the end of the fiscal year in which contributions are reported.

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:	7.25%
Inflation:	3.00% per annum
Salary Scale:	Inflation plus 0.5% per annum across-the-board salary increase plus merit and promotional increases
Cost of Living:	Not applicable
Mortality Rates:	Rates are from the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan Trend Data
June 30, 2016

(amounts expressed in thousands)

Other Post Employment Benefit Trend Data

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

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
2016	\$ -	\$ 748	\$ 748	0%	\$ 43,782	1.7%
2014	\$ -	\$ 775	\$ 775	0%	\$ 41,138	1.9%
2012	\$ -	\$ 726	\$ 726	0%	\$ 36,670	2.0%

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
(amounts expressed in thousands)

1. BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual budget for all governmental funds. The budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2016 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 2015-16 for the General fund and the major special revenue funds. In fiscal year 2014-15, the CURE fund was consolidated with the General fund as it no longer met the definition of a special revenue fund. A separate budgetary schedule for the CURE fund is located in other supplementary information. A reconciliation is included on the General fund budgetary schedule for the consolidation.

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION
June 30, 2016
(amounts expressed in thousands)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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, 2016

<i>(amounts expressed in thousands)</i>	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	OCUTT	SAFE	SAAV	STAF	Total	General	
Assets							
Cash and investments	\$ 7,360	\$ 76	\$ 31	\$ 19	\$ 7,486	\$ 9,135	\$ 16,621
Receivables:							
Interest	56	16	-	-	72	-	72
Capital grants	-	-	-	-	-	929	929
Other	-	29	-	-	29	-	29
Due from other funds	49	-	-	-	49	4,303	4,352
Due from other governments	-	3,236	-	10,538	13,774	-	13,774
Advances to other funds	3,188	-	-	-	3,188	-	3,188
Other assets	3,305	-	-	-	3,305	-	3,305
Total Assets	\$ 13,958	\$ 3,357	\$ 31	\$ 10,557	\$ 27,903	\$ 14,367	\$ 42,270
Liabilities							
Accounts payable	\$ 7	\$ 514	\$ -	\$ -	\$ 521	\$ 5,392	\$ 5,913
Due to other funds	49	-	-	-	49	-	49
Due to other governments	-	87	-	-	87	160	247
Total Liabilities	56	601	-	-	657	5,552	6,209
Deferred Inflows of Resources							
Unavailable revenue - interest on advances	754	-	-	-	754	-	754
Unavailable revenue - grant reimbursements	-	-	-	-	-	133	133
Unavailable revenue - sales tax	-	-	-	10,538	10,538	-	10,538
Unavailable revenue - DMV fees	-	2,705	-	-	2,705	-	2,705
Total Deferred Inflows of Resources	754	2,705	-	10,538	13,997	133	14,130
Fund Balances							
Nonspendable:							
Other assets	3,305	-	-	-	3,305	-	3,305
Restricted for:							
Transportation programs	9,843	-	-	19	9,862	-	9,862
Motorist services	-	51	31	-	82	-	82
Assigned to:							
Transportation capital projects	-	-	-	-	-	8,682	8,682
Total Fund Balances	13,148	51	31	19	13,249	8,682	21,931
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,958	\$ 3,357	\$ 31	\$ 10,557	\$ 27,903	\$ 14,367	\$ 42,270

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	OCUTT	SAFE	SAAV	STAF	Total	General	
Revenues							
Sales taxes	\$ -	\$ -	\$ -	\$ 7,919	\$ 7,919	\$ -	\$ 7,919
Vehicle registration fees	-	3,400	1	-	3,401	-	3,401
Contributions from other agencies	-	4	-	-	4	274	278
Interest and investment income	279	20	-	5	304	4	308
Capital assistance grants	-	-	-	-	-	2,246	2,246
Miscellaneous	26	29	1	6	62	11	73
Total revenues	305	3,453	2	7,930	11,690	2,535	14,225
Expenditures							
Current:							
General government:							
Supplies and services	24	7,237	-	1	7,262	765	8,027
Transportation:							
Contributions to other local agencies	-	-	-	-	-	160	160
Capital outlay	-	23	-	-	23	8,495	8,518
Total expenditures	24	7,260	-	1	7,285	9,420	16,705
Excess (deficiency) of revenues over (under) expenditures	281	(3,807)	2	7,929	4,405	(6,885)	(2,480)
Other financing sources (uses)							
Transfers in	77	-	-	-	77	6,098	6,175
Transfers out	(403)	-	-	(7,926)	(8,329)	-	(8,329)
Total other financing sources (uses)	(326)	-	-	(7,926)	(8,252)	6,098	(2,154)
Net change in fund balances	(45)	(3,807)	2	3	(3,847)	(787)	(4,634)
Fund balances - beginning	13,193	3,858	29	16	17,096	9,469	26,565
Fund balances - ending	\$ 13,148	\$ 51	\$ 31	\$ 19	\$ 13,249	\$ 8,682	\$ 21,931

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Commuter and Urban Rail Endowment Fund (Budgetary Basis)
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines	\$ 13	\$ 13	\$ 13	\$ -
Contributions from other agencies	8,435	8,435	6,159	(2,276)
Interest and investment income	1,284	1,284	372	(912)
Capital assistance grants	5,763	2,825	548	(2,277)
Miscellaneous	632	632	1,015	383
Total revenues	16,127	13,189	8,107	(5,082)
Expenditures				
Current:				
General government:				
Supplies and services	41,141	44,781	36,150	8,631
Transportation:				
Contributions to other local agencies	12,344	5,776	1,227	4,549
Capital outlay	19,320	19,320	3,406	15,914
Total expenditures	72,805	69,877	40,783	29,094
Deficiency of revenues under expenditures	(56,678)	(56,688)	(32,676)	24,012
Other financing sources (uses)				
Transfers out	(4,963)	(4,963)	(4,306)	657
Proceeds from sale of capital assets	-	-	3,000	3,000
Total other financing uses	(4,963)	(4,963)	(1,306)	3,657
Net change in fund balance	\$ (61,641)	\$ (61,651)	\$ (33,982)	\$ 27,669

