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Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCTA’s basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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

Crowe LLP
Costa Mesa, California
October 31, 2019
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Orange County Transportation Authority
Orange, California

Report on Compliance for Each Major Federal Program

We have audited Orange County Transportation Authority (OCTA) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of OCTA’s major federal programs for the year ended June 30, 2019. OCTA’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of OCTA’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OCTA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of OCTA’s compliance.

Opinion on Each Major Federal Program

In our opinion, OCTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

(Continued)

3.
Report on Internal Control over Compliance

Management of OCTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OCTA’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OCTA’s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCTA’s basic financial statements. We issued our report thereon dated October 31, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP
Costa Mesa, California
December 19, 2019
## ORANGE COUNTY TRANSPORTATION AUTHORITY
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
**Year ended June 30, 2019**

See accompanying notes to the schedule of expenditures of federal awards.

---

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor</th>
<th>CFDA Number</th>
<th>Identification Number</th>
<th>Federal Expenditures</th>
<th>Passed Through to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Transportation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Assistance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Transit Cluster:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Transit - Capital Improvement Grants</td>
<td>20.500</td>
<td>Multiple</td>
<td>$15,231,020</td>
<td>$394,349</td>
</tr>
<tr>
<td>Federal Transit - Formula Grants</td>
<td>20.507</td>
<td>Multiple</td>
<td>69,494,218</td>
<td>477,216</td>
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<tr>
<td>State of Good Repair Program</td>
<td>20.525</td>
<td>Multiple</td>
<td>7,487,234</td>
<td>-</td>
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<tr>
<td>Bus and Bus Facilities Formula Program</td>
<td>20.526</td>
<td>Multiple</td>
<td>3,179,312</td>
<td>-</td>
</tr>
<tr>
<td>Total Federal Transit Cluster</td>
<td></td>
<td></td>
<td>$95,391,784</td>
<td>871,565</td>
</tr>
<tr>
<td>Transit Services Program Cluster:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through California Department of Transportation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhanced Mobility of Seniors and Individuals with Disabilities</td>
<td>20.513</td>
<td>64AM16-00157</td>
<td>2,455,138</td>
<td>-</td>
</tr>
<tr>
<td>Direct Grants:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Access and Reverse Commute Program</td>
<td>20.516</td>
<td>CA-37-X113</td>
<td>1,074,459</td>
<td>580,895</td>
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<tr>
<td>Total Transit Services Program Cluster</td>
<td></td>
<td></td>
<td>3,529,597</td>
<td>580,895</td>
</tr>
<tr>
<td>Highway Planning and Construction Cluster:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through California Department of Transportation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highway Planning and Construction</td>
<td>20.205</td>
<td>Multiple</td>
<td>40,768,490</td>
<td>-</td>
</tr>
<tr>
<td>Direct Grants:</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Transportation Infrastructure Finance and Innovation Act (TIFIA) Program</td>
<td>20.223</td>
<td>TIFIA-20171012A</td>
<td>122,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Total U.S. Department of Transportation</td>
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<td></td>
<td>261,689,871</td>
<td>1,452,460</td>
</tr>
<tr>
<td><strong>U.S. Department of Homeland Security</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Direct Grants:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Security Operations:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>National Explosives Detection Canine Team Program</td>
<td>97.072</td>
<td>Multiple</td>
<td>93,262</td>
<td>-</td>
</tr>
<tr>
<td>Passed Through State of California</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Office of Emergency Services:</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rail and Transit Security Grant Program (TSGP)</td>
<td>97.075</td>
<td>Multiple</td>
<td>19,924</td>
<td>-</td>
</tr>
<tr>
<td>Total U.S. Department of Homeland Security</td>
<td></td>
<td></td>
<td>113,186</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures of Federal Awards</strong></td>
<td></td>
<td></td>
<td><strong>$261,803,057</strong></td>
<td><strong>$1,452,460</strong></td>
</tr>
</tbody>
</table>
NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents only the expenditures incurred by OCTA that are reimbursable under federal programs of federal financial assistance for the year ended June 30, 2019. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by OCTA from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. OCTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 – TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) PROGRAM LOAN

In July 2017, OCTA executed a TIFIA loan agreement with the United States Department of Transportation in an amount not to exceed $628,930,000 to finance a portion of OCTA’s I-405 improvement project. Total TIFIA draws during the fiscal year ended June 30, 2019 totaled $122,000,000. As of June 30, 2019, $287,000,000 was drawn on the TIFIA Loan and the amount outstanding including interest was $294,761,438.
SECTION 1 - SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes  X No

Significant deficiency(ies) identified? _____ Yes  X No

Noncompliance material to financial statements noted? _____ Yes  X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes  X No

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes  X No

Identification of major federal programs:

CFDA Numbers


Dollar threshold used to distinguish between type A and type B programs: $ 3,000,000

Auditee qualified as low-risk auditee?  X Yes  No