MEASURE M
COC/TOC AUDIT SUBCOMMITTEE MEETING
AGENDA

Tuesday, February 1, 2011
5:00 p.m. – 6:30 p.m.

Orange County Transportation Authority
600 S. Main Street, Orange, CA
Conference Room 506

Conference room is directly in front of the elevator on the 5th floor.

1.	Review and approve minutes from December 14, 2010	
2.	External Auditor Communications/Annual Financial Audits	*Marc Davis, Partner* *Mayer Hoffman McCann PC*
3.	Quarterly Measure M Revenue and Expenditure Report	*Kenneth Phipps*
4.	Selection of Annual Financial and Compliance Auditors	*Janet Sutter*
5.	Other Matters	
6.	Public Comments*	

The Agenda listings are intended to give notice to members of the public of items of business to be transacted or discussed. The Audit Subcommittee may take any action which it deems appropriate on an agenda item.

*Public Comments: At this time, members of the public may address the Audit Subcommittee regarding any items within the subject matter jurisdiction of the Subcommittee provided that NO action may be taken off-agenda items unless authorized by law. Comments shall be limited to five (5) minutes per person and 20 minutes for all comments, unless different time limits are set by the Chairman, subject to the approval of the Subcommittee.

MEASURE M
COC/TOC AUDIT SUBCOMMITTEE MEETING
Minutes

Orange County Transportation Authority
550 S. Main Street, 600 Building
Orange, CA
Conference Room 506
Tuesday, December 14, 2010
5:00 p.m. – 6:00 p.m.

- COC/TOC members present: Jim Kelly, Howard Mirowitz, David Sundstrom, Richard Egan
- OCTA staff present: Kenneth Phipps, Kathleen O'Connell, Janet Sutter, Alice Rogan, Kia Mortazavi, Vicki Austin, Kim Bowman, Abbe McClenahan, Monica Salazar

Meeting was called to order at: 5:05pm.

Review and approve minutes from October 19, 2010: Minutes from the October meeting were approved.

Annual Financial Audit Update: Janet Sutter, Section Manager of Internal Audit, informed the Audit Subcommittee (Subcommittee) that Mayer Hoffman McCann, PC, (MHM) had completed financial statement reviews of OCTA and OCLTA. Tests of internal controls revealed one issue related to grant revenues recorded in prior periods and an adjustment was performed. MHM also completed work on the GANN reports for OCTA and OCLTA with no issues. Field work for both Measure M and Measure M2 status reports are complete and reports are being drafted. Internal Audit expects to receive the draft audit reports by the first week in January. Fieldwork has been completed for 6-1/2 of the Measure M city audits.

David Sundstrom, Chairman, voiced his concerns regarding MHM in light of the City of Bell scandal, for which MHM was the independent auditor. David stated he is aware that MHM is stepping up their peer review which will hopefully quell arising questions surrounding the scandal, but David would most like to ask MHM at some point how they could have missed obvious issues such as expending from bond funds which is basic. When the State Controller opines there is a total and complete lack of internal control, how could MHM have missed it? David is also concerned about MHM because the City of Orange uses Mike Harrison from MHM, who generally has a pretty good reputation, making the allegations out of character for Mike. David believes CPA quality is important and should be considered by the Audit Subcommittee especially with the agreed-upon procedures work. David understands OCTA's Internal Audit Department does not have sufficient staff to perform the agreed-upon procedures work, but believes the work would be better than MHM's work.

Kathleen O’Connell, Executive Director of Internal Audit, thanked David for his high regard of her staff’s abilities, and agreed sufficient staff to perform the agreed-upon procedures work internally did not exist at this time. Kathi continued that Internal Audit would be recommending that the Finance and Administration Committee approve exercising the second and final option-year for MHM to conduct OCTA’s annual financial audits. Kathi stated she believed the State Controller’s Office had lost a little credibility on this topic because of the political angle and because they had opined in the press about the quality of MHM’s work before they had the opportunity to review their work. Kathi also believed that until the State Board of Accountancy determines MHM’s work is not quality, she would have difficulty accepting the State Controller’s opinion. Kathi stated she does not have all the details nor is she defending MHM, but she believes it will be a while before this situation has been resolved. Kathi then added she has had a very good experience working with MHM’s Irvine office and Marc Davis, Shareholder, and that OCTA staff would concur that MHM does an excellent job. David responded he just wanted some level of assurance regarding MHM.

Jim Kelly asked Kathi if the agree-upon procedures were something that Internal Audit could do internally if properly staffed. Kathi responded yes. Jim asked if there was a reason why Measure M funds couldn’t be allocated to have the agreed-upon procedures performed internally. David answered it was a matter of the depth of the office, and how it was staffed. If the Audit Subcommittee made it a permanent assignment that the agreed-upon procedures be performed internally, that would mean adding a staff person to Internal Audit. Jim then asked Kathi to determine the cost of performing the agreed-upon procedures internally.

Quarterly Measure M Revenue and Expenditure Report: Kenneth Phipps, Executive Director of Finance and Administration, explained to the Subcommittee that because of the conservative approach of incorporating a 1.1 percent growth rate into the forecast, September actuals came in greater than what was forecast, with $12 million in increased sales revenue in the September report as compared to the June report. Ken anticipates this trend to continue for the balance of the Measure M1 era.

Net tax revenues in the forecast are up, most noticeably on page 3 in the Freeway Mode. The unprogrammed balance is almost $28 million, which is about $4 million higher than in June.

OCTA added $22 million to the SR-57 project, then removed the funds. There is capacity on that project to absorb additional M1 revenue that will make M2 revenues available for other M2 projects, and still serve as a close-out. Total capacity is about $44 million. Activity in the Freeway mode was $2 million in expenditures on the I-5 Gateway project, and $8 million of outside reimbursements for the SR-22 freeway project. Five million was expended in Streets and Roads. We continue to move closer to percentages for close-out. There is still an issue in the competitive projects area, which is procedurally hard to deal with. Other than that, the Metrolink operating account will absorb any changes plus or minus in the Transit account. We are currently on target to hit percentages for close-out.

Jim Kelly asked if Ken could go through how the Measure M Revenue and Expenditure report is put together and how it reconciles for new Subcommittee members. Ken agreed he would.

Measure M Closeout: Kia Mortazavi, Executive Director of Planning, distributed a one-page hand out outlining the framework for the close out of Measure M1. Kia stated the expectation is to discuss the framework of the Measure M Close-Out with OCTA's Board of Directors (Board) in February, with the main focus on Board action on policies and procedures for the close-out. Kia then went through the steps outlined in the handout. David Sundstrom suggested a true final financial report in addition to the Post Implementation Report.

Measure M2 Expenditure Report: Monica Salazar, Transportation Analyst, passed out an updated template of the Measure M2 Expenditure Report that was submitted to the Subcommittee for feedback at the October meeting. Monica indicated comments by subcommittee members have been incorporated into the form.

Monica explained the template is similar in format to the State Controller's Annual Street Report that cities are required to submit. Measure M funding programs applicable to OCTA were inserted into the template where appropriate. Monica then went through the schedules in the handout, noting the last page of the document includes reference to the Ordinance language. Monica indicated the next step is to present the outline of this template to the Technical Steering and Advisory Committees and then present the template to the Finance and Administration Committee and the Board of Directors for approval.

Fiscal Year 2010-11 Internal Audit Plan: Kathleen O'Connell, Executive Director of Internal Audit, reminded the Subcommittee that the Taxpayer Oversight Committee Audit Subcommittee Audit Charter requires that quarterly updates of the Internal Audit Plan be presented. Kathi then presented the 1st Quarter Update to the Internal Audit Plan to the Subcommittee.

Other Matters: None

Public Comments: None

Meeting Adjourned at: 6:11 p.m.

Next meeting scheduled for February 1, 2010, 5:00 p.m. CR 506

Orange County Local Transportation Authority

(A Component Unit of the Orange
County Transportation Authority)

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

Year Ended June 30, 2010

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)

Audited Financial Statements

Year Ended June 30, 2010

Contents

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Board of Directors
Orange County Local Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2010, which collectively comprise the OCLTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCLTA's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the OCLTA as of June 30, 2010, and the respective changes in financial position of the OCLTA for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the OCLTA's basic financial statements. The budgetary comparison schedule for the Local Transportation OCLTA Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Directors
Orange County Local Transportation Authority
Orange, California

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2010 on our consideration of the OCLTA's internal control over financial reporting and 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 the 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.

Mayer Hoffman McCann P.C.

Irvine, California
October 27, 2010

Management's Discussion and Analysis
(Unaudited)

As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 9. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net assets of the OCLTA were $464,280 and consisted of net assets invested in capital assets, net of related debt, of $169,853 and restricted net assets of $294,427.

- Beginning net assets were restated $27,058 due to sales tax revenue not accrued for in the prior fiscal year and revenues recorded in the prior fiscal year that were not available to finance current year expenditures (see note 10). Net assets decreased $49,954 during fiscal year 2009-10. This decrease was primarily due to program costs in excess of sales tax revenue and unrestricted investment earnings.

- Total capital assets, net of accumulated depreciation, were $169,853 at June 30, 2010.

- The OCLTA's governmental funds were restated $25,195 due to sales tax revenue not accrued for in the prior fiscal year and revenues recorded in the prior fiscal year that were either not available to finance current year expenditures or were not available for reimbursement (see note 10). OCLTA's governmental funds reported combined ending fund balances of $368,913, a decrease of $132,741 from the prior year. This decrease is primarily due to the I-5 gateway project, the continued effort to complete the Combined Transportation Funding Program (CTFP) with cities due to the upcoming conclusion of the Measure M1 program and the Metrolink Service Expansion Program (MSEP).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the OCLTA's basic financial statements, which are comprised of three components including government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements. Because the OCLTA is a governmental activity of the Orange County Transportation Authority, governmental funds are used to account for its Measure M program activities. The basic financial statements include only the activities of the OCLTA.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the OCLTA's finances using the accrual basis of accounting, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the OCLTA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OCLTA is improving or deteriorating.

The statement of activities presents information showing how the OCLTA's net assets changed during the fiscal year. All changes in net assets 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 can be found on pages 9-10 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 Measure M finance-related legal requirements. The OCLTA uses governmental funds.

<u>Governmental funds</u> 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 the OCLTA'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 OCLTA'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.

The OCLTA maintains two individual governmental funds which are considered to be major 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 the OCLTA's major governmental funds.

The governmental funds financial statements can be found on pages 11-14 of this report.

(in thousands)

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 15-31 of this report.

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 32 and the LTA debt service fund as other supplementary information on page 34 to demonstrate compliance with the annual appropriated budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2010, the OCLTA's assets exceeded liabilities by $464,280, a $49,954 decrease from June 30, 2009. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the OCLTA's governmental activities.

Approximately 37% of OCLTA's net assets reflect its investment in capital assets, the majority of which is land purchased for right-of-way. The increase of $3,010 in net assets invested in capital assets, net of related debt was primarily due to the purchase of land for the MSEP.

Restricted net assets, which are resources subjected to external restrictions on how they may be used, decreased $52,964 from June 30, 2009. This decrease is primarily due to program costs in excess of sales tax revenue received offset by the restatement previously mentioned (see note 10).

Table 1
Orange County Local Transportation Authority
Net Assets

	Governmental Activities	
	2010	2009
Current and other assets, as restated	$ 505,702	$ 556,480
Restricted assets	73,069	72,602
Capital assets, net	169,853	166,843
TOTAL ASSETS, AS RESTATED	748,624	795,925
Current liabilities	201,534	120,462
Long-term liabilities	82,810	161,229
TOTAL LIABILITIES	284,344	281,691

(in thousands)

	2010	2009
Net assets:		
Invested in capital assets, net of related debt	169,853	166,843
Restricted, as restated	294,427	347,391
Total net assets, as restated	$464,280	$514,234

Governmental activities decreased the OCLTA's net assets by $49,954. Sales taxes, which ultimately financed a significant portion of the OCLTA's net costs, decreased by $43,299, or 16%, from the prior year as a result of a significant downturn in the economy. This decrease includes the prior period adjustment of $27,757 (see note 10). Operating grants and contributions increased $33,811, or 135%, from the prior year primarily due to reimbursements related to the contribution to SCRRA for the MSEP and grade crossing projects.

OCLTA expenses of $305,024 shown on the statement of activities consist of:

Supplies and services	$ 51,388
Contributions to other local agencies	193,355
Infrastructure	50,220
Depreciation expense	66
Interest expense	7,771
Transfer to Caltrans	50
Transfer to other OCTA funds	2,174
Total expenses	$305,024

Total expenses increased $80,987, or 36% from the prior year primarily due the I-5 gateway project, the continued effort to complete CTFP projects and the MSEP.