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (33,982)
Less: Estimated revenues for encumbrances outstanding at June 30	1,201
Add: Current year encumbrances outstanding at June 30	4,282
Net change in fund balance (GAAP basis), reported with General fund	\$ (30,901)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest and investment income	\$ 6,494	\$ 6,494	\$ 6,501	\$ 7
Total revenues	6,494	6,494	6,501	7
Expenditures				
Debt service:				
Principal payments on long-term debt	7,210	7,210	7,210	-
Interest on long-term debt	21,584	21,584	21,584	-
Total expenditures	28,794	28,794	28,794	-
Deficiency of revenues under expenditures	(22,300)	(22,300)	(22,293)	7
Other financing sources (uses)				
Transfers in	22,300	22,300	28,794	6,494
Transfers out	-	-	(6,513)	(6,513)
Total other financing sources	22,300	22,300	22,281	(19)
Net change in fund balance	\$ -	\$ -	\$ (12)	\$ (12)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest and investment income	\$ 90	\$ 90	\$ 279	\$ 189
Miscellaneous	-	-	26	26
Total revenues	90	90	305	215
Expenditures				
Current:				
General government:				
Supplies and services	9	9	24	(15)
Total expenditures	9	9	24	(15)
Excess of revenues over expenditures	81	81	281	200
Other financing sources (uses)				
Transfers in	-	-	77	77
Transfers out	(75)	(75)	(403)	(328)
Total other financing uses	(75)	(75)	(326)	(251)
Net change in fund balance	\$ 6	\$ 6	\$ (45)	\$ (51)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Vehicle registration fees	\$ 2,687	\$ 2,687	\$ 3,400	\$ 713
Contributions from other agencies	2,609	2,609	4	(2,605)
Interest and investment income	63	63	20	(43)
Miscellaneous	5	5	29	24
Total revenues	5,364	5,364	3,453	(1,911)
Expenditures				
Current:				
General government:				
Supplies and services	8,678	8,678	7,434	1,244
Capital outlay	23	23	23	-
Total expenditures	8,701	8,701	7,457	1,244
Deficiency of revenues under expenditures	(3,337)	(3,337)	(4,004)	(667)
Other financing sources				
Transfers in	750	750	-	(750)
Total other financing sources	750	750	-	(750)
Net change in fund balance	\$ (2,587)	\$ (2,587)	\$ (4,004)	\$ (1,417)

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (4,004)
Add: Current year encumbrances outstanding at June 30	197
Net change in fund balance (GAAP basis)	\$ (3,807)

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Abandoned Vehicles Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Vehicle registration fees	\$ 1	\$ 1	\$ 1	\$ -
Miscellaneous	-	-	1	1
Total revenues	1	1	2	1
Excess of revenues over expenditures	1	1	2	1
Net change in fund balance	\$ 1	\$ 1	\$ 2	\$ 1

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 20,887	\$ 15,837	\$ 7,919	\$ (7,918)
Interest and investment income	-	-	5	5
Miscellaneous	-	-	6	6
Total revenues	20,887	15,837	7,930	(7,907)
Expenditures				
Current:				
General government:				
Supplies and services	-	-	1	(1)
Total expenditures	-	-	1	(1)
Excess of revenues over expenditures	20,887	15,837	7,929	(7,908)
Other financing uses				
Transfers out	(20,887)	(20,887)	(7,926)	12,961
Total other financing uses	(20,887)	(20,887)	(7,926)	12,961
Net change in fund balance	\$ -	\$ (5,050)	\$ 3	\$ 5,053

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
General Capital Projects Fund (Budgetary Basis)
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Contributions from other agencies	\$ 2,782	\$ 2,782	\$ 10,768	\$ 7,986
Interest	-	-	4	4
Capital assistance grants	13,153	13,153	2,246	(10,907)
Miscellaneous	-	-	11	11
Total revenues	15,935	15,935	13,029	(2,906)
Expenditures				
Current:				
General government:				
Supplies and services	\$ 83	\$ 83	\$ 13,908	\$ (13,825)
Transportation:				
Contributions to other local agencies	-	-	160	(160)
Capital outlay	41,432	41,432	8,495	32,937
Total expenditures	41,515	41,515	22,563	18,952
Deficiency of revenues under expenditures	(25,580)	(25,580)	(9,534)	16,046
Other financing sources (uses)				
Transfers in	38,500	38,500	6,098	(32,402)
Transfers out	(13,153)	(13,153)	-	13,153
Total other financing sources	25,347	25,347	6,098	(19,249)
Net change in fund balance	\$ (233)	\$ (233)	\$ (3,436)	\$ (3,203)

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (3,436)
Less: Estimated revenues for encumbrances outstanding at June 30	10,494
Add: Current year encumbrances outstanding at June 30	13,143
Net change in fund balance (GAAP basis)	\$ (787)

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION

June 30, 2016

(amounts expressed in thousands)

NONMAJOR ENTERPRISE FUNDS

I-405 Express Lanes - This fund is used to account for the construction and upcoming operations of the I-405 Express Lanes. The primary source of funding for the operations will be toll revenues and related fees.

Orange County Taxicab Administration Program (OCTAP) - This fund accounts for the taxicab licensing and driver's permit program. The sources of funding for the operations are the permit fees.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Fund Net Position - Nonmajor Enterprise Funds
June 30, 2016

<i>(amounts expressed in thousands)</i>	I-405 Express Lanes	OCTAP	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and investments	\$ 1,026	\$ 464	\$ 1,490
Receivables:			
Interest	2	-	2
Capital grants	1,527	-	1,527
Prepaid retirement	-	62	62
Total current assets	2,555	526	3,081
Noncurrent assets:			
Capital assets, net:			
Nondepreciable	8,634	-	8,634
Total noncurrent assets	8,634	-	8,634
Total Assets	11,189	526	11,715
Deferred Outflows of Resources			
Deferred outflows - pensions	-	210	210
Total Deferred Outflows of Resources	-	210	210
Liabilities			
Current liabilities:			
Accounts payable	4,074	2	4,076
Accrued payroll and related items	-	31	31
Due to other governments	30	-	30
Unearned revenue	-	3	3
Current portion of long-term liabilities	-	25	25
Total current liabilities	4,104	61	4,165
Noncurrent liabilities:			
Advances from other funds	389	-	389
Net pension liability	-	678	678
Long-term liabilities	-	2	2
Total noncurrent liabilities	389	680	1,069
Total Liabilities	4,493	741	5,234
Deferred Inflows of Resources			
Deferred inflows - pensions	-	80	80
Total Deferred Inflows of Resources	-	80	80
Net Position			
Net investment in capital assets	8,634	-	8,634
Unrestricted	(1,938)	(85)	(2,023)
Total Net Position	\$ 6,696	\$ (85)	\$ 6,611

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	I-405 Express Lanes	OCTAP	Total Nonmajor Enterprise Funds
Operating revenues:			
Permit fees	\$ -	\$ 518	\$ 518
Total operating revenues	-	518	518
Operating expenses:			
Wages, salaries and benefits	-	505	505
Administrative services	385	242	627
Other	-	1	1
Professional services	262	55	317
General and administrative	-	9	9
Total operating expenses	647	812	1,459
Operating loss	(647)	(294)	(941)
Nonoperating revenues (expenses):			
State assistance	259	-	259
Investment earnings	19	11	30
Interest expense	(1)	-	(1)
Other	-	16	16
Total nonoperating revenues (expenses)	277	27	304
Loss before contributions and transfers	(370)	(267)	(637)
Capital contributions	7,319	-	7,319
Transfers out	(253)	-	(253)
Change in net position	6,696	(267)	6,429
Total net position - beginning	-	182	182
Total net position - ending	\$ 6,696	\$ (85)	\$ 6,611

