ORANGE COUNTY
TRANSPORTATION AUTHORITY

INDEPENDENT AUDITORS' REPORT ON
PROPOSITION 1B
AND
TRANSPORTATION DEVELOPMENT ACT

Year Ended June 30, 2012
ORANGE COUNTY TRANSPORTATION AUTHORITY

PROPOSITION 1B
AND
TRANSPORTATION DEVELOPMENT ACT

JUNE 30, 2012

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors' Report on Proposition 1B Schedule of Unspent Funds and Cash Disbursements</td>
</tr>
<tr>
<td>Schedule of Unspent Funds and Cash Disbursements</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS' REPORT ON PROPOSITION 1B SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2012, which collectively comprise OCTA’s basic financial statements and have issued our report thereon dated October 29, 2012 which contained an unqualified opinion on those financial statements. Those financial statements are the responsibility of OCTA's management. Our responsibility is to express opinions on the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OCTA's financial statements. The accompanying Proposition 1B Schedule of Unspent Funds and Cash Disbursements is presented for purposes of additional analysis, to satisfy the requirements of Section 6667 of Title 21 of the California Code of Regulations and California Government Code §8879.50, et seq. and is not a required part of the 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 financial statements. The Schedule of Unspent Funds and Cash Disbursements 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United Stated of America. In our opinion, the Schedule of Unspent Funds and Cash Disbursements is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2012, 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 and should be considered in assessing the results of our audit.
This report is intended solely for the information and use of the Board of Directors, management of OCTA, and the California Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Laguna Hills, California
October 29, 2012
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, THE TRANSPORTATION DEVELOPMENT ACT AND CALIFORNIA GOVERNMENT CODE §8879.50

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2012, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated October 29, 2012. 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.

Internal Control over Financial Reporting

Management of OCTA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered OCTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.
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, including the applicable provisions of Section 6667 of Title 21 of the California Code of Regulations and California Government Code §8879.50 et seq., noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that TDA funds allocated to and received by OCTA were expended in conformance with the applicable statutes, rules and regulations of the TDA and California Government Code §8879.50 et seq. and the allocation instructions and resolutions of OCTA as required by Section 6667 of Title 21 of the California Code of Regulations. 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, Section 6667 of Title 21 of the California Code of Regulations and California Government Code §8879.50 et seq.

This report is intended solely for the information and use of the Board of Directors, management of OCTA, and the California Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Laguna Hills, California
October 29, 2012
### SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS
**YEAR ENDED JUNE 30, 2012**

<table>
<thead>
<tr>
<th>Description</th>
<th>PTMISEA (1)</th>
<th>TSSSDRA (2)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unspent Prop 1B funds as of June 30, 2011</td>
<td>16,052,159</td>
<td>8,888,214</td>
<td>24,940,373</td>
</tr>
<tr>
<td>Prop 1B funds received during the year ended June 30, 2012</td>
<td>48,654,116</td>
<td>3,520,574</td>
<td>52,174,690</td>
</tr>
<tr>
<td>Interest revenue earned on unspent Prop 1B funds during fiscal year ended</td>
<td>386,500</td>
<td>119,823</td>
<td>506,323</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prop 1B disbursements spent during the year ended June 30, 2012</td>
<td>(58,612,658)</td>
<td>(3,820,325)</td>
<td>(62,432,983)</td>
</tr>
<tr>
<td>Unspent Prop 1B funds as of June 30, 2012</td>
<td>6,480,117</td>
<td>8,708,286</td>
<td>15,188,403</td>
</tr>
</tbody>
</table>

(1) Public Transportation, Modernization, Improvement, and Service Enhancement Account

(2) Transit System Safety, Security & Disaster Recovery Account