Table 2
Orange County Local Transportation Authority
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services	$ 434	$ 353
Operating grants and contributions, as restated	34,060	249
Capital grants and contributions	-	19,757
General revenues:		
Taxes, as restated	221,855	265,154
Unrestricted investment earnings	13,002	23,474
Total revenues, as restated	269,351	308,987

(in thousands)

	2010	2009
Expenses:		
Measure M program	305,024	224,037
Indirect Expense Allocation	14,281	10,388
Increase/(decrease) in net assets, as restated	(49,954)	74,562
Net assets – beginning	514,234	439,672
Net assets—end of year, as restated	$464,280	$514,234

Financial Analysis of the OCLTA's Funds

As of June 30, 2010, the OCLTA's governmental funds reported combined ending fund balances of $368,913, a decrease of $132,741 compared to 2009. This decrease includes the restatement of the ending fund balance (see note 10). The total amount constitutes reserved fund balance to indicate that it is not available for new spending because of the following commitments:

- $1,682 deposited with the State for condemnation deposits;
- $1,174 other noncurrent assets;
- $68,481 to liquidate contracts and purchase orders of the current and prior periods;
- $109,655 to pay debt service on Measure M sales tax revenue bonds issued in prior years to accelerate funding for Measure M projects; and
- $187,921 for transportation programs related to Measure M projects.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2010, the OCLTA had $169,853, net of accumulated depreciation, invested in a broad range of capital assets including land, buildings, and machinery and equipment. A summary of the OCLTA's Measure M capital assets, net of depreciation, follows:

Land	$169,014
Improvements	1,086
Machinery	26
Total capital assets	170,126
Less accumulated depreciation	(273)
Total capital assets, net	$169,853

Total capital assets increased $3,010 or 2%, from the prior year primarily due to the purchase of land for the MSEP. More detailed information about the OCLTA's capital assets is presented in Note 6 to the financial statements.

OCTA has outstanding construction contracts, the most significant of which is $96,949 for Metrolink railroad grade crossing enhancement and safety improvements.

Debt Administration

As of June 30, 2010, the OCLTA had $182,795 in sales tax revenue bonds and commercial paper notes outstanding. All sales tax revenue bonds mature by 2011 when the OCLTA authority to collect the local sales tax expires. In fiscal year 2009-10, OCTA issued $50,000 in Renewed Measure M commercial paper notes and retired $78,405 of sales tax revenue bonds.

The OCLTA maintains a “AAA” rating from Standard & Poor’s, a “AA” rating from Fitch and a “Aa2” rating from Moody’s for its Measure M 1st Senior Sales Tax Revenue Bonds and a “AA” rating from Standard & Poor’s, an “AA-” rating from Fitch and a “Aa3” rating from Moody’s for its Measure M 2nd Senior Sales Tax Revenue Bonds.

Additional information on the OCLTA’s short-term debt and long-term debt can be found in Notes 7 and 8 to the financial statements, respectively.

Economic and Other Factors

The OCLTA represents the Measure M (M1) half cent sales tax which has delivered on promises made to the residents of Orange County in 1990, with over $4 billion invested in improvements to freeways, streets and roads and transit. As M1 sunsets on March 2011, the collection of sales tax under the Renewed Measure M (M2) Investment Plan will officially get underway in April 2011. M2 was overwhelmingly approved by the voters of Orange County in 2006 because of the tangible results that were realized through M1. The passage of M2 will allow for the continuation of transportation improvements for 30 years. In an effort to expedite transportation projects, the OCTA Board approved the M2 Early Action Plan (EAP) in 2007, paving the way for financing projects in 2007 through 2012. Under the EAP, five M2 freeway projects are scheduled to be under construction before revenues are collected in 2011.

The OCLTA adopted its 2011 annual budget on June 14, 2010. This $588.1 million balanced budget includes both M1 and M2. The M1 budget totals $348.4 million and includes payments to cities and the County of Orange for the turnback and competitive programs, significant investment in the MSEP, Measure M debt service payments, and right-of-way acquisition and construction costs for the I-5 Gateway project completed in October 2010. The M2 budget totals $239.7 million and includes funds for the grade separation projects, grade crossing and quiet zones, environmental mitigation and work related to several freeway projects that have been identified in the Board-approved EAP.

Contacting the OCLTA’s Management

This financial report is designed to provide a general overview of the OCLTA’s finances for all those with an interest in the OCLTA’s finances and to demonstrate OCLTA 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 of the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A Component Unit of the Orange County Transportation Authority)

Statement of Net Assets

June 30, 2010

(thousands)		Governmental Activities
ASSETS		
Cash and investments	$	431,633
Receivables:		
Interest		1,385
Operating grants		2,207
Other		13
Due from other governments		60,926
Condemnation deposits		1,682
Restricted cash and investments		73,069
Other assets		1,233
Assets held for resale		6,623
Capital assets:		
Nondepreciable		169,014
Depreciable, net		839
TOTAL ASSETS		748,624
LIABILITIES		
Accounts payable		22,465
Accrued interest payable		1,755
Due to other OCTA funds		184
Due to other governments		55,530
Unearned revenue		14,060
Other liabilities		21
Advance from other OCTA funds		7,519
Commercial paper notes		100,000
Noncurrent liabilities:		
Due within one year		82,810
TOTAL LIABILITIES		284,344
NET ASSETS		
Invested in capital assets		169,853
Restricted for:		
Measure M program		184,772
Debt Service		109,655
TOTAL NET ASSETS	$	464,280

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A Component Unit of the Orange County Transportation Authority)

Statement of Activities

Year Ended June 30, 2010

(thousands)	Expenses	Indirect Expense Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue and Changes in Net Assets: Governmental Activities
Program governmental activities:					
Measure M program	$ 305,024	$ 14,281	$ 434	$ 34,060	$ (284,811)
Total governmental activities	$ 305,024	$ 14,281	$ 434	$ 34,060	$ (284,811)

General revenues:	
Sales taxes	221,855
Unrestricted investment earnings	13,002
Total general revenues	234,857
Change in net assets	(49,954)
Net assets - beginning, as restated	514,234
Net assets - ending	$ 464,280

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A Component Unit of the Orange County Transportation Authority)

Balance Sheet - Governmental Funds

June 30, 2010

(thousands)	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	$ 395,203	$ 36,430	$ 431,633
Receivables:			
Interest	1,229	156	1,385
Operating grants	2,207	-	2,207
Other	13	-	13
Due from other governments	60,926	-	60,926
Condemnation deposits	1,682	-	1,682
Restricted cash and investments:			
Cash equivalents	-	44,453	44,453
Investments	-	28,616	28,616
Prepaid assets	1,174	-	1,174
Total Assets	$ 462,434	$ 109,655	$ 572,089
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 22,465	$ -	$ 22,465
Due to other OCTA funds	184	-	184
Due to other governments	55,530	-	55,530
Deferred revenue	17,431	-	17,431
Other liabilities	21	-	21
Advance from other OCTA funds	7,519	-	7,519
Commercial paper notes	100,000	-	100,000
Interest payable	26	-	26
Total Liabilities	203,176	-	203,176
Fund Balances			
Reserved for:			
Condemnation deposits	1,682	-	1,682
Other assets	1,174	-	1,174
Encumbrances	68,481	-	68,481
Debt service	-	109,655	109,655
Transportation programs	187,921	-	187,921
Total Fund Balances	259,258	109,655	368,913
Total Liabilities and Fund Balances	$ 462,434	$ 109,655	$ 572,089

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A Component Unit of the Orange County Transportation Authority)

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2010

(thousands)

Amounts reported for governmental activities in the statement of net assets (page 9) are different because:

Total fund balances (page 11)	$	368,913
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		169,853
Assets held for resale are not a financial resource and, therefore, are not reported in the funds.		6,623
Other long-term assets related to cost of issuance are not financial resources and, therefore, are not reported in the funds.		59
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is deferred in the funds.		3,371
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(1,729)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(82,810)
Net assets of governmental activities (page 9)	$	464,280

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A Component Unit of the Orange County Transportation Authority)

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2010

(thousands)	LTA	LTA Debt Service	Total OCLTA
Revenues			
Sales taxes	$ 221,855	$ -	$ 221,855
Contributions from other agencies	31,269	-	31,269
Interest	12,219	783	13,002
Miscellaneous	3,117	-	3,117
Total Revenues	268,460	783	269,243
Expenditures			
Current:			
General government	65,459	151	65,610
Transportation:			
Contributions to other local agencies	193,355	-	193,355
Capital outlay	54,302	-	54,302
Debt service:			
Principal payments on long-term debt	-	78,405	78,405
Interest on long-term debt and commercial paper	403	9,018	9,421
Total Expenditures	313,519	87,574	401,093
Excess (deficiency) of revenues over (under) expenditures	(45,059)	(86,791)	(131,850)
Other financing sources (uses)			
Transfers in	5,241	87,428	92,669
Transfers from OCTA	1,283	-	1,283
Transfers out	(87,428)	(5,241)	(92,669)
Transfers to OCTA	(2,174)	-	(2,174)
Total other financing sources (uses)	(83,078)	82,187	(891)
Net change in fund balances	(128,137)	(4,604)	(132,741)
Fund balances-beginning, as restated	387,395	114,259	501,654
Fund balances-ending	$ 259,258	$ 109,655	$ 368,913

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A Component Unit of the Orange County Transportation Authority)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2010

(thousands)

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental funds (page 13)	$	(132,741)
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.		4,016
Transfer of the completion of the SR-22 HOV project to Caltrans		(50)
The net effect of various miscellaneous transactions involving the sale of land held for resale is to decrease net assets.		(2,683)
Deferred revenues received in the current year are reported as revenues in the funds and not reported in the statement of activities.		1,508
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, 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.		79,996
Change in net assets of governmental activities (page 10)	$	(49,954)

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program. The original Measure M Program (M1) commenced on April 1, 1991 for a period of 20 years. Under M1, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads and transit.

On November 7, 2006, Orange County voters approved the renewal of Measure M for a period of 30 more years from April 1, 2011 to March 31, 2041. Renewed Measure M (M2) allocates funds to freeway, street and road, transit and environmental improvements.

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 several agencies and funds, including the OCLTA, a component unit of the OCTA. Accordingly, the OCLTA's financial activities are included with the financial activities of OCTA for financial reporting purposes.

The OCTA governing board (Board) consists of 17 voting members and functions as the OCLTA governing board. Measure M requires that an eleven-member Taxpayer's Oversight Committee (TOC) monitors the use of Measure M funds and ensures that all revenue collected from Measure M is spent on voter-approved transportation projects.

These financial statements include only the activities of the OCLTA, a component unit of the OCTA. These financial statements are not intended to present the activities of OCTA.

Basis of Presentation

The OCLTA's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Statements: The statement of net assets and the statement of activities report information on all of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales taxes.

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with Measure M, and allocated indirect expenses. Interest expense related to the sales tax revenue bonds and commercial paper is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the year ended June 30, 2010, interest expense of $7,771 was included as Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes and other items, which are properly not included among program revenues, are reported instead as general revenues.

Fund Financial Statements: The fund financial statements provide information about the OCLTA's governmental funds. The OCLTA considers all of its Measure M funds as major governmental funds. They are comprised of the following:

- *Local Transportation Authority (LTA) Fund* - This special revenue fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. Financing 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 was recently renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance requires that sales tax revenues only be expended on projects included in the ordinance. A decision to use the revenues for any other purpose must be put to the voters in another election.

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

Measurement Focus and Basis of Accounting

The government-wide 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, the OCLTA considers revenues to be available if they are collected within 180 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt of governmental funds are recorded only when payment is due.

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

When both restricted and unrestricted resources are available for use, it is the OCLTA's policy to use restricted resources first and then unrestricted resources as they are needed.

Cash and Investments

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with the Annual Investment Policy (AIP) adopted by the Board on May 8, 1995, and most recently amended April 26, 2010. The AIP complies with, or is more restrictive than, applicable state statutes. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

Investments in U.S. government and U.S. agency securities, 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 securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Certain investment agreements are carried at cost while others are carried at fair value. Treasury mutual funds are carried at fair value based on each fund's share price. The Orange County Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP. The state-managed Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

The AIP requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and is more restrictive than applicable state statutes for the following cases:

OCTA Notes and Bonds (25%)

Commercial paper (25%)

- Must be rated by two of the three rating agencies at the following level or better: P-1 by Moody's Investor Service (Moody's), A-1 by Standard & Poor's Corporation (S & P) or F-1 by Fitch Ratings (Fitch).
- Must be issued by corporations rated A- or better by S & P, A3 or better by Moody's or A- or better by Fitch, with further restrictions to issuer size.
- Maximum Term: 180 days.

Negotiable Certificates of Deposit (30%)

- Must be issued by a nationally or state-chartered bank or state or federal association, or be a state licensed branch of a foreign bank, which has been rated by at least two of the Nationally Recognized Statistical Rating Organizations.
- The issuer must have minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch.
- Maximum Term: 270 days.

Bankers Acceptance (30%)

- Must be rated by at least two of the Nationally Recognized Statistical Rating Organizations with minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch and may not exceed the 5% limit by any one commercial bank.
- Maximum Term: 180 days.

Mortgage or Asset-Backed Securities (20%)

- Must be rated AAA by S & P, Aaa by Moody's, or AAA by Fitch.
- The issuer must have an A or better rating by S & P, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organization recognized for rating service for its long-term debt.
- Maximum Term: Five year stated final maturity.

Repurchase Agreements (75%)

- Must be collateralized at one hundred and two percent (102%).
- Reverse repurchase agreements and securities lending are not permitted.
- Maximum Term: 30 days.