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	I-405 Express Lanes	OCTAP	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ -	\$ 518	\$ 518
Payments to suppliers	(232)	(71)	(303)
Payments to employees	-	(468)	(468)
Payments for interfund services used	(385)	(242)	(627)
Miscellaneous revenue received	-	16	16
Net cash used for operating activities	(617)	(247)	(864)
Cash flows from noncapital financing activities:			
State transit assistance funds received	259	-	259
Transfers to other funds	(253)	-	(253)
Repayment of advances from other funds	389	-	389
Net cash provided by noncapital financing activities	395	-	395
Cash flows from capital and related financing activities:			
Interest paid	(1)	-	(1)
Acquisition and construction of capital assets	1,232	-	1,232
Net cash provided by capital and related financing activities	1,231	-	1,231
Cash flows from investing activities:			
Investment earnings	17	11	28
Net cash provided by investing activities	17	11	28
Net increase (decrease) in cash and cash equivalents	1,026	(236)	790
Cash and cash equivalents at beginning of year	-	700	700
Cash and cash equivalents at end of year	\$ 1,026	\$ 464	\$ 1,490
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (647)	\$ (294)	\$ (941)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Amortization of prepaid retirement	-	95	95
Pension expense	-	106	106
Miscellaneous	-	16	16
Change in assets and liabilities:			
Prepaid retirement	-	(80)	(80)
Deferred outflows of resources related to pensions	-	(36)	(36)
Accounts payable	-	(4)	(4)
Compensated absences	-	(6)	(6)
Due to other governments	30	(2)	28
Net pension liability	-	(42)	(42)
Total adjustments	30	47	77
Net cash used for operating activities	\$ (617)	\$ (247)	\$ (864)
Noncash capital, financing and investing activities:			
Investment earnings - accrued interest	\$ (2)	\$ -	\$ (2)

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION
June 30, 2016
(amounts expressed in thousands)

INTERNAL SERVICE FUNDS

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Fund Net Position - Internal Service Funds
June 30, 2016

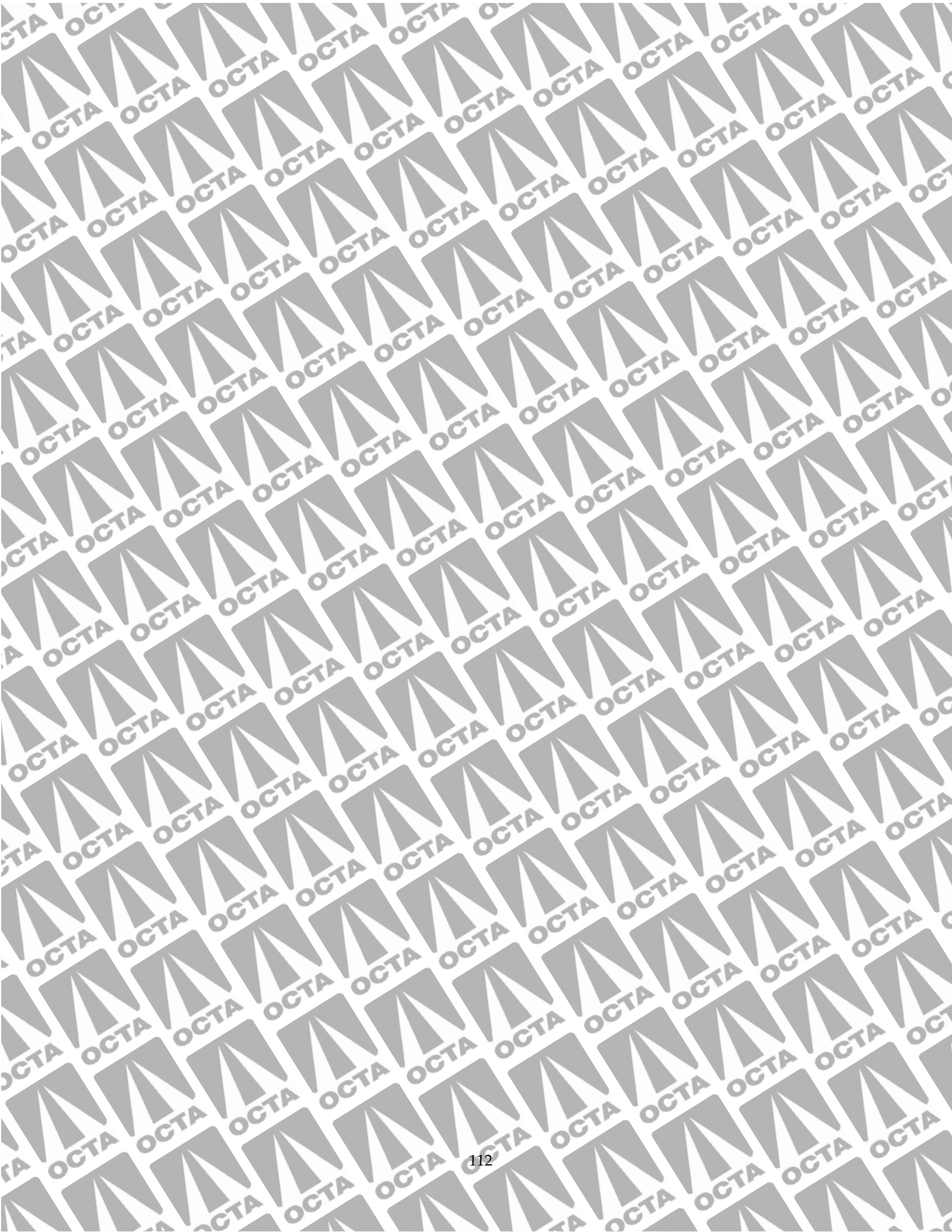
<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 17,238	\$ 22,735	\$ 39,973
Receivables:			
Interest	72	77	149
Other	129	559	688
Other assets	404	928	1,332
Total current assets	<u>17,843</u>	<u>24,299</u>	<u>42,142</u>
Total Assets	<u>17,843</u>	<u>24,299</u>	<u>42,142</u>
Liabilities			
Current liabilities:			
Accounts payable	356	357	713
Claims payable	1,717	2,305	4,022
Total current liabilities	<u>2,073</u>	<u>2,662</u>	<u>4,735</u>
Noncurrent liabilities:			
Claims payable	5,147	10,498	15,645
Total noncurrent liabilities	<u>5,147</u>	<u>10,498</u>	<u>15,645</u>
Total Liabilities	<u>7,220</u>	<u>13,160</u>	<u>20,380</u>
Net Position			
Unrestricted	10,623	11,139	21,762
Total Net Position	<u>\$ 10,623</u>	<u>\$ 11,139</u>	<u>\$ 21,762</u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 6,808	\$ 7,684	\$ 14,492
Total operating revenues	6,808	7,684	14,492
Operating expenses:			
Administrative services	95	62	157
Other	40	130	170
Insurance claims and premiums	5,145	5,488	10,633
Professional services	1,544	495	2,039
Total operating expenses	6,824	6,175	12,999
Operating income (loss)	(16)	1,509	1,493
Nonoperating revenues:			
Investment earnings	187	327	514
Other	184	845	1,029
Total nonoperating revenues	371	1,172	1,543
Change in net position	355	2,681	3,036
Total net position - beginning	10,268	8,458	18,726
Total net position - ending	\$ 10,623	\$ 11,139	\$ 21,762

