

STATEMENT OF NET POSITION

JUNE 30, 2014 (amounts expressed in thousands)

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(amounts expressed in thousands)

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

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014 (amounts expressed in thousands)

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

Statement of Net Position:

The statement of net position presents information on all of OCTA's assets and liabilities, with the difference between them reported as net position. Information presented in the statement of net position can be used to assess OCTA's ability to cover its costs and to continue financing services in the future. Increases or decreases in net position are a useful indicator of whether the financial position of OCTA is improving or deteriorating over time.

Statement of Activities:

The statement of activities presents information identifying how OCTA's net assets changed during the fiscal year. It includes information on the costs of providing public services (expenses) and the resources obtained to finance those services (revenues). All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received.

Both statements distinguish functions of OCTA as either governmental activities (supported by taxes and intergovernmental revenues) or as business-type activities (where a significant portion of costs are recovered through user fees and charges).

Statement of Cash Flows – Proprietary Funds:

The statement of cash flows categorizes OCTA's sources and uses of cash as either operating, noncapital financing, capital and related financing, and lastly, investing for all its proprietary funds. The purpose of this statement is to identify where cash comes from and how it is used. This statement is required to be presented for all proprietary funds.

Proprietary funds:

Proprietary funds report the finances of activities that OCTA operates like a business and are classified as either enterprise funds or internal service funds. OCTA uses enterprise funds to account for its transit, tollroad and taxicab administration operations. Internal service funds are used to accumulate and allocate costs internally to the departments benefiting from OCTA's risk management activities, which include general liability and workers' compensation. All proprietary funds are reported as business-type activities on the statement of net position and statement of activities.

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS, CONTINUED

FOR THE YEAR ENDED JUNE 30, 2014 (amounts expressed in thousands)

OCTD

91 EXPRESS
LANES

NONMAJOR
ENTERPRISE
FUND
OCTAP

TOTALS

INTERNAL
SERVICE
FUNDS

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$(238,900)	\$24,069	\$29	\$(214,802)	\$997
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation expense	25,177	1,208	-	26,385	-
Amortization of franchise agreement	-	2,586	-	2,586	-
Amortization of prepaid retirement	17,057	-	51	17,108	-
Amortization of prepaid expense	-	282	-	282	-
Amortization of prepaid insurance	-	334	-	334	-
Advertising revenue	3,525	-	-	3,525	-
Miscellaneous	3,910	108	22	4,040	-
Insurance recoveries	-	-	-	-	1,048
Change in assets and liabilities:					
Receivables	333	(1,037)	-	(704)	(2)
Due from other governments	(225)	-	-	(225)	-
Inventory	(24)	-	-	(24)	-
Prepaid retirement	(20,971)	-	(65)	(21,036)	-
Other assets	-	(649)	-	(649)	(32)
Accounts payable	3,119	(203)	7	2,923	(389)
Accrued payroll and related items	472	-	2	474	-
Compensated absences	12	-	(5)	7	-
Claims payable	-	-	-	-	(1,136)
Due to other governments	193	(67)	1	127	-
Unearned revenue	-	128	3	131	-
Other liabilities	-	(16)	-	(16)	-
Total adjustments	32,578	2,674	16	35,268	(512)

Net cash provided by (used for) operating activities

	\$(206,322)	\$26,743	\$45	\$(179,534)	\$485
Cash and investments	\$264,924	\$73,508	\$925	\$339,357	\$33,164
Restricted cash and cash equivalents	-	23,813	-	23,813	-
Total cash and cash equivalents	\$264,924	\$97,321	\$925	\$363,170	\$33,164

Noncash capital, financing and investing activities:

Capital contributions *	4,707	-	-	4,707	-
Investment earnings	(624)	16	-	(608)	24
Amortization of bond premium	-	(595)	-	(595)	-
Amortization of deferred amount on refunding	-	719	-	719	-

Activity related to bond refunding directly deposited with trustee:

2013 revenue refunding bonds par amount	-	124,415	-	124,415	-
2013 revenue refunding bonds premium	-	11,162	-	11,162	-
Payment of underwriter's discount	-	361	-	361	-

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

See accompanying notes to the financial statements.

DEFINITIONS:

Condemnation deposits: These are deposits paid to the State of California that are held for condemnation of property.

Capital assets: Tangible and intangible property with an initial unit cost of more than \$5,000 and a useful life exceeding one year.

Nondepreciable: Capital assets that generally do not decrease in value over time. Examples include land and construction in progress.

Depreciable and amortizable: Capital assets that decrease in value over time due to age, obsolescence or wear and tear. Examples include buildings and improvements, machinery, equipment, furniture, transit vehicles and the toll facility franchise.

Unearned revenue: A liability to offset assets recognized in connection with a transaction before the earning process is complete.

Derivative instruments: Parity interest rate swaps entered into as a means to lower OCTA's borrowing costs on variable rate debt for the 91 Express Lanes. Derivates are used by OCTA as a tool for bonafide hedging investments as stipulated in OCTA's annual investment policy.

General government: General government is a function reported as a governmental activity on the statement of net assets and statement of activities that comprises all the activity reported in OCTA's General Fund, Local Transportation Fund, Orange County Unified Transportation Trust (OCUTT), State Transit Assistance Fund (STAF), Gas Tax and Capital Project Funds.