Medium-term Notes (30%):

- Corporate securities which are rated A- or better by S & P, A3 or better by Moody's or A- by Fitch or an equivalent rating by two of the three Nationally Recognized Statistical Rating Organizations.
- Medium term notes must not represent more than ten percent (10%) of the issue in the case of a specific public offering. Under no circumstance may any one corporate issuer represent more than 5% of the portfolio.
- Maximum Term: 5 years.

Other allowable investment categories include money market funds, mutual funds and LAIF. LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. Investment is also allowed in OCIP, but is limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is performed 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 and as permitted by the Code.

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of the AIP.

Outside portfolio managers must review, on an ongoing basis, the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines.

- Issuer/Counter-Party Diversification Guidelines apply to all securities except federal agencies, government sponsored enterprises, investment agreements, repurchase agreements and 91 Express Lanes Debt – any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities (5%).

- Issuer/Counter-Party Diversification Guidelines for federal agencies, government sponsored enterprises and repurchase agreements – any one federal agency or government sponsored enterprise (35%); any one repurchase agreement counter-party name if maturity/term is < 7 days (50%), if maturity/term is > 7 days (35%).

- Issuer/Counter-Party Diversification Guidelines for the OCTA's 91 Express Lanes Debt – OCTA may purchase all or a portion of the Orange County Transportation Authority's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing December 15, 2030 providing the purchase does not exceed 25% of the Maximum Portfolio.

Interfund Transactions

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

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2009-10, $14,281 of administrative services were charged to the OCLTA and are reported as general government expenditures in the governmental funds.

Restricted Cash and Investments

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

Capital Assets

Capital assets include land, buildings, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than $5 and a useful life exceeding one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. 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.

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (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 the OCLTA does not intend to maintain or operate the property when complete.

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

Asset Type	Useful Life
Buildings/Right-of-way improvements	10-30 years
Machinery and equipment	3-10 years

Assets Held for Resale

OCLTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCLTA (see above). These assets are reported as assets held for resale in the government-wide financial statements and will be sold and the proceeds reimbursed to the project that funded the expenditure.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net assets. Bond premiums and discounts and bond refunding costs, as well as issuance costs, 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 and deferred bond refunding loss. Bond issuance costs are reported as other assets and amortized over the life of the related debt.

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.

Contributions to other agencies

Contributions to other agencies primarily represent sales tax revenues received by the OCLTA disbursed to cities for competitive projects, the turnback program and to other agencies for projects which are in accordance with the Measure M ordinance.

Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are classified into two categories:

- *Invested in capital assets* - This balance reflects the net assets of the OCLTA that are invested in capital assets. These net assets are generally not accessible for other purposes.

(in thousands)

- *Restricted net assets* - This balance represents net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports $294,427 of net assets restricted by enabling legislation.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for a specific purpose.

Use of Estimates

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

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets

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

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 $169,853 difference are as follows:

Capital assets	$170,126
Less accumulated depreciation	(273)
Net adjustment to increase fund balances - total governmental funds to arrive at net assets - governmental activities	**$169,853**

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 ($82,810) difference are as follows:

Bonds payable	$ (82,795)
Less deferred loss on refunding (to be amortized as interest expense)	336
Plus unamortized bond issuance premium (to be amortized as interest expense)	(351)
Net adjustment to decrease fund balances - total governmental funds to arrive at net assets - governmental	**$ (82,810)**

(in thousands)

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 change in net assets - governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense." The details of this $4,016 difference are as follows:

Capital outlay	$4,082
Depreciation expense	(66)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities	**$ 4,016**

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 assets. Also, governmental funds report the effect of issuance costs, 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 $79,996 difference are as follows:

Principal repayments – sales tax revenue bonds	$ 78,405
Change in accrued interest	1,635
Amortization of deferred loss on refunding	(336)
Amortization of premium	351
Amortization of issuance costs	(59)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets -governmental activities	**$79,996**

(in thousands)

3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2010:

Deposits	$ 24,617
Investments:	
With OCTA Commingled Investment Pool	342,543
With Trustee	137,542
Total Investments	480,085
Total cash and investments	**$ 504,702**

Total deposits and investments are reported in the financial statements as:

Unrestricted Cash and Investments	$ 431,633
Restricted Cash and Investments:	
Cash equivalents	44,453
Investments	28,616
Total Cash and Investments	**$ 504,702**

As of June 30, 2010, OCLTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	$342,543	$340,327	Discount .37%-8.875%	7/1/10-6/15/15	2.13
Money Market	71,901	71,901	Variable	7/1/10	1 Day
U.S. Agency Notes	36,414	36,414	Discount	8/12/10 - 2/16/11	0.60
Investment Agreements	29,227	19,956	Discount, 3.877%	8/15/10 - 2/15/11	.62
Total Investments	**$480,085**	**$468,598**			
Portfolio Weighted Average Maturity					**1.80**

Interest Rate Risk

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore, less sensitive to interest rate changes. In accordance with the OCTA investment 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.

(in thousands)

As of June 30, 2010, OCLTA was a participant in OCTA's commingled investment pool which had mortgage and asset-backed securities totaling $66,860. 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 by at least two of the three Nationally Recognized Rating Services Organizations.

As of June 30, 2010, OCTA's commingled investment pool had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express Credit Corp	$ 936	LIBOR + 170 basis points	Monthly
Bank America Corp	1,007	LIBOR + 20 basis points	Quarterly
Berkshire Hathaway Financial	600	LIBOR + 12.5 basis points	Quarterly
Citigroup Inc	423	LIBOR + 33 basis points	Quarterly
Goldman Sachs	1,005	LIBOR + 25 basis points	Quarterly
Paccar Financial Corp	629	LIBOR + 45 basis point	Quarterly
Wachovia Bank NA	1,500	LIBOR + 7 basis points	Quarterly
Total Variable Rate Notes	$ 6,100		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2010, OCTA did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The AIP sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services S&P, Moody's, and Fitch. For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services. LAIF and the OCTA Commingled Investment Pool are not rated.

(IN THOUSANDS)

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, 2010. (NR means Not Rated):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF
OCTA Commingled Investment	NR	NR	NR	71%
Money Market Mutual Funds	AAA	Aaa	NR	15%
United States Agency Notes	AAA	Aaa	AAA	8%
Investment Agreements	NR	NR	NR	6%
TOTAL				**100%**

As of June 30, 2010, OCTA's commingled investment pool held one investment in Lehman Brothers Holding Inc. Medium Term Notes. The investment had a $1,000 par maturing on January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of June 30, 2010, the market value of the security was 20.25% of par.

CONCENTRATION OF CREDIT RISK

At June 30, 2010, OCTA did not exceed the AIP limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government sponsored enterprises, investment agreements and repurchase agreements.

- 20% may be invested in any money market mutual fund.

The AIP limitation excludes investment agreements pursuant to the bond indenture. OCTA had the following investment agreements outstanding as of June 30, 2010:

INVESTMENT AGREEMENTS	AMOUNT
FSA Capital Management Services LLC Investment Agreement	$ 10,248
U.S. Treasury Notes Coupons Components	18,979
TOTAL	**$ 29,227**

INVESTMENT IN STATE INVESTMENT POOL

The OCTA is a voluntary participant in the Local LAIF which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the 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.

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2010 are $60,926 and are comprised of $42,071 of sales taxes, $18,279 for project reimbursements and $576 related to other miscellaneous transactions.

(in thousands)

5. Related Party Transactions and Interfund Transfers

Related party transactions:

During fiscal year 2009-10, transfers of $2,174 from the OCLTA to OCTA were made for the fare stabilizations and ACCESS programs and for capital projects. Additionally, $1,283 was transferred from other OCTA funds to OCLTA as contributions for program expenditures.

Interfund Transfers:

During fiscal year 2009-10, the LTA Fund transferred $87,428 to the LTA Debt Service Fund for debt service payments and the LTA Debt Service fund transferred $5,241 in excess bond reserve to the LTA Fund.

6. Capital Assets

Capital assets activity for the OCLTA Measure M governmental activities for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	$ 165,306	$ 4,082	$	$ 169,014
Construction in progress held for Department of Transportation	50	-	50	-
Total Measure M capital assets, not being depreciated	**$165,356**	**$4,082**	**$424**	**$169,014**
Capital assets, being depreciated:				
Right-of-way Improvements	$ 1,784	$ -	$	$ 1,086
Machinery and equipment	26	-	-	26
Total capital assets, being depreciated	1,810	-	698	1,112
Less accumulated depreciation for:				
Right-of-way Improvements	(319)	(59)	(116)	(262)
Machinery and equipment	(4)	(7)	-	(11)
Total accumulated depreciation	(323)	(66)	(116)	(273)
Total Measure M capital assets, being depreciated, net	**$ 1,487**	**$ (66)**	**$ 582**	**$ 839**

Depreciation expense charged to the Measure M program was $66.

(in thousands)

7. Short-Term Debt

On January 28, 2008, OCLTA was authorized to issue up to $400,000 in Renewed Measure M Subordinate Tax-Exempt Commercial Paper Notes Series A and Series B (M2 Notes). As a requirement for the issuance of the M2 Notes, OCTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement issued on a several and not joint basis with Dexia Credit Local, Bank of America, N.A., BNP Paribas, and JP Morgan Chase Bank, National Association as liquidity support for the M2 Notes.

As of June 30, 2010, OCLTA had outstanding M2 Notes in the amount of $100,000. Interest is payable on the respective maturity dates of the M2 Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the M2 Notes is 12.0%. The average issuance rate during fiscal year 2010 was 0.36%.

Changes in Short-Term Debt

Short-term debt activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax exempt commercial paper – M2	$ 50,000	$ 50,000	$ -	$ 100,000
Total Short-Term Debt	**$50,000**	**$ 50,000**	**$ -**	**$ 100,000**

8. Long-Term Debt

Sales Tax Revenue Bonds

During fiscal years 1993, 1994 and 1998, the OCLTA issued sales tax revenue bonds to assist in the financing of various highway, local street and road and transit projects in Orange County. The Measure M sales tax is the source of revenue for repaying this debt.

In August 1997, the OCLTA issued $57,730 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $57,600 of outstanding 1992 Second Senior Bonds (1992 Second Senior Series). The net proceeds plus additional 1992 Second Senior Series sinking fund moneys and release of funds from the Bond Reserve Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Second Senior Series. In February 2002, the advance refunded 1992 Second Senior Bonds, which have been eliminated in the financial statements, were paid.

In March 1998, the OCLTA issued $20,270 (1998 First Senior Series) in Measure M Sales Tax Revenue Refunding Bonds to advance refund $19,885 of outstanding 1992 First Senior Bonds (1992 First Senior Series). In addition to the refunding, OCLTA also issued $213,985 (1998 Second Senior Series) in revenue bonds to continue with the financing of Measure M related projects. The net proceeds plus additional 1992 First Senior Series sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 First Senior Series. In February 2002, the advance refunded 1992 First Senior Bonds, which have been eliminated in the financial statements, were paid. In

(in thousands)

February 2005, the 1998 First Senior Series Bonds, which have also been eliminated in the financial statements, were paid.

In October 2001, the OCLTA issued $67,335 (2001 First Senior Series) in Measure M Sales Tax Revenue Refunding Bonds to advance refund $18,805 of the 1992 First Senior Bonds and $48,430 of the 1994 Second Senior Bonds. The proceeds plus additional sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1994 bonds. In February 2004, the advance refunded 1992 First Senior Bonds, which have been eliminated in the financial statements, were paid. In February 2004, the 2001 First Senior Series bonds, which have also been eliminated in the financial statements, were paid.

A summary of the bonds outstanding is as follows:

	1992 1st Senior Bond	1992 2nd Senior Bond	1994 2nd Senior Bond	1997 2nd Senior Bond	1998 2nd Senior Bond	2001 2nd Senior Bond
Issuance date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	$ 350,000	$ 190,000	$ 200,000	$ 57,730	$ 213,985	$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
Net bond proceeds	**$ 347,388**	**$ 189,273**	**$ 199,835**	**$ 61,530**	**$ 225,672**	**$ 51,940**
Issuance costs	$ 3,508	$ 2,323	$ 2,535	$ 780	$ 2,194	$ 590
Reserve requirements	$ -	$ 14,416	$ 11,406	$ 2,002	$ 24,581	$ 6,263
Cash reserve balance	$ -	$ 14,772	$ 12,406	$ 2,002	$ 24,581	$ 6,263
Interest rate	2.8%-12.23%	2.9%-12.03%	2.8%-12.55%	3.8%-5.7%	3.9%-5.5%	4.0%-5.0%
Annual principal payment	$27,200	$ -	$ -	$15,445	$23,300	$16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	$ 27,200	$ -	$ -	$ 15,445	$ 23,300	$ 16,850
Less deferred loss on refunding	-	-	-	-	-	$ (336)
Plus unamortized premium	-	-	-	-	-	$ 351
Total	**$ 27,200**	**$ -**	**$ -**	**$ 15,445**	**$23,300**	**$ 16,685**

(in thousands)

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest
2011	82,795	4,627
Total	$ 82,795	$ 4,627

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Measure M program activities:					
Sales tax revenue bonds	$ 161,200	$ -	$ 78,405	$ 82,795	$ 82,795
Unamortized deferred loss on refunding	(673)	-	(337)	(336)	-
Unamortized premium	702	-	351	351	-
Total Measure M program activities	$161,229	$ -	$ 78,419	$82,810	$82,795

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 all interest paid to bondholders 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.