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2016

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 6,808	\$ 7,606	\$ 14,414
Payments to suppliers	(1,566)	(983)	(2,549)
Payments to claimants	(1,906)	(4,716)	(6,622)
Payments for interfund services used	(95)	(62)	(157)
Miscellaneous revenue received	184	845	1,029
Net cash provided by operating activities	3,425	2,690	6,115
Cash flows from investing activities:			
Investment earnings	193	316	509
Net cash provided by investing activities	193	316	509
Net increase in cash and cash equivalents	3,618	3,006	6,624
Cash and cash equivalents at beginning of year	13,620	19,729	33,349
Cash and cash equivalents at end of year	\$ 17,238	\$ 22,735	\$ 39,973
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (16)	\$ 1,509	\$ 1,493
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Insurance recoveries	184	845	1,029
Change in assets and liabilities:			
Other receivables	(4)	(152)	(156)
Due from other governments	1	-	1
Other assets	(6)	(3)	(9)
Accounts payable	(16)	(358)	(374)
Claims payable	3,282	952	4,234
Other liabilities	-	(103)	(103)
Total adjustments	3,441	1,181	4,622
Net cash provided by operating activities	\$ 3,425	\$ 2,690	\$ 6,115





91 EXPRESS LANES





VANPOOL



ORANGE COUNTY TRANSPORTATION AUTHORITY
STATISTICAL SECTION
June 30, 2016

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

<u>Contents</u>	<u>Page</u>
Financial Trends	114
These schedules contain trend information to help the reader understand how OCTA’s financial performance and well-being have changed over time.	
Revenue Capacity	120
These schedules contain information to help the reader assess OCTA’s most significant local revenue source, the sales tax.	
Debt Capacity	124
These schedules present information to help the reader assess the affordability of OCTA’s current levels of outstanding debt and OCTA’s ability to issue additional debt in the future.	
Demographic and Economic Information	127
These schedules offer demographic and economic indicators to help the reader understand the environment within which OCTA’s financial activities take place.	
Operating Information	130
These schedules contain service and infrastructure data to help the reader understand how the information in OCTA’s financial report relates to the services OCTA provides and the activities it performs.	

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

(accrual basis of accounting - thousands)

	As of June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 652,407	\$ 155,502	\$ 175,769	\$ 180,131	\$ 193,968	\$ 191,149	\$ 159,539	\$ 159,427	\$ 177,195	\$ 185,209
Restricted	524,399	531,318	328,463	303,605	199,540	251,820	314,832	352,878	421,285	545,220
Unrestricted	(124,558)	(63,434)	149,839	133,070	234,876	200,226	207,674	181,216	94,641	67,517
Total government activities net position	\$ 1,052,248	\$ 623,386	\$ 654,071	\$ 616,806	\$ 628,384	\$ 643,195	\$ 682,045	\$ 693,521	\$ 693,121	\$ 797,946
Business-type activities:										
Net investment in capital assets	\$ 259,930	\$ 335,732	\$ 367,144	\$ 331,460	\$ 303,063	\$ 278,292	\$ 257,439	\$ 265,584	\$ 279,153	\$ 300,737
Restricted	13,168	15,349	19,355	20,219	20,298	20,340	20,383	13,015	13,032	13,075
Unrestricted	248,194	222,926	190,736	170,902	162,903	246,797	317,002	376,340	275,052	305,689
Total business-type activities net position	\$ 521,292	\$ 574,007	\$ 577,235	\$ 522,581	\$ 486,264	\$ 545,429	\$ 594,824	\$ 654,939	\$ 567,237	\$ 619,501
Primary government:										
Net investment in capital assets	\$ 912,337	\$ 491,234	\$ 542,913	\$ 511,591	\$ 497,031	\$ 469,441	\$ 416,978	\$ 425,011	\$ 456,348	\$ 485,946
Restricted	537,567	546,667	347,818	323,824	219,838	272,160	335,215	365,893	434,317	558,295
Unrestricted	123,636	159,492	340,575	303,972	397,779	447,023	524,676	557,556	369,693	373,206
Total primary government net position	\$ 1,573,540	\$ 1,197,393	\$ 1,231,306	\$ 1,139,387	\$ 1,114,648	\$ 1,188,624	\$ 1,276,869	\$ 1,348,460	\$ 1,260,358	\$ 1,417,447

Source: Accounting and Financial Reporting Department

Note:

- In fiscal year 2007-08, the SR-22 freeway project was transferred to Caltrans.
- In fiscal year 2014-15, OCTA implemented GASB 68.

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

(accrual basis of accounting - thousands)

	For the Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 125,160	\$ 105,009	\$ 106,676	\$ 112,138	\$ 104,305	\$ 95,679	\$ 96,925	\$ 68,262	\$ 74,852	\$ 95,155
Measure M program	174,314	748,962	222,731	302,851	291,703	337,034	314,669	372,137	301,329	272,627
Motorist services	6,717	7,669	7,814	7,497	7,545	7,347	6,004	5,187	5,281	6,355
Commuter rail	49,791	21,585	27,009	29,395	14,393	26,806	34,586	23,556	29,347	34,004
Total governmental activities expenses	355,982	883,225	364,230	451,881	417,946	466,866	452,184	469,142	410,809	408,141
Business-type activities:										
Fixed route	233,827	243,151	224,538	210,526	200,999	201,629	207,363	212,170	201,630	208,851
Paratransit	28,002	35,631	37,980	42,999	46,151	51,225	53,803	51,735	51,392	63,071
Tollroad	34,430	35,375	38,224	33,713	31,371	23,231	20,573	22,996	22,980	25,120
Taxicab administration	366	431	299	344	393	490	456	506	584	567
Total business-type activities expenses	296,625	314,588	301,041	287,582	278,914	276,575	282,195	287,407	276,586	297,609
Total primary government expenses	\$ 652,607	\$ 1,197,813	\$ 665,271	\$ 739,463	\$ 696,860	\$ 743,441	\$ 734,379	\$ 756,549	\$ 687,395	\$ 705,750
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 43,840	\$ 47,509	\$ 133	\$ 121	\$ 140	\$ 149	\$ 137	\$ 155	\$ 181	\$ 1,180
Other activities	880	1,172	967	1,008	1,093	1,297	1,136	1,350	1,644	1,087
Operating grants and contributions	31,963	35,125	36,092	68,015	115,154	172,733	159,069	146,863	122,282	125,220
Capital grants and contributions	59,344	34,142	30,747	8,279	1,204	4,335	10,923	2,222	586	3,897
Total governmental activities program revenues	136,027	117,948	67,939	77,423	117,591	178,514	171,265	150,590	124,693	131,384
Business-type activities:										
Charges for services:										
Fixed route	48,562	50,522	52,641	48,776	49,412	50,553	53,361	56,784	51,265	50,197
Tollroad	49,838	46,236	43,705	43,009	41,837	37,742	39,289	42,610	46,132	52,240
Other activities	6,063	6,593	6,870	7,133	7,206	7,154	7,893	8,579	8,695	8,650
Operating grants and contributions	46,493	53,561	80,242	88,597	72,441	90,099	83,305	63,099	67,356	65,226
Capital grants and contributions	15,948	69,693	56,588	1,841	8,648	10,023	8,821	23,717	14,139	35,848
Total business-type activities program revenues	166,904	226,605	240,046	189,356	179,544	195,571	192,669	194,789	187,587	212,161
Total primary government program revenues	\$ 302,931	\$ 344,553	\$ 307,985	\$ 266,779	\$ 297,135	\$ 374,085	\$ 363,934	\$ 345,379	\$ 312,280	\$ 343,545

