

**ORANGE COUNTY  
TRANSPORTATION AUTHORITY**

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

**Year Ended June 30, 2013**

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**PROPOSITION 1B  
AND  
TRANSPORTATION DEVELOPMENT ACT**

**JUNE 30, 2013**

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**INDEPENDENT AUDITORS' REPORT ON PROPOSITION 1B SCHEDULE OF  
UNSPENT FUNDS AND CASH DISBURSEMENTS**

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2013, and have issued our report thereon dated October 31, 2013, which contained an unmodified opinion on those financial statements. Our report included an emphasis-of-matter regarding OCTA's adoption of Governmental Accounting Standards Board (GASB) Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 24*, GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012.

Our audit was performed for the purpose of forming opinions on the basic financial statements as a whole. The accompanying Proposition 1B Schedule of Unspent Funds and Cash Disbursements (Schedule) is presented for purposes of additional analysis, to satisfy the requirements of Section 6667 of Title 21 of the California Code of Regulations, the California *Government Code* §8879.50 and the California State Senate Bill 88 (2007), et seq. and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Laguna Hills, California  
October 31, 2013

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
PROPOSITION 1B**

**SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS  
YEAR ENDED JUNE 30, 2013**

	<u>PTMISEA (1)</u>	<u>TSSSDRA (2)</u>	<u>Total</u>
Unspent Prop 1B funds as of June 30, 2012	\$ 6,480,117	\$ 8,708,286	\$ 15,188,403
Prop 1B funds received during the fiscal year ended June 30, 2013	43,872,000	3,135,374	47,007,374
Interest revenue earned on unspent Prop 1B funds during fiscal year ended June 30, 2013	219,464	75,565	295,029
Prop 1B disbursements spent during the fiscal year ended June 30, 2013	<u>(24,221,040)</u>	<u>(5,887,165)</u>	<u>(30,108,205)</u>
Unspent Prop 1B funds as of June 30, 2013	<u>\$ 26,350,541</u>	<u>\$ 6,032,060</u>	<u>\$ 32,382,601</u>

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

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



**INDEPENDENT AUDITORS' 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, THE TRANSPORTATION DEVELOPMENT ACT, CALIFORNIA  
GOVERNMENT CODE §8879.50, AND STATE SENATE BILL 88 (2007)**

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated October 31, 2013. Our report included an emphasis-of-matter regarding OCTA's adoption of Governmental Accounting Standards Board (GASB) Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* as of July 1, 2012.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of Section 6667 of Title 21 of the California Code of Regulations, California Government Code §8879.50 and California State Senate Bill 88 (2007), et seq., 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*, Section 6667 of Title 21 of the California Code of Regulations, California Government Code §8879.50 and California State Senate Bill 88 (2007), et seq.

## Purpose of this Report

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



Laguna Hills, California

October 31, 2013