(in thousands)

Pledged Revenue

OCLTA has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the bonds outstanding table found on page 28. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions located on page 27 and page 28. For the year ended June 30, 2010, debt service payments as a percentage of the pledged gross revenue net of turnback, are indicated in the table below:

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Measure M Sales Tax	$ 182,471	$ 87,422	47.9%

9. Commitments and Contingencies

Purchase Commitments

The OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2010, were $649,611, the majority of which relate to the expansion of Orange County's freeway and road systems.

Federal Grants

The OCLTA 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 the OCLTA's financial position or changes in financial position.

10. Prior Period Adjustment

In the prior fiscal year, revenues of $1,863 for the construction of the SR-22 freeway project were recorded as revenue. However, the amount is considered retention and is not available for reimbursement until February 2011. Therefore, this revenue should have been recorded as deferred revenue in the prior fiscal year as it is not available to finance current expenditures. This impacts the Government Fund statements only as the revenues were earned in the previous fiscal year. Additionally, in the prior fiscal year, $699 for the I-405 widening project was recorded as revenue. However, it was determined in the current fiscal year that OCTA had not received the program supplement from Caltrans granting OCTA the authority to seek reimbursement.

During fiscal year 2009-10, it was determined when GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented the documentation received from the State was not clear as to when the revenues were earned. In the prior fiscal year, $27,757 of sales tax revenue was not accrued for at the end of the year.

(in thousands)

The following is a summary of the effect of these adjustments:

	Governmental Activities	Local Transportation Authority Fund
Beginning balance, as previously reported	487,176	$362,200
Adjustment (SR-22 freeway project)	-	(1,863)
Adjustment (Sales Tax Revenue)	27,757	27,757
Adjustment (I-405 widening project)	(699)	(699)
Beginning balance, as restated	514,234	$387,395

11. Effect of New Pronouncements

GASB Statement No. 51

In June 2007, GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. OCLTA does not have any intangible assets.

GASB Statement No. 53

In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. As of fiscal year ending June 30, 2010, OCLTA does not have any derivative instruments.

GASB Statement No. 54

In March 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. This statement is effective for OCLTA's fiscal year ending June 30, 2011.

GASB Statement No. 58

In December 2009, GASB issued Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. This statement does not apply to OCLTA.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

(A COMPONENT UNIT OF THE ORANGE COUNTY TRANSPORTATION AUTHORITY)

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - LTA SPECIAL REVENUE FUND (BUDGETARY BASIS)

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget
(thousands)	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Sales taxes	$ 234,745	$ 234,745	$ 221,855	$ (12,890)
Contributions from other agencies	8,250	8,250	31,269	23,019
Interest	10,012	10,012	12,219	2,207
Capital assistance grants	64,098	64,098	-	(64,098)
Miscellaneous	2,379	2,379	3,117	738
TOTAL REVENUES	319,484	319,484	268,460	(51,024)
EXPENDITURES:				
Current:				
General government	113,494	119,136	65,459	53,677
Transportation:				
Contributions to other local agencies	332,040	329,353	193,355	135,998
Capital outlay	271,025	270,962	54,302	216,660
Debt service:				
Interest on long-term debt and commercial paper	1,500	1,500	403	1,097
TOTAL EXPENDITURES	718,059	720,951	313,519	407,432
Excess (deficiency) of revenues over (under) expenditures	(398,575)	(401,467)	(45,059)	356,408
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	5,241	5,241
Transfers from OCTA	1,650	1,650	1,283	(367)
Transfers out	(87,404)	(87,404)	(87,428)	(24)
Transfers to OCTA	(2,212)	(2,212)	(2,174)	38
TOTAL OTHER FINANCING SOURCES (USES)	(87,966)	(87,966)	(83,078)	4,888
Net change in fund balances	$ (486,541)	$ (489,433)	$ (128,137)	$ 361,296

See accompanying notes to the required supplementary information.

1. Budgetary Data

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA special revenue and the debt service governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. 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 2010 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Other Supplementary Information
Budgetary Comparison Schedule - LTA Debt Service Fund (Budgetary Basis)
Year Ended June 30, 2010

(thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Interest	$ 2,203	$ 2,203	$ 783	$ (1,420)
Total revenues	2,203	2,203	783	(1,420)
Expenditures:				
Current:				
General government	298	298	151	147
Debt service:				
Principal payments on long-term debt	78,405	78,405	78,405	-
Interest on long-term debt and commercial paper	9,000	9,000	9,018	(18)
Total expenditures	87,703	87,703	87,574	129
Excess (deficiency) of revenues over (under) expenditures	(85,500)	(85,500)	(86,791)	(1,291)
Other financing sources (uses):				
Transfers in	87,405	87,405	87,428	23
Transfers out	-	-	(5,241)	(5,241)
Total other financing sources (uses)	87,405	87,405	82,187	(5,218)
Net change in fund balances	$ 1,905	$ 1,905	$ (4,604)	$ (6,509)

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Board of Directors
Orange County Local Transportation Authority
Orange, California

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2010, which collectively comprise the OCLTA's basic financial statements and have issued our report thereon dated October 27, 2010. 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.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit, we considered the OCLTA'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 the OCLTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OCLTA'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 OCLTA'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 would not necessarily disclose all deficiencies in internal control 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 above.

Board of Directors
Orange County Local Transportation Authority
Orange, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCLTA'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.*

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

Mayer Hoffman McCann P.C.

Irvine, California
October 27, 2010

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Debt Service Coverage Tests

Year Ended June 30, 2010

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Debt Service Coverage Tests

Year Ended June 30, 2010

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Board of Directors and
Taxpayers Oversight Committee
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Orange, California

REPORT OF INDEPENDENT AUDITOR ON SCHEDULE OF NET MEASURE M SALES TAX REVENUE COMPARED TO MAXIMUM ANNUAL DEBT SERVICE

We have audited the accompanying Schedule of Net Measure M Sales Tax Revenue Compared to Maximum Annual Debt Service (Schedule) of the Orange County Local Transportation Authority (OCLTA) for the year ended June 30, 2010. This Schedule is the responsibility of the OCLTA's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is 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 the OCLTA'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 Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared for the purpose of complying with, and in conformity with, the method of calculating the debt service coverage test as prescribed by Section 3.01(D) of the Indenture Agreement between the OCLTA and State Street Bank and Trust Company of California, N.A. dated August 15, 1992, as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor trustee, as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the net Measure M sales tax revenue compared to the maximum annual debt service of the OCLTA for the year ended June 30, 2010 on the basis of the requirement described in Note 1.

Board of Directors and
Taxpayers Oversight Committee
Orange County Local Transportation Authority
Orange, California

This report is intended solely for the information and use of management, the Board of Directors of the Orange County Local Transportation Authority, the Taxpayers Oversight Committee, BNY Western Trust Company, and Nossaman, Guthner, Knox & Elliott and is not intended to be, and should not be, used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
October 27, 2010

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Schedule of Net Measure M Sales Tax Revenue Compared to
Maximum Annual Debt Service

Year Ended June 30, 2010

Measure M sales tax revenue:	
Measure M sales tax revenue received	$ 214,161,849
Less: Local revenues	(31,267,630)
Net Measure M sales tax revenue *(Note 2)* (A)	182,894,219
Senior maximum annual debt service *(Note 3)*	87,421,904
Multiplied by the debt factor *(Note 4)*	1.30
130% coverage required (B)	113,648,475
Excess of net Measure M sales tax revenue over 130% coverage required [(A) - (B)]	$ 69,245,744

See accompanying notes.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to Schedule of Net Measure M Sales Tax
Revenue Compared to Maximum Annual Debt Service

Year Ended June 30, 2010

(1) Organization and Schedule Presentation

The Orange County Local Transportation Authority (OCLTA) was formed for the purpose of managing revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. The OCLTA is a separate authority accounted for as a special revenue and debt service fund within the Orange County Transportation Authority. Funds are provided by a 0.5% county sales tax (0.5% Sales Tax) levied pursuant to Measure M, which became effective April 1, 1991, and bond proceeds secured by the Measure M Sales Tax.

The Schedule presents the debt service coverage test in accordance with Section 3.01(D) of the Indenture Agreement between OCLTA and State Street Bank and Trust Company of California, N.A. dated August 15, 1992, as amended on December 1, 1996 to appoint BNY Western Trust Company as the successor trustee, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

The Schedule does not purport to, and does not, present fairly the financial position of OCLTA as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(2) Net Measure M Sales Tax Revenue

Net Measure M Sales Tax Revenue represents amounts as defined in the Indenture Agreement. Measure M Sales Tax Revenue Received represents amounts collected by the State of California and forwarded to OCLTA in connection with the 0.5% Sales Tax. Local Revenues represent the portion of the 0.5% Sales Tax distributed to local governments in accordance with the requirements of Measure M. Management believes that the interest earned on the investment of the 0.5% Sales Tax Revenues has no significant impact on the debt service coverage test; therefore, such amounts have been excluded.

(3) Maximum Annual Debt Service

Maximum Annual Debt Service represents the largest combined annual debt service amount for the First Senior Bonds, Series 1992, 1998 (Refunding), and 2001A (Refunding) and Second Senior Bonds, Series 1992, 1994, 1997A (Refunding), 1998A and 2001A (Refunding) as listed in the Schedule of Debt Service for Outstanding Bonds contained on page 8 of the Official Statement dated October 15, 2001 for OCLTA Measure M Sales Tax Revenue Bonds (Limited Tax Bonds), First Senior Bonds, Series 2001A and Measure M Sales Tax Revenue Refunding Bonds (Limited Tax Bonds), Second Senior Bonds, Series 2001A.

(4) Debt Factor

The debt factor is defined in Section 3.01 (D) of the Indenture Agreement as 130% of maximum annual debt service for all sales tax revenue indebtedness outstanding.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Report on Agreed-Upon Procedures Applied to Measure M Status Report

Year Ended June 30, 2010

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Report on Agreed-Upon Procedures
Applied to Measure M Status Report

Year Ended June 30, 2010

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Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES TO THE MEASURE M STATUS REPORT

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published, Board of Director approved documents or internal documents, for the year ended June 30, 2010. The Measure M Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Measure M Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Measure M Status Report is separated into three sections: Section A describes our procedures applied to Schedule 1; Section B describes our procedures applied to Schedule 2; and Section C describes our procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared Year to Date June 30, 2010 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund 10 and the OCLTA Debt Service Fund 70 and additional detailed information from the underlying accounting records.

2. Recalculated Period From Inception Through June 30, 2010 amounts (Column B) by adding the prior year's Period From Inception through June 30, 2009 amounts with Year to Date June 30, 2010 amounts (Column A).

3. Recomputed totals and subtotals.

Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee
of the Orange County Local Transportation Authority
Orange, California

B. We obtained Schedule 2 and performed the following procedures:

1. Compared Year Ended June 30, 2010 (Columns C.1 and C.2) to Schedule 1, column A. For Professional services, non-project related amounts, we compared the sum of this caption allocated to Tax Revenues and to Bond Revenues at June 30, 2010 (C.1 and C.2) to Schedule 1, Column A.

2. Compared Period From Inception Through June 30, 2010 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For the Orange County bankruptcy recovery, professional services, non-project related, Orange County bankruptcy loss and other non-project related amounts, we compared the total of the amounts allocated to Tax Revenues and to Bond Revenues at June 30, 2010 (Columns D.1 and D.2) to Schedule 1, Column B. For the payment to refunded bond escrow, we compared the Period From Inception Through June 30, 2010 amount (Column D.2) to the total of the advance refunding escrow and payment to refunded bond escrow agent amounts at Schedule 1, Column B.

3. Compared forecast amounts (Columns E.I and E.2) to Measure M Forecast Schedule.

4. Recomputed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Tax Revenues (Totals), respectively.

2. Recalculated Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts, by mode and project description, based on the Revised Traffic Improvement and Growth Management Expenditure Plan, as amended (Expenditure Plan).

3. Compared the Project Budget (column J) for Freeways to the Measure M Project Funding Responsibility 1996 Strategic Plan in June 2010 dollars. Regional streets and road projects, local streets and road projects, and certain transit projects are not budgeted due to the fact that these projects are funded on a "pay as you go" basis. Therefore, funds are budgeted as they are allocated to projects.

4. Compared the Estimate at Completion (Column K) to supporting budget documents.

5. Recalculated the Variance Total Net Tax Revenues to Estimate at Completion (Column L) by subtracting Column K from Column I and the Variance Project Budget to Estimate at Completion (Column M) by subtracting Column K from Column J.

6. Reconciled Expenditures through June 30, 2010 (Column N) to Schedule 1, Column B. Agreed column N, by project description to the project job ledger by fiscal year.

7. We judgmentally selected a sample of 25 expenditures from Column N and compared them to invoices and supporting documentation. We concluded that the sampled expenditures were properly accrued and classified.

8. Agreed Reimbursements through June 30, 2010 (Column O) to Schedule 1, Column B, the combined total of other agencies' share of Measure M costs, capital grants, right-of-way leases, proceeds from sale of capital assets, interest, transfers in, and current year miscellaneous revenues.