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Indirect expenses allocation:										
Governmental activities	-	-	\$ (36,091)	\$ (31,187)	\$ (27,248)	\$ (29,340)	\$ (33,654)	\$ (34,089)	\$ (35,996)	\$ (37,748)
Business-type activities	-	-	36,091	31,187	27,248	29,340	33,654	34,089	35,996	37,748
Net (expense) revenue										
Governmental activities	\$ (219,955)	\$ (765,277)	\$ (260,200)	\$ (343,271)	\$ (273,107)	\$ (259,012)	\$ (247,265)	\$ (284,463)	\$ (250,120)	\$ (239,009)
Business-type activities	(129,721)	(87,983)	(97,086)	(129,413)	(126,618)	(110,344)	(123,180)	(126,707)	(124,995)	(123,196)
Total primary government net expense	\$ (349,676)	\$ (853,260)	\$ (357,286)	\$ (472,684)	\$ (399,725)	\$ (369,356)	\$ (370,445)	\$ (411,170)	\$ (375,115)	\$ (362,205)

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:										
Sales taxes	\$ 421,067	\$ 393,350	\$ 335,465	\$ 326,005	\$ 329,971	\$ 409,556	\$ 428,262	\$ 451,153	\$ 466,127	\$ 476,368
Unrestricted investment earnings	37,322	49,331	31,501	17,325	14,487	15,192	11,295	13,776	13,301	19,447
Other miscellaneous revenue	668	1,271	412	328	229	355	125	288	168	918
Transfers	(102,981)	(107,537)	(76,493)	(75,038)	(66,230)	(151,280)	(155,999)	(169,278)	(169,199)	(152,899)
Total governmental activities	356,076	336,415	290,885	268,620	278,457	273,823	283,683	295,939	310,397	343,834

Business-type activities:

Taxes:										
Property taxes	10,338	11,178	11,295	10,220	10,736	11,193	13,560	12,366	13,293	14,098
Unrestricted investment earnings	18,117	21,476	12,186	4,184	15,552	926	2,805	4,765	4,531	7,672
Other miscellaneous revenue	495	507	340	207	2,769	228	2,832	413	1,218	791
Transfers	102,981	107,537	76,493	75,038	66,230	151,280	155,999	169,278	169,199	152,899
Total business-type activities	131,931	140,698	100,314	89,649	95,287	163,627	175,196	186,822	188,241	175,460
Total primary government	\$ 488,007	\$ 477,113	\$ 391,199	\$ 358,269	\$ 373,744	\$ 437,450	\$ 458,879	\$ 482,761	\$ 498,638	\$ 519,294

Change in Net Position

Governmental activities	\$ 136,121	\$ (428,862)	\$ 30,685	\$ (74,651)	\$ 5,350	\$ 14,811	\$ 36,418	\$ 11,476	\$ 60,277	\$ 104,825
Business-type activities	2,210	52,715	3,228	(39,764)	(31,331)	53,283	52,016	60,115	63,246	52,264
Total primary government	\$ 138,331	\$ (376,147)	\$ 33,913	\$ (114,415)	\$ (25,981)	\$ 68,094	\$ 88,434	\$ 71,591	\$ 123,523	\$ 157,089

Source: Accounting and Financial Reporting Department

Notes:

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)

	As of June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 9,195	\$ 10,842	\$ 12,895	\$ 10,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(4,022)	(1,754)	(8,260)	(8,378)	-	-	-	-	-	-
Nonspendable	-	-	-	-	4,711	5,459	5,637	7,473	11,038	11,862
Restricted	-	-	-	-	-	-	-	-	24,732	23,548
Assigned	-	-	-	-	-	-	-	-	25,173	14,453
Unassigned	-	-	-	-	(4,061)	(4,203)	(168)	(210)	22,115	-
Total general fund	\$ 5,173	\$ 9,088	\$ 4,635	\$ 2,378	\$ 650	\$ 1,256	\$ 5,469	\$ 7,263	\$ 83,058	\$ 49,863
All Other Governmental Funds										
Reserved	\$ 576,815	\$ 599,244	\$ 537,118	\$ 433,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	111,018	94,322	92,482	76,653	-	-	-	-	-	-
Capital projects funds	8,011	(4,976)	(2,082)	(3,851)	-	-	-	-	-	-
Nonspendable	-	-	-	-	10,513	18,826	77,547	56,991	20,575	12,519
Restricted	-	-	-	-	663,669	680,191	638,718	707,365	753,071	862,565
Committed	-	-	-	-	70,304	68,084	-	-	-	-
Assigned, reported in:										
Special revenue funds	-	-	-	-	-	-	69,531	41,273	-	-
Transportation capital projects	-	-	-	-	9,557	9,514	9,504	9,495	9,469	8,682
Total all other governmental funds	\$ 695,844	\$ 688,590	\$ 627,518	\$ 506,315	\$ 754,043	\$ 776,615	\$ 795,300	\$ 815,124	\$ 783,115	\$ 883,766

Source: Accounting and Financial Reporting Department

Notes:

GASB 54 was implemented during fiscal year 2010-11.

In fiscal year 2014-15, the increase in restricted fund balance of General Fund is due to transfers from LTA as a result of finalizing Measure M1 projects. Additionally, the CURE Fund was consolidated with the General Fund as it no longer met the definition of a special revenue fund, which resulted in an increase of assigned and unassigned fund balance for the General Fund.