9. Agreed Column O to supporting revenue summary by project and fiscal year. We judgmentally selected a sample of 22 reimbursements from Column O and compared them to invoices and remittance advices. We concluded that the sampled reimbursements were properly classified.

10. Recalculated the Net Project Cost (Column P) by subtracting Column O from Column N.

11. Recalculated the Percent of Budget Expended (Column Q) by dividing Column P by Column J.

12. Recomputed totals and subtotals.

All of the above procedures were performed without exception.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Measure M Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee
of the Orange County Local Transportation Authority
Orange, California

This report is intended solely for the information and use of OCLTA' s management, the Board of Directors, and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
January 3, 2011

Measure M
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2010
(Unaudited)

($ in thousands)	Year to Date June 30, 2010 *(A)*	Period from Inception to June 30, 2010 *(B)*
Revenues:		
Sales taxes	$ 221,855	$ 3,828,802
Other agencies share of Measure M costs		
Project related	23,607	406,789
Non-project related	-	614
Interest:		
Operating:		
Project related	38	1,052
Non-project related	12,183	256,232
Bond proceeds	-	136,067
Debt service	783	81,629
Commercial paper	-	6,072
Orange County bankruptcy recovery	-	42,268
Capital grants	1,955	158,248
Right-of-way leases	434	5,145
Proceeds on sale of assets held for resale	2,683	24,575
Miscellaneous:		
Project related	-	26
Non-project related	-	775
Total revenues	263,538	4,948,294
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	2,583	54,283
Professional services:		
Project related	11,698	189,252
Non-project related	2,833	32,147
Administration costs:		
Project related	1,661	19,408
Non-project related	6,744	83,808
Orange County bankruptcy loss	-	78,618
Other:		
Project related	296	1,528
Non-project related	220	15,734
Payments to local agencies:		
Turnback	31,689	562,445
Competitive projects	143,890	707,912
Capital outlay	51,956	2,016,727
Debt service:		
Principal payments on long-term debt	78,405	921,160
Interest on long-term debt and commercial paper	9,018	556,922
Total expenditures	340,993	5,239,944
Deficiency of revenues under expenditures	(77,455)	(291,650)
Other financing sources (uses):		
Transfers out:		
Project related	(1,990)	(254,664)
Non-project related	-	(5,116)
Transfers in:		
Project related	-	1,829
Bond proceeds	-	1,169,999
Advance refunding escrow	-	(931)
Payment to refunded bond escrow agent	-	(152,930)
Total other financing sources (uses)	(1,990)	758,187
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	$ (79,445)	$ 466,537

See Notes to Measure M Status Report (Unaudited)

Measure M
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of June 30, 2010
(Unaudited)

($ in thousands)	Year Ended June 30, 2010 (actual)	Period from Inception through June 30, 2010 (actual)	Period from July 1, 2010 through March 31, 2011 (forecast)	Total
	(C.1)	*(D.1)*	*(E.1)*	*(F.1)*
Tax revenues:				
Sales taxes	$ 221,855	$ 3,828,802	$ 161,974	$ 3,990,776
Other agencies' share of Measure M costs	-	614	-	614
Operating interest	12,183	256,232	6,515	262,747
Orange County bankruptcy recovery	-	20,683	-	20,683
Miscellaneous, non-project related	-	775	-	775
Total tax revenues	234,038	4,107,106	168,489	4,275,595
Administrative expenditures:				
SBOE fees	2,583	54,283	1,506	55,789
Professional services, non-project related	2,832	23,286	1,592	24,878
Administration costs, non-project related	6,744	83,808	5,279	89,087
Operating transfer out, non-project related	-	5,116	-	5,116
Orange County bankruptcy loss	-	29,792	-	29,792
Other, non-project related	220	6,635	1,244	7,879
	12,379	202,920	9,621	212,541
Net tax revenues	$ 221,659	$ 3,904,186	$ 158,868	$ 4,063,054

	(C.2)	*(D.2)*	*(E.2)*	*(F.2)*
Bond revenues:				
Proceeds from issuance of bonds	$ -	$ 1,169,999	$ -	$ 1,169,999
Interest revenue from bond proceeds	-	136,067	-	136,067
Interest revenue from debt service funds	783	81,629	3,593	85,222
Interest revenue from commercial paper	-	6,072	-	6,072
Orange County bankruptcy recovery	-	21,585	-	21,585
Total bond revenues	783	1,415,352	3,593	1,418,945
Financing expenditures and uses:				
Professional services, non-project related	1	8,861	-	8,861
Payment to refunded bond escrow	-	153,861	-	153,861
Bond debt principal	78,405	921,160	82,795	1,003,955
Bond debt interest expense	9,018	556,922	4,889	561,811
Orange County bankruptcy loss	-	48,826	-	48,826
Other, non-project related	-	9,099	-	9,099
Total financing expenditures and uses	87,424	1,698,729	87,684	1,786,413
Net bond revenues (debt service)	$ (86,641)	$ (283,377)	$ (84,091)	$ (367,468)

See Notes to Measure M Status Report (Unaudited)

Measure M
Schedule of Revenues and Expenditures Summary
as of June 30, 2010
(Unaudited)

Project Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2010	Reimbursements through June 30, 2010	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Freeways (43%)										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	$ 941,396	$ 979,701	$ 810,010	$ 800,650	$ 179,051	$ 9,360	$ 856,652	$ 85,525	$ 771,127	95.2%
I-5 between I-5/I-405 Interchange and San Clemente	65,885	68,566	57,836	59,936	8,630	(2,100)	70,294	10,358	59,936	103.6%
I-5/I-405 Interchange	83,623	87,026	72,802	73,075	13,951	(273)	98,157	25,082	73,075	100.4%
S.R. 55 (Costa Mesa Fwy) between I-5 and S.R. 91 (Riverside Fwy)	55,749	58,017	44,511	50,225	7,792	(5,714)	55,366	6,172	49,194	110.5%
S.R. 57 (Orange Fwy) between I-5 and Lambert Road	27,874	29,009	24,128	22,759	6,250	1,369	25,617	2,859	22,758	94.3%
S.R. 91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	120,367	125,265	116,136	105,389	19,876	10,747	123,995	18,606	105,389	90.7%
S.R. 22 (Garden Grove Fwy) between S.R. 55 and Valley View St.	383,907	399,529	303,297	302,934	96,595	363	617,917	313,385	304,532	100.4%
Subtotal Projects	1,678,801	1,747,113	1,428,720	1,414,968	332,145	13,752	1,847,998	461,987	1,386,011	
Net (Bond Revenue)/Debt Service			309,224	309,224	(309,224)	-	238,462		238,462	
Total Freeways	$ 1,678,801	$ 1,747,113	$ 1,737,944	$ 1,724,192	$ 22,921	$ 13,752	$ 2,086,460	$ 461,987	$ 1,624,473	
%				42.7%					47.3%	
Regional Street and Road Projects (11%)										
Smart Streets	$ 147,244	$ 153,235	$ 150,846	$ 150,846	$ 2,389	$ -	$ 174,772	$ 11,739	$ 163,033	108.1%
Regionally Significant Interchanges	85,892	89,387	89,387	89,387	-	-	64,530	146	64,384	72.0%
Intersection Improvement Program	122,703	127,696	127,696	127,696	-	-	89,527	214	89,313	69.9%
Traffic Signal Coordination	61,351	63,848	63,848	63,848	-	-	53,811	1,247	52,564	82.3%
Transportation Systems Management and Transportation Demand Management	12,270	12,770	12,770	12,770	-	-	7,740	149	7,591	59.4%
Subtotal Projects	429,460	446,936	444,547	444,547	2,389	-	390,380	13,495	376,885	
Net (Bond Revenue)/Debt Service			2,389	2,389	(2,389)	-	1,842		1,842	
Total Regional Street and Road Projects	$ 429,460	$ 446,936	$ 446,936	$ 446,936	$ -	$ -	$ 392,222	$ 13,495	$ 378,727	
%				11.1%					11.0%	

See Notes to Measure M Status Report (Unaudited)

Measure M
Schedule of Revenues and Expenditures Summary
as of June 30, 2010
(Unaudited)

Project Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2010	Reimbursements through June 30, 2010	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Local Street and Road Projects (21%)										
Master Plan of Arterial Highway Improvements	$ 152,270	$ 162,536	$ 162,536	$ 162,536	$ -	$ -	$ 108,200	$ 99	$ 108,101	66.5%
Streets and Roads Maintenance and Road Improvements	567,609	590,706	590,706	590,706	-	-	562,461	-	562,461	95.2%
Growth Management Area Improvements	100,000	100,000	100,000	100,000	-	-	82,704	431	82,273	82.3%
Subtotal Projects	819,879	853,242	853,242	853,242	-	-	753,365	530	752,835	
Net (Bond Revenue)/Debt Service							-		-	
Total Local Street and Road Projects	$ 819,879	$ 853,242	$ 853,242	$ 853,242	$ -	$ -	$ 753,365	$ 530	$ 752,835	
%				21.1%					21.9%	
Transit Projects (25%)										
Pacific Electric Right-of-Way	$ 18,891	$ 19,660	$ 15,000	$ 14,000	$ 5,660	$ 1,000	$ 16,721	$ 2,819	$ 13,902	92.7%
Commuter Rail	351,527	366,645	351,414	388,614	(21,969)	(37,200)	351,437	60,805	290,632	82.7%
High-Technology Advanced Rail Transit	428,201	445,625	427,113	410,688	34,937	16,425	210,384	21,263	189,121	44.3%
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	20,000	-	-	19,000	-	19,000	95.0%
Transitways	157,427	163,833	146,381	126,606	37,227	19,775	162,651	36,765	125,886	86.0%
Subtotal Projects	976,046	1,015,763	959,908	959,908	55,855	-	760,193	121,652	638,541	
Net (Bond Revenue)/Debt Service			55,855	55,855	(55,855)	-	43,073		43,073	
Total Transit Projects	$ 976,046	$ 1,015,763	$ 1,015,763	$ 1,015,763	$ -	$ -	$ 803,266	$ 121,652	$ 681,614	
%				25.1%					19.8%	
Total Measure M Program	$ 3,904,186	$ 4,063,054	$ 4,053,885	$ 4,040,133	$ 22,921	$ 13,752	$ 4,035,313	$ 597,664	$ 3,437,649	

See Notes to Measure M Status Report (Unaudited)

Measure M Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. On November 7, 2006, Orange County voters approved the renewal of Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program, which commenced on April 1, 1991 for a period of 20 years and the M2 sales tax program, which will commence on April 1, 2011 for a period of 30 years. This report includes only the activities of Measure M and is not intended to present the activities of M2. Under Measure M, funds are required to be distributed to four modes: freeways, regional streets and roads, local streets and roads, and transit.

Demonstrating accountability for the receipt and expenditure of Measure M funds has been accomplished by the issuance of quarterly reports on Measure M activities. The reports for Measure M activities through June 30, 2010 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined Measure M special revenue and debt service funds. Such financial information has been derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

<u>Year to Date June 30, 2010 (Column A)</u>

This column presents the revenues, expenditures, and other financing sources (uses) of the combined Measure M special revenue and debt service funds for the fiscal year ended June 30, 2010. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained from the general ledger.

The net change in fund balance of $(79,445) agrees with the combined change in fund balances of $(74,841) in the Measure M special revenue fund and $(4,604) in the Measure M debt service fund, in the trial balance for the year ended June 30, 2010.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2.

Period from Inception to June 30, 2010 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined Measure M special revenue and debt service funds for the period from inception through June 30, 2010. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained and summarized from the general ledger.

The net fund balance of $466,537 agrees with the combined ending fund balances of $356,882 in the Measure M special revenue fund and $109,655 in the Measure M debt service fund, as presented in the trial balance for the year ended June 30, 2010.

Period from inception amounts include adjustments affecting the prior year portion of sales tax revenue and capital grants. In the prior fiscal year, sales tax revenue of $27,757 should have been accrued and capital grants of $1,863 should have been deferred.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues are presented as "Reimbursements" in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" in Schedule 3.

Schedule 2—Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)

This schedule presents calculations of net tax revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Measure M modes.

Net tax revenues are calculated as tax revenues including sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenues less administrative expenditures that are not project or financing related.

Net bond revenues (debt service) are bond revenues comprised of proceeds from bond issuances, interest, and Orange County bankruptcy recovery less financing expenditures and uses.

Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from amounts on Schedule 1. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years through the expiration of Measure M, and for the combined total of actual and forecast amounts for the period from inception through the expiration of Measure M.

Calculation of Net Tax Revenues

Year Ended June 30, 2010 (actual) (Column C.1)

Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures which are non-project and non-financing related for the year ended June 30, 2010 were obtained from Column A in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the Orange County Investment Pool (OCIP) at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total tax revenues less total administrative expenditures for year ended June 30, 2010.

Period from Inception through June 30, 2010 (actual) (Column D.1)

Tax revenues consisting of sales taxes, other agencies share of Measure M costs, operating interest, Orange County bankruptcy recovery, and miscellaneous revenue and administrative expenditures, which are non-project and non-financing related for the period from inception through June 30, 2010, were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net tax revenues represent total cumulative tax revenues less total cumulative administrative expenditures.