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

(modified accrual basis of accounting - thousands)

	For the Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Sales taxes	\$ 421,067	\$ 393,350	\$ 335,465	\$ 326,005	\$ 326,804	\$ 412,722	\$ 428,262	\$ 451,153	\$ 466,127	\$ 465,830
Gasoline taxes	23,000	23,000	23,000	23,000	23,000	23,447	22,553	-	-	-
Vehicle registration fees	5,114	5,137	5,193	4,993	5,109	2,610	2,588	2,669	2,351	3,401
Fines	191	197	157	144	156	159	140	176	197	220
Contributions from other agencies	22,101	20,894	10,818	38,945	68,130	152,836	135,762	146,216	121,341	103,532
Charges for services	43,663	47,326	-	-	-	-	-	-	-	-
Interest and investment income	42,431	49,282	31,418	17,167	11,638	15,325	10,702	13,144	12,732	18,917
Capital assistance grants	36,357	22,132	26,998	7,655	1,877	695	1,118	11,075	768	3,220
Miscellaneous	1,532	4,577	3,386	3,949	1,354	1,642	1,351	3,899	4,221	5,090
Total revenues	595,456	565,895	436,435	421,858	438,068	609,436	602,476	628,332	607,737	600,210
Expenditures										
Current:										
General government	95,350	130,155	89,184	101,897	94,155	101,457	94,455	83,294	105,995	126,370
Transportation:										
Contributions to other local agencies	208,152	157,761	174,434	259,623	208,882	222,485	166,899	191,698	133,286	124,230
Capital outlay	132,514	84,201	72,666	56,462	86,106	88,529	135,968	135,747	129,312	103,441
Debt service:										
Principal payments on long-term debt	67,325	71,290	75,355	78,405	82,795	-	6,410	6,600	6,865	7,210
Interest	22,303	18,648	13,829	9,421	8,582	22,508	22,509	22,264	21,961	21,614
Bond issuance costs	-	-	-	-	2,181	-	-	-	-	-
Total expenditures	525,644	462,055	425,468	505,808	482,701	434,979	426,241	439,603	397,419	382,865
Excess of revenues over expenditures	69,812	103,840	10,967	(83,950)	(44,633)	174,457	176,235	188,729	210,318	217,345
Other financing sources (uses):										
Transfers in	175,338	111,507	113,508	128,366	289,776	29,295	37,909	48,196	65,411	56,722
Transfers out	(275,264)	(218,708)	(190,002)	(203,404)	(356,006)	(180,574)	(193,908)	(217,474)	(234,610)	(209,621)
Proceeds from sale of capital assets	1,994	22	2	5	4	-	2,662	2,167	2,667	3,010
Bond issuance	-	-	-	-	352,570	-	-	-	-	-
Bond premium	-	-	-	-	6,023	-	-	-	-	-
Total other financing sources (uses)	(97,932)	(107,179)	(76,492)	(75,033)	292,367	(151,279)	(153,337)	(167,111)	(166,532)	(149,889)
Net changes in fund balances	\$ (28,120)	\$ (3,339)	\$ (65,525)	\$ (158,983)	\$ 247,734	\$ 23,178	\$ 22,898	\$ 21,618	\$ 43,786	\$ 67,456
Debt service as a percentage of noncapital expenditures	35.7%	24.9%	24.6%	18.2%	19.2%	5.4%	6.8%	6.6%	7.6%	7.7%

Source: Accounting and Financial Reporting Department

Notes:

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

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

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

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

In fiscal year 2013-14, the increase in capital assistance grants is due to Prop 116 funds received for Metrolink Fiber Optic. Gasoline tax exchange was concluded during FY 13-14.

In fiscal year 2014-15, the decrease in both Contributions from and to other agencies is due to finalizing Measure M1 projects.

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

Program Revenues	For the Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
Governmental activities:										
General government	\$ 76,481	\$ 82,704	\$ 38,715	\$ 32,876	\$ 30,225	\$ 33,981	\$ 32,585	\$ 5,280	\$ 4,101	\$ 8,963
Measure M program	27,950	23,267	18,034	33,211	78,206	137,209	120,265	136,929	112,056	111,050
Motorist services	8,186	8,576	8,170	8,042	8,172	5,325	5,259	5,274	5,521	5,648
Commuter rail	26,896	3,401	3,020	3,294	988	1,999	13,156	3,107	3,015	5,723
Total governmental activities	139,513	117,948	67,939	77,423	117,591	178,514	171,265	150,590	124,693	131,384
Business-type activities:										
Fixed route	106,127	166,327	182,941	133,122	120,534	133,785	123,467	123,244	112,721	123,504
Paratransit	10,505	13,524	12,851	12,621	16,350	23,307	29,080	28,130	28,059	28,080
Tollroad	49,838	46,246	43,705	43,048	42,010	37,742	39,289	42,610	46,132	60,059
Taxicab administration	434	508	549	565	650	737	833	805	675	518
Total business-type activities	166,904	226,605	240,046	189,356	179,544	195,571	192,669	194,789	187,587	212,161
Total primary government	\$ 306,417	\$ 344,553	\$ 307,985	\$ 266,779	\$ 297,135	\$ 374,085	\$ 363,934	\$ 345,379	\$ 312,280	\$ 343,545

Source: Accounting and Financial Reporting Department

Notes:

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.

In fiscal year 2014-15, the decrease in Measure M program is primarily due to finalizing Measure M1 projects.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 6
Tax Revenues by Source, Governmental Activities, Last Ten Fiscal Years
(accrual basis of accounting - thousands)

<u>For the Year Ended June 30,</u>	<u>Sales & Use</u>	<u>Gasoline (a)</u>	<u>Total</u>
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
2015	466,127	-	466,127
2016	476,368	-	476,368
 Change			
2007 - 2016	13.1%	-100.0%	7.3%

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

<i>(amounts expressed in thousands)</i>	Calendar Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
1 Apparel stores	\$ 2,152,410	\$ 2,217,996	\$ 2,340,116	\$ 2,742,626	\$ 2,923,680	\$ 3,164,857	\$ 3,510,757	\$ 3,764,088	\$ 3,942,629	
2 General merchandise	5,741,912	5,856,810	5,493,287	4,376,154	4,527,201	4,771,143	5,026,911	5,169,057	5,206,936	
3 Specialty stores	6,514,211	4,447,931	3,665,066	1,638,968	1,622,910	1,669,585	1,691,589	1,732,562	1,625,444	
4 Food stores	1,781,284	1,815,201	1,745,903	1,894,642	1,911,192	1,990,893	2,056,803	2,111,209	2,177,054	
5 Eating and drinking establishments	5,051,841	5,296,863	5,245,480	5,024,379	5,109,383	5,449,117	5,853,267	6,186,883	6,637,321	
6 Home furnishings and appliances	2,202,194	2,079,957	1,900,534	2,829,758	2,928,251	3,229,447	3,501,432	3,539,271	3,340,006	
7 Building material	3,029,741	2,798,938	2,370,154	2,039,686	2,112,467	2,267,363	2,351,574	2,581,968	2,662,657	
8 Automotive	11,490,939	11,469,589	10,431,086	8,286,158	9,045,917	10,603,810	11,615,228	11,854,186	12,440,522	
9 Other	1,109,919	3,004,942	2,576,969	1,061,492	1,064,825	1,087,735	1,180,969	1,210,383	1,219,968	
10 Business and personal services	2,987,539	2,968,831	2,828,005	1,268,759	1,306,282	1,353,844	1,583,927	1,876,321	2,035,999	
11 All other outlets	15,140,757	15,336,413	15,010,229	14,550,164	15,115,073	16,143,344	16,858,156	17,565,288	18,808,591	
Total	\$ 57,202,747	\$ 57,293,471	\$ 53,606,829	\$ 45,712,786	\$ 47,667,181	\$ 51,731,138	\$ 55,230,613	\$ 57,591,216	\$ 60,097,127	

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%
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Source: California State Board of Equalization

Note: Information for 2015 was not available.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 8
Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years

<u>Calendar Year</u>	<u>Measure M Direct rate</u>	<u>County of Orange</u>	
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%	
2015	0.50%	7.50%	
2016	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 2014			Calendar Year 2005		
	Taxable Sales	Rank	Percentage of Total	Taxable Sales	Rank	Percentage of Total
Aliso Viejo	\$ 357,039	25	0.91%	\$ 313,585	27	0.86%
Anaheim	3,392,709	2	8.66%	3,162,595	2	8.72%
Brea	1,227,480	13	3.13%	1,129,482	13	3.11%
Buena Park	1,811,749	8	4.63%	1,123,544	14	3.10%
Costa Mesa	3,822,971	1	9.76%	3,389,743	1	9.34%
Cypress	680,872	19	1.74%	608,579	20	1.68%
Dana Point	328,796	27	0.84%	291,411	29	0.80%
Fountain Valley	850,408	17	2.17%	774,638	17	2.14%
Fullerton	1,359,761	11	3.47%	1,270,686	12	3.50%
Garden Grove	1,438,487	10	3.67%	1,315,316	11	3.63%
Huntington Beach	2,408,750	5	6.15%	2,021,550	6	5.57%
Irvine	3,333,363	3	8.51%	3,005,880	3	8.28%
La Habra	730,004	18	1.86%	725,346	18	2.00%
La Palma	282,989	31	0.72%	386,608	26	1.07%
Laguna Beach	316,980	29	0.81%	292,335	28	0.81%
Laguna Hills	401,792	24	1.03%	520,004	21	1.43%
Laguna Niguel	890,340	15	2.27%	894,250	15	2.46%
Laguna Woods	74,293	33	0.19%	88,704	33	0.24%
Lake Forest	888,138	16	2.27%	885,136	16	2.44%
Los Alamitos	186,974	32	0.48%	176,918	32	0.49%
Mission Viejo	1,314,396	12	3.36%	1,399,337	10	3.86%
Newport Beach	2,200,243	7	5.62%	1,856,766	7	5.12%
Orange	2,255,920	6	5.76%	2,078,662	5	5.73%
Placentia	335,333	26	0.86%	388,761	25	1.07%
Rancho Santa Margarita	447,378	22	1.14%	487,860	22	1.34%
San Clemente	560,115	21	1.43%	436,246	24	1.20%
San Juan Capistrano	591,812	20	1.51%	671,466	19	1.85%
Santa Ana	2,708,189	4	6.92%	2,726,980	4	7.52%
Seal Beach	319,028	28	0.81%	243,983	31	0.67%
Stanton	285,260	30	0.73%	266,657	30	0.73%
Tustin	1,724,501	9	4.40%	1,489,704	8	4.11%
Villa Park	15,211	34	0.04%	12,921	34	0.04%
Westminster	1,180,161	14	3.01%	1,406,313	9	3.88%
Yorba Linda	435,088	23	1.11%	439,727	23	1.21%
Total	<u>39,156,530</u>		<u>100%</u>	<u>36,281,693</u>		<u>100%</u>
Unincorporated Cities	<u>2,132,007</u>			<u>1,391,141</u>		
Total Orange County	\$ <u>41,288,537</u>			\$ <u>37,672,834</u>		

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

Note:

The most current data available is for 2014.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 10
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
(amounts expressed in thousands except per capita)

For Year Ended June 30,	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Sales Tax Revenue Bonds	Commercial Paper Notes	Certificates of Participation	Toll Road Revenue Bonds	Capital Leases			
2007	309,249	29,100	1,235	189,423	15,741	544,748	0.37%	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	0.29%	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%	182.33
2012	357,389	25,000	-	165,356	571	548,316	0.33%	177.66
2013	350,376	25,000	-	159,858	-	535,234	0.32%	171.91
2014	343,174	25,000	-	135,013	-	503,187	0.29%	160.27
2015	335,707	-	-	129,444	-	465,151	n/a	147.58
2016	327,894	-	-	123,725	-	451,619	n/a	141.88

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 2016	
Debt service	\$ 22,324
Debt coverage (130 % of debt service)	<u>29,021</u>
Sales tax revenue	300,602
Less: local fair share & other expenses	<u>(63,451)</u>
Net sales tax revenues	237,151
Legal debt margin	<u><u>\$ 208,130</u></u>

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2016	
Debt service	\$ 10,796
Debt coverage (130 % of debt service)	<u>14,035</u>
Toll revenues	54,267
Less: operating expenses	<u>(18,691)</u>
Net toll revenues	35,576
Legal debt margin	<u><u>\$ 21,541</u></u>

For Year Ended June 30,	Debt limit	Measure M Ordinance No. 2 (Measure M1)			Measure M Ordinance No. 3 (Measure M2)				Toll Road Revenue Bonds			
		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
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%
2015	-	-	-	-	227,936	29,039	198,897	12.7%	30,825	14,035	16,790	45.5%
2016	-	-	-	-	237,151	29,021	208,130	12.2%	35,576	14,035	21,541	39.5%

Source: Treasury and Accounting and Financial Reporting Departments

Notes:

In fiscal years 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.

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

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)

For the Year Ended June 30,	Measure M1 Sales Tax Revenue Bonds					Measure M2 Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
	Sales		Debt Service			Sales Tax Revenue	Less:		Debt Service		Toll Road Revenue	Operating Expenses	Debt Service		Coverage	Grant Revenues	Debt Service		
	Revenue	Turnback	Principal	Interest	Coverage		Other Expenses	Principal	Interest	Principal			Interest	Principal			Interest	Coverage	Principal
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	-	-	-	-
2015	-	-	-	-	-	289,359	(61,423)	6,865	15,473	10.20	47,351	(16,526)	4,925	5,871	2.86	-	-	-	-
2016	-	-	-	-	-	300,602	(63,451)	7,210	15,114	10.62	54,267	(18,691)	5,075	5,721	3.30	-	-	-	-

Source: Accounting and Financial Reporting Department

Notes:

The Certificates of Participation matured in July 2007.

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

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

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

In fiscal years 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.

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)
2007	2,965,823	147,504	50,315	35.9	503,955	3.9%
2008	2,982,788	148,866	50,334	36.1	503,492	5.3%
2009	2,998,816	140,171	46,924	35.8	504,136	9.5%
2010	3,017,217	144,889	48,007	36.1	502,239	9.5%
2011	3,051,472	154,486	50,547	36.2	502,895	9.2%
2012	3,086,260	164,971	53,390	36.2	502,195	7.9%
2013	3,113,370	165,858	53,128	36.4	501,801	6.1%
2014	3,139,615	173,306	55,096	36.7	500,487	5.2%
2015	3,151,910	n/a	n/a	n/a	497,116	4.3%
2016	3,183,011	n/a	n/a	n/a	493,030	4.4%

Notes:

n/a - data not available

Estimates for population for 2010-2013 were revised; personal income and per capita personal income for 2006-2012 were revised for new estimates.