Period from July 1, 2010 through March 31, 2011 (forecast) (Column E.1)

Tax revenues consisting of projected sales taxes and operating interest and administrative expenditures which are non-project and non-financing related for subsequent years from July 1, 2010 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model which is updated quarterly. Net tax revenues represent total projected tax revenues less total projected administrative expenditures.

Total (Column F.1)

Total amounts related to the net tax revenues calculation are determined as the sum of columns D.1 and E.1. The total net tax revenues is used in Schedule 3 as "Total Net Tax Revenues."

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2010 (actual) (Column C.2)

Bond revenues consisting of interest revenue from debt service funds and financing expenditures and uses consisting of debt principal payments, interest expenditures, and other non-project and non-operating related expenditures for the year ended June 30, 2010 were obtained from Column A in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total bond revenues less financing expenditures and uses for the year ended June 30, 2010.

Period from Inception through June 30, 2010 (actual) (Column D.2)

Bond revenues consisting of proceeds from the bond issuances, interest revenue from bond proceeds, debt service funds, and commercial paper, and Orange County bankruptcy recovery and financing expenditures and uses which are non-project and non-operating related for the period from inception through June 30, 2010 were obtained from Column B in Schedule 1. Orange County bankruptcy recovery amounts are distributed between tax revenues and bond proceeds based on the cash account balance in the OCIP at the OCIP bankruptcy date. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Orange County bankruptcy loss amounts are distributed between administrative expenditures and financing expenditures and uses based on the cash account balance in the OCIP at the OCIP bankruptcy date. Net bond revenues (debt service) represent total cumulative bond revenues less total cumulative financing expenditures and uses.

Period from July 1, 2010 through March 31, 2011 (forecast) (Column E.2)

Bond revenues consisting of interest revenue from debt service funds and financing expenditures and uses primarily related to principal payments and interest expenditures on long-term debt for subsequent years from July 1, 2010 through March 31, 2011 were obtained from the Orange County Transportation Authority Forecast Model. Net bond revenues (debt service) represent total projected bond revenues less total projected financing expenditures and other uses.

Total (Column F.2)

Total amounts related to the net bond revenues (debt service) calculation are determined as the sum of columns D.2 and E.2. The total net bond revenues (debt service) is used in Schedule 3 as a component of "Project Budget" and "Estimate at Completion."

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures by mode and project description as specified in the Traffic Improvement and Growth Management Plan, as amended (Expenditure Plan). Total Measure M program amounts agree with amounts on Schedules 1 and 2; however, amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

The project descriptions by mode are in accordance with the Expenditure Plan.

Net Tax Revenues Program to date Actual (Column H)

The total Measure M Program net tax revenues for the period from inception through June 30, 2010 agree with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues have been allocated to each of the four modes based on the allocation percentages specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Total Net Tax Revenues (Column I)

The total actual and projected net tax revenues (total net tax revenues) during the 20-year life of Measure M agree with total net tax revenues in Column F.1 in Schedule 2. Such total net tax revenues have been allocated to each of the four modes based on the allocations specified in Measure M. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Expenditure Plan.

Project Budget (Column J)

In accordance with Measure M, bond financing authority was approved as an alternative to the "pay as you go" financing method. As a result, all freeway mode, certain regional street and road mode, and certain transit mode projects have been accelerated using bond financing, while all local street and road and remaining regional street and road mode and transit mode projects have been funded on the "pay as you go" financing method.

Total project budget for each "pay as you go" project are based on the total net tax revenues presented in Column I, except for Growth Management Area (GMA) Improvements in the local street and road projects mode and Fare Stabilization in the transitway projects mode. GMA Improvements and Fare Stabilization are subject to a maximum funding of $100 million and $20 million, respectively, per Measure M. Total project budget for the freeway mode and transitway projects included in the transit mode are based on amounts obtained from the 1996 Freeway Strategic Plan, adjusted to 2010 dollars. Smart street project budget and net (bond revenue)/debt service costs for regional street and road mode projects comprise the total smart street project budget, as such projects have been accelerated using bond financing. Pacific Electric Right-of-Way project budget is in accordance with the Expenditure Plan. The total net (bond revenue)/debt service project budget agrees with the total amount from Column F.2 in Schedule 2, and such amounts were allocated based on the projects subject to bond financing.

Estimate at Completion (Column K)

Estimate at completion represents current estimates of costs to complete the projects.

Variance Total Net Tax Revenues to Estimate at Completion (Column L)

This is a calculation of Column I minus Column K.

Variance Project Budget to Estimate at Completion (Column M)

This is a calculation of Column J minus Column K.

Expenditures through June 30, 2010 (Column N)

Total expenditures less net (bond revenue)/debt service materially agree with the sum of project related expenditures and net operating transfers out from Column B in Schedule 1. Project related expenditures are comprised of professional services, payments to local agencies for turnback and competitive projects, capital outlay, and other. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger. The total net (bond revenue)/debt service expenditures through June 30, 2010 from Column N in Schedule 3 agree with the sum of non-project related expenditures from Column D.2 in Schedule 2. Non-project related expenditures are comprised of all financing interest revenue, Orange County bankruptcy recovery (loss) amounts, non-project related professional services, bond debt interest expense and other non-project related financing expenditures.

Reimbursements through June 30, 2010 (Column O)

Total reimbursements agree with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies share of Measure M project costs, capital grants, right-of-way leases, proceeds on sale of assets held for resale, interest, transfers in, and miscellaneous project revenues. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

Net Project Cost (Column P)

This is a calculation of Column N minus Column O. For each mode, a percentage amount has been calculated as the net project cost per mode divided by the total Measure M Program net project cost. Such percentage can be compared to the required percentage included in Measure M as an indication of the progress to date for each mode.

Percent of Budget Expended (Column Q)

This is a calculation of Column P divided by Column J.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Report on Agreed-Upon Procedures Applied to Measure M2 Status Report

Year Ended June 30, 2010

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report

Year Ended June 30, 2010

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Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES TO THE MEASURE M2 STATUS REPORT

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee (Committee) of the Orange County Local Transportation Authority (OCLTA), solely to assist you with your review of the Measure M2 Status Report, and to ascertain that the amounts have been derived from the audited financial statements or other published Board of Director approved documents or internal documents, for the year ended June 30, 2010. The Measure M2 Status Report consists of the following three schedules (Schedules): Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 1); Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service) (Schedule 2); and Schedule of Revenues and Expenditures Summary (Schedule 3). Management of the OCLTA is responsible for the Measure M2 Status Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The following summary of procedures related to the Measure M2 Status Report is separated into three sections: Section A describes our procedures applied to Schedule 1; Section B describes our procedures applied to Schedule 2; and Section C describes our procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared Year to Date June 30, 2010 amounts (Column A) to the audited trial balance of the OCLTA Special Revenue Fund 17 and additional detailed information from the underlying accounting records.

2. Compared Period from Inception to June 30, 2010 amounts (Column B) to the audited trial balances of the OCLTA Special Revenue Fund 17 cumulatively for the fiscal years ending June 30, 2007 through June 30, 2010 and additional detailed information from the underlying accounting records.

3. Recomputed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared Year Ended June 30, 2010 (Columns C.1 and C.2) to Schedule 1, column A. For Professional services, non-project related amounts, we compared the sum of this caption allocated to Tax Revenues and to Bond Revenues at June 30, 2010 (C.1 and C.2) to Schedule 1, Column A.

2. Compared Period From Inception Through June 30, 2010 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related, and other non-project related amounts, we compared the total of the amounts allocated to Tax Revenues and to Bond Revenues at June 30, 2010 (Columns D.1 and D.2) to Schedule 1, Column B.

3. Compared forecast amounts (Columns E.I and E.2) to the Measure M2 Forecast Model Schedule.

4. Recomputed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Tax Revenues (Totals), respectively.

2. Recalculated Net Tax Revenues Program to Date Actual (Column H) and Total Net Tax Revenues (Column I) amounts, by mode and project description, based on the Measure M2 Transportation Investment Plan (Investment Plan).

3. Compared the Project Budget (Column J) for each project to Total Net Tax Revenues (Column I).

4. Compared the Total Estimate at Completion (Column K) to supporting budget documents.

5. Recalculated the Variance Total Net Tax Revenues to Estimate at Completion (Column L) by subtracting Column K from Column I and the Variance Project Budget to Estimate at Completion (Column M) by subtracting Column K from Column J.

6. Reconciled Expenditures through June 30, 2010 (Column N) to Schedule 1, Column B. Agreed Column N, by project description to the project job ledger by fiscal year.

Board of Directors of the
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee
of the Orange County Local Transportation Authority
Orange, California

7. We judgmentally selected a sample of 25 expenditures from Column N and compared them to invoices and supporting documentation. We concluded that the sampled expenditures were properly accrued and classified.

8. Agreed Reimbursements through June 30, 2010 (Column O) to Schedule 1, Column B, the combined total of other agencies' share of Measure M2 costs, and transfers in.

9. Agreed Column O to supporting revenue summary by project and fiscal year. We judgmentally selected a sample of 5 reimbursements from Column O and compared them to invoices and remittance advices. We concluded that the sampled reimbursements were properly classified.

10. Recalculated the Net Project Cost (Column P) by subtracting Column O from Column N.

11. Recalculated the Percent of Budget Expended (Column Q) by dividing Column P by Column J.

12. Recalculated total revenues for Environmental Cleanup (2% of revenues) (Column I.1) by multiplying total tax revenues reports per Schedule 2, Column F.1 by two percent.

13. Recomputed totals and subtotals.

All of the above procedures were performed without exception.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the Measure M2 Status Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Notes to the Measure M2 Status Report (Notes) have been provided by the OCLTA to describe the purpose, format, and content of the schedules. We were not engaged to and did not perform any procedures on the Notes.

This report is intended solely for the information and use of OCLTA' s management, the Board of Directors, and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
January 3, 2011

Schedule 1

Measure M2
Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2010
(Unaudited)

($ in thousands)	Year to Date June 30, 2010 *(A)*	Period from Inception to June 30, 2010 *(B)*
Revenues:		
Sales taxes	$ -	$ -
Other agencies share of Measure M2 costs:		
Project related	5,708	5,708
Interest on commercial paper	-	393
Total revenues	5,708	6,101
Expenditures:		
Supplies and services:		
State Board of Equalization (SBOE) fees	-	-
Professional services:		
Project related	32,419	57,411
Non-project related	1,153	2,821
Administration costs:		
Project related	2,536	4,651
Non-project related	3,339	6,432
Other:		
Project related	34	132
Non-project related	97	1,021
Payments to local agencies:		
Project related	17,776	31,013
Capital outlay:		
Project related	2,346	3,315
Non-project related	-	26
Debt service:		
Interest on long-term debt and commercial paper	403	1,026
Total expenditures	60,103	107,848
Deficiency of revenues under expenditures	(54,395)	(101,747)
Other financing sources (uses):		
Transfers out		
Project related	(184)	(184)
Transfers in:		
Project related	1,283	4,307
Total other financing sources (uses)	1,099	4,123
Deficiency of revenues under expenditures and other financing sources (uses)	$ (53,296)	$ (97,624)

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
Year Ended June 30, 2010
(Unaudited)

($ in thousands)	Year Ended June 30, 2010 (actual)	Period from Inception through June 30, 2010 (actual)	Period from July 1, 2010 through March 31, 2041 (forecast)	Total
	(C.1)	*(D.1)*	*(E.1)*	*(F.1)*
Tax revenues:				
Sales taxes	$ -	$ -	$ 14,387,144	$ 14,387,144
Operating interest	-	-	737,080	737,080
Total tax revenues	-	-	15,124,224	15,124,224
Administrative expenditures:				
SBOE fees	-	-	215,892	215,892
Professional services, non-project related	361	679	94,260	94,939
Administration costs, non-project related	3,339	6,432	397,124	403,556
Operating transfer out, non-project related	-	-	21,577	21,577
Other, non-project related	97	1,021	26,310	27,331
Capital outlay, non-project related	-	26	-	26
Environmental cleanup	489	496	301,988	302,484
	4,286	8,654	1,057,151	1,065,805
Net tax revenues	$ (4,286)	$ (8,654)	$ 14,067,073	$ 14,058,419

	(C.2)	*(D.2)*	*(E.2)*	*(F.2)*
Bond revenues:				
Proceeds from issuance of bonds	$ -	$ -	$ 658,130	$ 658,130
Interest revenue from investment of commercial paper proceeds	-	393	-	393
Total bond revenues	-	393	658,130	658,523
Financing expenditures and uses:				
Professional services, non-project related	792	2,142	-	2,142
Bond debt principal	-	-	658,130	658,130
Commercial paper interest expense	403	1,026	19,563	20,589
Total financing expenditures and uses	1,195	3,168	677,693	680,861
Net bond revenues (debt service)	$ (1,195)	$ (2,775)	$ (19,563)	$ (22,338)

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
Year Ended June 30, 2010
(Unaudited)

Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2010	Reimbursements through June 30, 2010	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Freeways (43% of Net Tax Revenues)										
I-5 Santa Ana Freeway Interchange Improvements	$ (340)	$ 554,114	$ 554,114	$ 554,114	$ -	$ -	$ 7	$ -	$ 7	0.0%
I-5 Santa Ana/San Diego Freeway Improvements	(860)	1,397,262	1,397,262	1,397,262	-	-	6,424	-	6,424	0.5%
SR-22 Garden Grove Freeway Access Improvements	(87)	141,476	141,476	141,476	-	-	1	-	1	0.0%
SR-55 Costa Mesa Freeway Improvements	(266)	431,502	431,502	431,502	-	-	362	-	362	0.1%
SR-57 Orange Freeway Improvements	(188)	305,042	305,042	305,042	-	-	18,969	-	18,969	6.2%
SR-91 Riverside Freeway Improvements	(1,075)	1,746,608	1,746,608	1,746,608	-	-	8,065	4,307	3,758	0.2%
I-405 San Diego Freeway Improvements	(595)	966,380	966,380	966,380	-	-	6,207	699	5,508	0.6%
I-605 Freeway Access Improvements	(15)	23,579	23,579	23,579	-	-	-	-	-	0.0%
All Freeway Service Patrol	(109)	176,845	176,845	176,845	-	-	-	-	-	0.0%
Freeway Mitigation	(186)	302,312	302,312	302,312	-	-	437	-	437	0.1%
Subtotal Projects	(3,721)	6,045,120	6,045,120	6,045,120	-	-	40,472	5,006	35,466	
Net (Bond Revenue)/Debt Service	-	-	9,118	9,118	(9,118)	-	1,133	-	1,133	
Total Freeways	$ (3,721)	$ 6,045,120	$ 6,054,238	$ 6,054,238	$ (9,118)	$ -	$ 41,605	$ 5,006	$ 36,599	
%				43.0%					41.2%	
Street and Roads Projects (32% of Net Tax Revenues)										
Regional Capacity Program	$ (865)	$ 1,405,826	$ 1,405,826	$ 1,405,826	$ -	$ -	$ 18,429	$ -	$ 18,429	1.3%
Regional Traffic Signal Synchronization Program	(346)	562,306	562,306	562,306	-	-	101	-	101	0.0%
Local Fair Share Program	(1,558)	2,530,562	2,530,562	2,530,562	-	-	-	-	-	0.0%
Subtotal Projects	(2,769)	4,498,694	4,498,694	4,498,694	-	-	18,530	-	18,530	
Net (Bond Revenue)/Debt Service	-	-	4,334	4,334	(4,334)	-	538	-	538	
Total Street and Roads Projects	$ (2,769)	$ 4,498,694	$ 4,503,028	$ 4,503,028	$ (4,334)	$ -	$ 19,068	$ -	$ 19,068	
%				32.0%					21.5%	

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
Year Ended June 30, 2010
(Unaudited)

Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2010	Reimbursements through June 30, 2010	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Transit Projects (25% of Net Tax Revenues)										
High Frequency Metrolink Service	$ (775)	$ 1,258,531	$ 1,250,659	$ 1,250,659	$ 7,872	$ -	$ 37,207	$ 5,009	$ 32,198	2.6%
Transit Extensions to Metrolink	(764)	1,241,033	1,241,033	1,241,033	-	-	1	-	1	0.0%
Metrolink Gateways	(173)	281,218	281,218	281,218	-	-	-	-	-	0.0%
Expand Mobility Choices for Seniors and Persons			-							
with Disabilities	(260)	421,703	421,703	421,703	-	-	-	-	-	0.0%
Community Based Transit/Circulators	(173)	281,094	281,094	281,094			-	-	-	0.0%
Safe Transit Stops	(19)	31,026	31,026	31,026	-	-	-	-	-	0.0%
Subtotal Projects	(2,164)	3,514,605	3,506,733	3,506,733	7,872	-	37,208	5,009	32,199	
Net (Bond Revenue)/Debt Service	-	-	7,872	7,872	(7,872)	-	978	-	978	
Total Transit Projects	$ (2,164)	$ 3,514,605	$ 3,514,605	$ 3,514,605	$ -	$ -	$ 38,186	$ 5,009	$ 33,177	
%				25.0%					37.3%	
Measure M2 Program	$ (8,654)	$ 14,058,419	$ 14,071,871	$ 14,071,871	$ (13,452)	$ -	$ 98,859	$ 10,015	$ 88,844	

See Notes to Measure M2 Status Report (Unaudited)

Measure M2
Schedule of Revenues and Expenditures Summary
Year Ended June 30, 2010
(Unaudited)

Description	Net Tax Revenues Program to Date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through June 30, 2010	Reimbursements through June 30, 2010	Net Project Cost	Percent of Budget Expended
(G)	*(H.1)*	*(I.1)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Environmental Cleanup (2% of Revenues)										
Clean Up Highway and Street Runoff that Pollutes Beaches	$ -	$ 302,484	$ 302,352	$ 302,352	$ 132	$ -	$ 496	$ -	$ 496	0.2%
Subtotal Projects	-	302,484	302,352	302,352	132	-	496	-	496	
Net (Bond Revenue)/Debt Service	-	-	132	132	(132)	-	16	-	16	
Total Environmental Cleanup	$ -	$ 302,484	$ 302,484	$ 302,484	$ -	$ -	$ 512	$ -	$ 512	
%				2.0%						

See Notes to Measure M2 Status Report (Unaudited)

Measure M2 Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. On November 7, 2006 (inception), Orange County voters approved the renewal of Measure M, known as Renewed Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. In August 2007, the Orange County Transportation Authority Board of Directors approved the M2 Early Action Plan to advance the completion of projects prior to the start of sales tax collection in April 2011. A Plan of Finance was adopted in November 2007 identifying a tax-exempt commercial paper program as the preferred method of funding Early Action Plan Projects.

The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program, which commenced on April 1, 1991 for a period of 20 years and the M2 sales tax program, which will commence on April 1, 2011 for a period of 30 years. This report includes only the activities of M2 and is not intended to present the activities of Measure M. M2 allocates sales tax revenue to freeway, street and road, transit and environmental improvements.

Demonstrating accountability for the receipt and expenditure of M2 funds has been accomplished by the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2010 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance

This schedule presents a summary of revenues, expenditures and changes in fund balance of the M2 special revenue fund. Such financial information has been derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2010 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the M2 special revenue fund for the fiscal year ended June 30, 2010. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained from the general ledger.

The net change in fund balance of $(53,296) agrees with the change in fund balance in the M2 special revenue fund in the trial balance for the year ended June 30, 2010.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2.

Period from Inception to June 30, 2010 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the M2 special revenue fund for the period from inception through June 30, 2010. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object have been obtained and summarized from the general ledger.

The net fund balance of $(97,624) agrees with the ending fund balance in the M2 special revenue fund, as presented in the trial balance for the year ended June 30, 2010.

Period from inception amounts include an adjustment affecting the prior year portion of capital grants. In the prior fiscal year, capital grants of $699 should have been deferred.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net tax revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues are presented as "Reimbursements" in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" in Schedule 3.

Schedule 2—Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)

This schedule presents calculations of net tax revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the M2 modes.

Net tax revenues are calculated as tax revenues including sales taxes and operating interest less administrative expenditures that are not project or financing related.

Net bond revenues (debt service) are bond revenues comprised of proceeds from issuance of bonds and interest revenue from issuance of commercial paper, less financing expenditures and uses.

Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from amounts on Schedule 1. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years through the expiration of M2, and for the combined total of actual and forecast amounts for the period from inception through the expiration of M2.

Calculation of Net Tax Revenues

Year Ended June 30, 2010 (actual) (Column C.1)

Tax revenues consisting of sales taxes and operating interest and expenditures which are non-project and non-financing related for the year ended June 30, 2010 were obtained from Column A in Schedule 1. There were no sales taxes or operating interest for the year ended June 30, 2010. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total tax revenues less total administrative expenditures for the year ended June 30, 2010.

Period from Inception through June 30, 2010 (actual) (Column D.1)

Tax revenues consisting of sales taxes and operating interest and administrative expenditures which are non-project and non-financing related for the period from inception through June 30, 2010 were obtained from Column B in Schedule 1. There were no sales taxes or operating interest for the period from inception through June 30, 2010. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net tax revenues represent total cumulative tax revenues less total cumulative administrative expenditures.

Period from July 1, 2010 through March 31, 2041 (forecast) (Column E.1)

Tax revenues consisting of projected sales taxes, operating interest, and expenditures which are non-project and non-financing related for subsequent years from July 1, 2010 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model which is updated annually. Net tax revenues represent total projected tax revenues less total projected expenditures.

Total (Column F.1)

Total amounts related to the net tax revenues calculation are determined as the sum of columns D.1 and E.1. The total net tax revenues are used in Schedule 3 as "Total Net Tax Revenues."

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2010 (actual) (Column C.2)

Bond revenues consisting of interest revenue from commercial paper (financing interest revenue) and financing expenditures and uses consisting of interest expenditures and professional services non-project related expenditures for the year ended June 30, 2010 were obtained from Column A in Schedule 1. Non-project related professional services expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total bond revenues less financing expenditures and uses for the year ended June 30, 2010.

Period from Inception through June 30, 2010 (actual) (Column D.2)

Bond revenues consisting of financing interest revenue and financing expenditures and uses which are non-project and non-operating related for the period from inception through June 30, 2010 were obtained from Column B in Schedule 1. Non-project related professional services and other expenditures are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code. Net bond revenues (debt service) represent total cumulative bond revenues less total cumulative financing expenditures and uses.

Period from July 1, 2010 through March 31, 2041 (forecast) (Column E.2)

Bond revenues consisting of proceeds from issuance of bonds and financing expenditures and uses primarily related to bond debt principal and interest expenditures on commercial paper for subsequent years from July 1, 2010 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Net bond revenues (debt service) represent total projected bond revenues less total projected financing expenditures and other uses.

Total (Column F.2)

Total amounts related to the net bond revenues (debt service) calculation are determined as the sum of columns D.2 and E.2. The percentage of project-related net bond revenues (debt service) is used in Schedule 3 as a component of "Project Budget" and "Estimate at Completion." Net bond revenues (debt service) have been allocated to each mode in Schedule 3 based on commercial paper proceeds used to fund the projects. Commercial paper has also been used for non-project expenditures.

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures by mode and project description as specified in the Orange County Transportation Investment Plan (Investment Plan).

Project Description (Column G)

The project descriptions by mode are in accordance with the Investment Plan.

Net Tax Revenues Program to date Actual (Column H)

The total M2 Program net tax revenues for the period from inception through June 30, 2010 agree with net tax revenues in Column D.1 in Schedule 2. Such net tax revenues have been allocated to each of the three modes based on the allocation percentages specified in M2. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Total Net Tax Revenues (Column I)

The total actual and projected net tax revenues (total net tax revenues) during the 30-year life of M2 agree with total net tax revenues in Column F.1 in Schedule 2. Such total net tax revenues have been allocated to each of the three modes based on the allocations specified in M2. The net tax revenues for each mode have been allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Project Budget (Column J)

Total project budget is based on the total net tax revenues presented in Column I.

Estimate at Completion (Column K)

Estimate at completion is currently based on the total net tax revenues presented in Column J.

Variance Total Net Tax Revenues to Estimate at Completion (Column L)

This is a calculation of Column I minus Column K.

Variance Project Budget to Estimate at Completion (Column M)

This is a calculation of Column J minus Column K.

Expenditures through June 30, 2010 (Column N)

Total expenditures less net (bond revenue)/debt service agree with the sum of project related expenditures and net operating transfers out from Column B in Schedule 1. Project related expenditures are comprised of professional services, payments to local agencies, capital outlay, and other. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger. The total net (bond revenue)/debt service expenditures through June 30, 2010 from Column N in Schedule 3 agree with the total net bond revenue/(debt service) from Column D.2 in Schedule 2, excluding the portion of debt used for non-project related purposes.

Reimbursements through June 30, 2010 (Column O)

Total reimbursements agree with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies share of Measure M2 project costs and transfers in. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger.

Net Project Cost (Column P)

This is a calculation of Column N minus Column O. For each mode, a percentage amount has been calculated as the net project cost per mode divided by the total M2 Program net project cost. Such percentage can be compared to the required percentage included in M2 as an indication of the progress to date for each mode.

Percent of Budget Expended (Column Q)

This is a calculation of Column P divided by Column J.

Revenues Program to date Actual (Column H.1)

The total Environmental Cleanup revenues for the period from inception through June 30, 2010 represent two percent (2%) of the tax revenues found in Column D.1 in Schedule 2. Tax revenues consist of all gross revenues generated from the transactions and use tax of one-half of one percent plus interest or other earnings. There have been no tax revenues for the period from inception through June 30, 2010.

Total Revenues (Column I.1)

The total Environmental Cleanup actual and projected revenues during the 30-year life of M2 represent 2% of total tax revenues found in Column F.1 in Schedule 2.

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Board of Directors
Orange County Local Transportation Authority
Orange, California

INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES APPLIED TO THE ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY'S APPROPRIATIONS LIMIT WORKSHEETS

We have applied the procedures enumerated below to the appropriations limit worksheets prepared by the Orange County Local Transportation Authority (OCLTA) for the year ended June 30, 2010. These procedures, which were agreed to by OCLTA and the League of California Cities (as presented in the League publication entitled *Article XIIIB Appropriations Limitation Uniform Guidelines*), were performed solely to assist OCLTA in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution. OCLTA's management is responsible for maintaining the appropriations limit records and for its calculation.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the worksheets referred to above and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCLTA's Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCLTA's Board of Directors.

   Results: No exceptions were noted as a result of our procedures.

2. We recalculated the mathematical computations reflected in OCLTA's worksheets.

   Results: No exceptions were noted as a result of our procedures.

3. We compared information used to determine the current year limit to worksheets prepared by OCLTA and to information provided by the State Department of Finance.

   Results: No exceptions were noted as a result of our procedures.

4. We compared the amount of the prior year appropriations limit presented in the worksheets to the amount adopted by OCLTA's Board of Directors for the prior year.

   Results: No exceptions were noted as a result of our procedures after giving effect for OCLTA's restatement of the prior year limit to conform to the population increase factor provided by the State Department of Finance for the prior year.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the worksheets referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIIIB Appropriations Limitation Uniform Guidelines.*

This report is intended solely for the use of the Board of Directors and the management of OCLTA and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their own purpose. However, this report is a matter of public record and its distribution is not limited.

Mayer Hoffman McCann P.C.

Irvine, California
October 27, 2010

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Finance and Administration Committee
Orange County Transportation Authority
Orange, California

In planning and performing our audit of the financial statements of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered OCTA's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. The following matter conforms to this definition:

(1) Need to Improve Controls Over Grant Accruals

During the fiscal year ended June 30, 2010, the Finance and Administration Division determined that one prior year grant accrual was not collected during the availability period established by OCTA for revenue recognition purposes. Although the expected collection date was communicated, we noted that the accounts receivable section was unaware of OCTA's revenue recognition policy which requires that revenues collected subsequent to OCTA's availability period be deferred. Accordingly, the financial statements for the year ended June 30, 2010 reflected an adjustment to reassign this grant revenue to the appropriate period in accordance with generally accepted accounting principles. The Finance and Administration Division has implemented procedures to reduce the likelihood of this occurring in the future.

(1) Need to Improve Controls Over Grant Accruals (Continued)

Recommendation

We recommend that management provide additional training to ensure staff are aware of OCTA's availability period and procedures for deferring revenues.

Management's Response Regarding Corrective Action Taken or Planned

The availability period for revenue recognition will be changed from 180 to 90 days. This change will allow revenues to be verified as current or deferred prior to completion of the audit. Additionally, the availability period has been reviewed with the accounts receivable section so that they understand the proper classification of revenues at year end.

OCTA's written response to the matter communicated herein has not been subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, those charged with governance, others within the organization, and agencies that provided federal financial assistance to OCTA and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
October 27, 2010

Measure M
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of December 31, 2010

($ in thousands)	Quarter Ended Dec 31, 2010	Year to Date Dec 31, 2010 (A)	Period from Inception to Dec 31, 2010 (B)
Revenues:			
Sales taxes	$ 65,338	$ 113,104	$ 3,941,906
Other agencies share of Measure M costs			
Project related	(3,398)	2,801	409,590
Non-project related	-	-	614
Interest:			
Operating:			
Project related	-	-	1,052
Non-project related	2,241	4,279	260,513
Bond proceeds	-	-	136,067
Debt service	-	472	82,101
Commercial paper	-	-	6,072
Orange County bankruptcy recovery	-	-	42,268
Capital grants	(1,814)	-	158,248
Right-of-way leases	65	163	5,308
Proceeds on sale of assets held for resale	-	-	24,575
Miscellaneous:			
Project related	-	-	26
Non-project related	-	-	775
Total revenues	62,432	120,819	5,069,115
Expenditures:			
Supplies and services:			
State Board of Equalization (SBOE) fees	681	1,362	55,645
Professional services:			
Project related	2,871	2,962	192,214
Non-project related	446	529	32,676
Administration costs:			
Project related	454	864	20,272
Non-project related	1,647	3,339	87,147
Orange County bankruptcy loss	-	-	78,618
Other:			
Project related	32	54	1,583
Non-project related	2	99	15,833
Payments to local agencies:			
Turnback	5,519	10,206	572,651
Other	9,892	12,583	720,495
Capital outlay	7,385	9,803	2,026,531
Debt service:			
Principal payments on long-term debt	-	-	921,160
Interest on long-term debt and commercial paper	-	2,316	559,239
Total expenditures	28,929	44,117	5,284,064
Excess (deficiency) of revenues over (under) expenditures	33,503	76,702	(214,949)
Other financing sources (uses):			
Transfers out:			
Project related	(7,600)	(8,600)	(263,264)
Non-project related	-	-	(5,116)
Transfers in project related	-	-	1,829
Bond proceeds	-	-	1,169,999
Advance refunding escrow	-	-	(931)
Payment to refunded bond escrow agent	-	-	(152,930)
Total other financing sources (uses)	(7,600)	(8,600)	749,587
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	$ 25,903	$ 68,102	$ 534,638

See accompanying notes to Measure M Schedules

Measure M
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of December 31, 2010

($ in thousands)	Quarter Ended Dec 31, 2010 (actual)	Year Ended Dec 31, 2010 (actual)	Period from Inception through Dec 31, 2010 (actual)	Period from January 1, 2011 through March 31, 2011 (forecast)	Total
		(C.1)	(D.1)	(E.1)	(F.1)
Tax revenues:					
Sales taxes	$ 65,338	$ 113,104	$ 3,941,906	$ 59,215	$ 4,001,121
Other agencies share of Measure M costs	-	-	614	-	614
Operating interest	2,241	4,279	260,513	3,258	263,771
Orange County bankruptcy recovery	-	-	20,683	-	20,683
Miscellaneous, non-project related	-	-	775	-	775
Total tax revenues	67,579	117,383	4,224,491	62,473	4,286,964
Administrative expenditures:					
SBOE fees	681	1,362	55,645	551	56,196
Professional services, non-project related	446	529	23,815	796	24,611
Administration costs, non-project related	1,647	3,339	87,147	2,640	89,787
Operating transfer out, non-project related	-	-	5,116	-	5,116
Orange County bankruptcy loss	-	-	29,792	-	29,792
Other, non-project related	2	99	6,733	622	7,355
	2,776	5,329	208,248	4,609	212,857
Net tax revenues	$ 64,803	$ 112,054	$ 4,016,243	$ 57,864	$ 4,074,107

		(C.2)	(D.2)	(E.2)	(F.2)
Bond revenues:					
Proceeds from issuance of bonds	$ -	$ -	$ 1,169,999	$ -	$ 1,169,999
Interest revenue from bond proceeds	-	-	136,067	-	136,067
Interest revenue from debt service funds	-	472	82,101	1,198	83,299
Interest revenue from commercial paper	-	-	6,072	-	6,072
Orange County bankruptcy recovery	-	-	21,585	-	21,585
Total bond revenues	-	472	1,415,824	1,198	1,417,022
Financing expenditures and uses:					
Professional services, non-project related	-	-	8,861	-	8,861
Payment to refunded bond escrow	-	-	153,861	-	153,861
Bond debt principal	-	-	921,160	82,795	1,003,955
Bond debt interest expense	-	2,316	559,239	2,573	561,812
Orange County bankruptcy loss	-	-	48,826	-	48,826
Other, non-project related	-	-	9,100	-	9,100
Total financing expenditures and uses	-	2,316	1,701,047	85,368	1,786,415
Net bond revenues (debt service)	$ -	$ (1,844)	$ (285,223)	$ (84,170)	$ (369,393)

See accompanying notes to Measure M Schedules

Measure M
Schedule of Revenues and Expenditures Summary
as of December 31, 2010

Project Description	Net Tax Revenues Program to date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures through Dec 31, 2010	Reimbursements through Dec 31, 2010	Net Project Cost	Percent of Budget Expended
(G)	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*	*(O)*	*(P)*	*(Q)*
($ in thousands)										
Freeways (43%)										
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	$ 968,415	$ 982,368	$ 810,010	$ 789,022	$ 193,346	$ 20,988	$ 866,613	$ 85,561	$ 781,052	96.4%
I-5 between I-5/I-405 Interchange and San Clemente	67,776	68,752	57,836	59,936	8,816	(2,100)	70,294	10,358	59,936	103.6%
I-5/I-405 Interchange	86,023	87,263	72,802	73,075	14,188	(273)	98,157	25,082	73,075	100.4%
SR-55 (Costa Mesa Fwy) between I-5 and SR-91 (Riverside Fwy)	57,349	58,175	44,511	49,349	8,826	(4,838)	55,367	6,172	49,195	110.5%
SR-57 (Orange Fwy) between I-5 and Lambert Road	28,674	29,088	24,128	22,758	6,330	1,370	25,617	2,859	22,758	94.3%
SR-91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	123,822	125,605	116,136	105,389	20,216	10,747	123,995	18,606	105,389	90.7%
SR-22 (Garden Grove Fwy) between SR-55 and Valley View St.	394,926	400,615	303,297	303,943	96,672	(646)	620,093	314,867	305,226	100.6%
Subtotal Projects	1,726,985	1,751,866	1,428,720	1,403,472	348,394	25,248	1,860,136	463,505	1,396,631	
Net (Bond Revenue)/Debt Service			310,844	310,844	(310,844)	-	240,015		240,015	
Total Freeways	$ 1,726,985	$ 1,751,866	$ 1,739,564	$ 1,714,316	$ 37,550	$ 25,248	$ 2,100,151	$ 463,505	$ 1,636,646	
%				42.5%					47.0%	
Regional Street and Road Projects (11%)										
Smart Streets	$ 151,470	$ 153,652	$ 151,251	$ 151,251	$ 2,401	$ -	$ 169,226	$ 11,739	$ 157,487	104.1%
Regionally Significant Interchanges	88,357	89,630	89,630	89,630	-	-	65,175	146	65,029	72.6%
Intersection Improvement Program	126,225	128,043	128,043	128,043	-	-	93,748	214	93,534	73.0%
Traffic Signal Coordination	63,112	64,022	64,022	64,022	-	-	57,343	1,312	56,031	87.5%
Transportation Systems Management and Transportation Demand Management	12,622	12,804	12,804	12,804	-	-	7,952	149	7,803	60.9%
Subtotal Projects	441,786	448,151	445,750	445,750	2,401	-	393,444	13,560	379,884	
Net (Bond Revenue)/Debt Service			2,401	2,401	(2,401)	-	1,854		1,854	
Total Regional Street and Road Projects	$ 441,786	$ 448,151	$ 448,151	$ 448,151	$ -	$ -	$ 395,298	$ 13,560	$ 381,738	
%				11.1%					11.0%	

Measure M
Schedule of Revenues and Expenditures Summary
as of December 31, 2010

Project Description (G) ($ in thousands)	Net Tax Revenues Program to date Actual (H)	Total Net Tax Revenues (I)	Project Budget (J)	Estimate at Completion (K)	Variance Total Net Tax Revenues to Est at Completion (L)	Variance Project Budget to Est at Completion (M)	Expenditures through Dec 31, 2010 (N)	Reimbursements through Dec 31, 2010 (O)	Net Project Cost (P)	Percent of Budget Expended (Q)
Local Street and Road Projects (21%)										
Master Plan of Arterial Highway Improvements	$ 159,512	$ 163,250	$ 163,250	$ 163,250	$ -	$ -	$ 111,175	$ 99	$ 111,076	68.0%
Streets and Roads Maintenance and Road Improvements	583,900	592,312	592,312	592,312	-	-	572,667	-	572,667	96.7%
Growth Management Area Improvements	100,000	100,000	100,000	100,000	-	-	84,359	431	83,928	83.9%
Subtotal Projects	843,412	855,562	855,562	855,562	-	-	768,201	530	767,671	
Net (Bond Revenue)/Debt Service							-		-	
Total Local Street and Road Projects	$ 843,412	$ 855,562	$ 855,562	$ 855,562	$ -	$ -	$ 768,201	$ 530	$ 767,671	
%				21.2%					22.0%	
Transit Projects (25%)										
Pacific Electric Right-of-Way	$ 19,433	$ 19,713	$ 15,000	$ 14,000	$ 5,713	$ 1,000	$ 16,804	$ 2,919	$ 13,885	92.6%
Commuter Rail	362,191	367,698	352,559	391,067	(23,369)	(38,508)	351,437	60,805	290,632	82.4%
High-Technology Advanced Rail Transit	440,491	446,838	428,440	410,688	36,150	17,752	224,336	22,544	201,792	47.1%
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	20,000	-	-	20,000	-	20,000	100.0%
Transitways	161,945	164,279	146,381	126,625	37,654	19,756	162,652	36,765	125,887	86.0%
Subtotal Projects	1,004,060	1,018,528	962,380	962,380	56,148	-	775,229	123,033	652,196	
Net (Bond Revenue)/Debt Service			56,148	56,148	(56,148)	-	43,354		43,354	
Total Transit Projects	$ 1,004,060	$ 1,018,528	$ 1,018,528	$ 1,018,528	$ -	$ -	$ 818,583	$ 123,033	$ 695,550	
%				25.2%					20.0%	
Total Measure M Program	$ 4,016,243	$ 4,074,107	$ 4,061,805	$ 4,036,557	$ 37,550	$ 25,248	$ 4,082,233	$ 600,628	$ 3,481,605	

See accompanying notes to Measure M Schedules