Sources:

- (a) July 1 estimates for 2007-2014 and January 1 estimates for 2015 and 2016 from California Department of Finance, <http://www.dof.ca.gov/>
- (b) U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/>
- (c) U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/>
- (d) U.S. Census Bureau, <http://factfinder2.census.gov/>
- (e) California Department of Education, <http://www.dq.cde.ca.gov/>
- (f) CA Employment Development Department, <http://www.labormarketinfo.edd.ca.gov/>

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 14
Principal Employers, Current Year and Nine Years Ago

Employer	Calendar Year 2015			Calendar Year 2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	27,000	1	1.76%	21,000	1	1.37%
University of California, Irvine	22,385	2	1.46%	16,229	3	1.06%
County of Orange	18,135	3	1.18%	17,785	2	1.16%
St. Joseph Health System	12,227	4	0.80%	9,385	5	0.61%
Kaiser Permanente	7,000	5	0.46%			
Boeing Co.	6,890	6	0.45%	12,042	4	0.79%
Walmart	6,000	7	0.39%			
Memorial Care Health System	5,650	8	0.37%			
Bank of America Corp.	5,500	9	0.36%			
Target Corp.	5,400	10	0.35%			
Yum! Brands Inc.				6,600	6	0.43%
Ameriquest Capital Corp.				6,300	7	0.41%
California State University, Fullerton				5,256	8	0.34%
Pacific Health System				5,074	9	0.33%
Home Depot, Inc.				5,000	10	0.33%

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	233	227	220	219	215	225	224	226	224	238
Measure M program	29	39	43	45	45	40	40	40	40	39.5
Motorist services	1	1	1	2	2	3	3	3	3	4
Commuter rail	2	2	15	12	10	12	10	10	9	10.5
Fixed route	1,611	1,633	1,540	1,319	1,247	1,169	1,135	1,152	1,078	1,020
Paratransit	13	12	11	11	10	11	12	12	12	5
Tollroad	4	4	3	3	3	3	3	3	3	3
Taxicab	3	3	3	3	4	3	4	4	4	4
LOSSAN	-	-	-	-	-	-	-	-	-	6
Total	1,896	1,921	1,836	1,614	1,536	1,466	1,431	1,450	1,373	1,330

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.

In fiscal year 2015-16, the LOSSAN Division was created. The number of full-time equivalent positions for General government were increased. There were decreases in the full-time equivalent positions in Fixed Route and Paratransit due to service reductions.

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

Function/Program	For the Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Measure M1 program (thousands)										
Freeways	\$ 112,732	\$ 99,599	\$ 53,283	\$ 55,060	\$ 25,890	\$ 12,742	\$ 25,107	\$ 11,318	\$ 30,434	\$ -
Regional streets and roads	65,247	40,556	24,169	42,591	6,946	11,468	15,017	17,697	25,371	-
Local streets and roads	32,481	52,681	53,534	61,863	62,348	5,273	8,142	14,614	14,796	-
Transit	55,916	18,309	63,822	83,677	204,916	101,628	13,256	14,392	128,110	-
Total program expenses	\$ 266,376	\$ 211,145	\$ 194,808	\$ 243,191	\$ 300,100	\$ 131,111	\$ 61,522	\$ 58,021	\$ 198,711	\$ -
Measure M2 program (thousands)										
Freeways	\$ -	\$ 6,300	\$ 16,490	\$ 17,682	\$ 43,210	\$ 34,930	\$ 31,986	\$ 32,387	\$ 58,775	\$ 68,888
Streets and roads	-	25	3,279	15,226	32,453	109,863	168,895	199,311	161,622	163,924
Transit	-	3,565	11,570	22,073	41,617	42,576	38,884	82,721	47,876	22,580
Environmental cleanup	-	7	175	324	1,086	401	1,961	2,398	2,220	9,614
Total program expenses	\$ -	\$ 9,897	\$ 31,514	\$ 55,305	\$ 118,366	\$ 187,770	\$ 241,726	\$ 316,817	\$ 270,493	\$ 265,006
Motorist services										
Calls made from call boxes	7,459	7,306	4,361	4,138	3,560	3,074	2,744	4,949	2,011	1,717
Vehicles removed	434	642	931	1,306	1,390	1,760	1,256	357	-	-
Vehicles assisted by FSP	70,935	70,128	43,520	60,865	67,267	65,949	64,851	59,014	69,045	68,678
511 Motorist Assistance Calls	-	-	-	-	-	-	-	-	2,886	4,023
Commuter rail										
Weekday trips	44	44	44	42	42	48	54	54	54	54
Annual boardings	3,841,259	4,074,443	4,189,455	3,941,628	3,871,939	4,146,016	4,443,362	4,437,991	4,579,000	4,198,189
Fixed route										
Annual boardings	69,035,226	65,203,611	64,353,673	53,376,023	51,305,266	52,631,935	51,418,393	48,963,660	47,021,445	43,202,265
Vehicle revenue hours	1,910,707	1,938,129	1,894,657	1,842,128	1,707,743	1,543,637	1,556,967	1,603,969	1,613,276	1,618,070
Miles of fixed route	2,488	2,943	2,126	2,039	2,038	2,039	2,048	2,045	2,047	2,045
Paratransit										
Annual boardings	1,231,346	1,375,370	1,464,730	1,482,950	1,554,773	1,570,341	1,631,527	1,654,081	1,714,550	1,779,530
Vehicle revenue hours	614,620	656,222	678,340	671,456	678,137	677,645	687,618	718,150	741,291	754,004
Eligible riders	26,110	26,611	26,834	27,104	28,447	29,856	30,992	31,576	31,602	32,173
Tollroad										
Annual drivers trips	14,639,848	13,477,488	12,036,831	12,659,051	11,998,541	11,944,555	12,085,552	12,326,874	13,106,882	13,772,791
Taxicab										
Permits Issued	2,170	2,303	2,364	2,481	2,648	2,773	3,090	3,066	2,513	1,855

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.

In fiscal year 2014-15, the increase in Measure M1 Transit is due to finalizing Measure M1 projects. Additionally, Measure M1 and M2 information for the fiscal years 2012-13 and 2013-14 were revised.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fixed route										
Bus bases	4	5	5	5	5	5	5	5	5	5
Large revenue vehicles	566	572	530	510 (a)	522	527	527	537	537	537
Small revenue vehicles	82	82	80	19 (a)	19	19	19	19	19	18
Paratransit										
Paratransit vehicles	263	263	263	252 (a)	248	248	248	248	248	248
Tollroad										
Transponders in use	176,818	176,149	171,485	170,458	168,915	167,329	168,507	171,304	176,790	182,522

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.