



AGENDA

Finance and Administration Committee Agenda

Committee Members

Michael Hennessey, Chairman
Brian Goodell, Vice Chairman
Patrick Harper
Gene Hernandez
Steve Jones
Joe Muller
Vicente Sarmiento

Orange County Transportation Authority
Headquarters
Conference Room 07
550 South Main Street
Orange, California

Wednesday, November 30, 2022 at 10:30 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the Orange County Transportation Authority (OCTA) Clerk of the Board's office at (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda Descriptions

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

Public Availability of Agenda Materials

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Meeting Access and Public Comments on Agenda Items

Members of the public can either attend in-person (subject to OCTA's Coronavirus (COVID-19) safety protocols) or listen to audio live streaming of the Board and Committee meetings by clicking the below link:

<http://www.octa.net/About-OCTA/Who-We-Are/Board-of-Directors/Live-and-Archived-Audio/>

Members of the public may address the Board of Directors regarding any item two ways:

In-Person Comment

Members of the public may attend in-person (subject to OCTA's COVID-19 safety protocols) and address the Board regarding any item. Members of the public will be required to complete a COVID-19 symptom and temperature screening.



Please complete a speaker's card and submit it to the Clerk of the Board (or notify the Clerk of the Board the item number on which you wish to speak). Speakers will be recognized by the Chairman at the time the agenda item is to be considered. A speaker's comments shall be limited to three minutes.

Written Comment

Written public comments may also be submitted by emailing them to ClerkOffice@octa.net, and must be sent by 5:00 p.m. the day prior to the meeting. If you wish to comment on a specific agenda Item, please identify the Item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

Call to Order

Pledge of Allegiance

Committee Vice Chairman Goodell

Special Calendar

There are no Special Calendar matters.

Consent Calendar (Items 1 through 6)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

1. Approval of Minutes

Recommendation

Approve the November 9, 2022 minutes of the Finance and Administration Committee meeting.



2. **Right-of-Way and Appraisal Services and Activities, Internal Audit Report No. 22-511**
Gabriel Tang/Janet Sutter

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of right-of-way and appraisal services and activities. Based on the audit, service procurements were handled in accordance with procurement policies and procedures, and oversight and invoice review controls are adequate. However, recommendations were made to ensure a documented cost or price analysis is conducted for contract amendments, and to expand policy and procedures to provide clarification on the application of settlement authority thresholds.

Recommendation

Direct staff to implement two recommendations provided in Right-of-Way and Appraisal Services and Activities, Internal Audit Report No. 22-511.

3. **Orange County Transportation Authority Investment and Debt Programs Report - October 2022**
Robert Davis/Andrew Oftelie

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending October 31, 2022.

Recommendation

Receive and file as an information item.



- 4. Environmental Mitigation Program Endowment Fund Investment Report for September 30, 2022**
Robert Davis/Andrew Oftelie

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway programs. The California Community Foundation manages the non-wasting endowment required to fund the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance.

Recommendation

Receive and file as an information item.

- 5. Orange County Employees Retirement System Early Payment for Fiscal Year 2023-24**
Robert Davis/Andrew Oftelie

Overview

The Orange County Employees Retirement System has offered an early payment discount to member agencies of 5.8 percent if they elect to prepay their contributions for fiscal year 2023-24. Advance payments must be received before January 13, 2023. The estimated savings for the Orange County Transportation Authority over the next year and a half under this payment option will total approximately \$300,000. Board of Directors' authorization is requested for the early payment option.

Recommendation

Authorize the early payment of approximately \$30.6 million by January 13, 2023, to the Orange County Employees Retirement System for member contributions for fiscal year 2023-24.



6. Agreement for Palo Alto Firewall Renewal Subscriptions
Michael Cardoza/Andrew Oftelie

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2022-23 Budget, the Orange County Transportation Authority Board of Directors approved expenditures for Palo Alto renewal subscriptions. Palo Alto provides firewall hardware and services used as Orange County's Transportation Authority's primary cybersecurity defense for all connections into and out of the Orange County Transportation Authority Nevada data center, Orange Administration building, and five bus bases. A firewall is a network security device used to monitor incoming and outgoing network traffic and permits or blocks this traffic based on the organization's security rules. Palo Alto subscriptions provide licensing and services needed for these firewalls to meet the federal, state, and Orange County Transportation Authority policy requirements. Bids were received in accordance with the Orange County Transportation Authority's procurement procedures. Board of Directors' approval is requested to execute the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A52259 between the Orange County Transportation Authority and Thomas Gallaway Corporation, doing business as Technolgent, in the amount of \$393,639 for Palo Alto Firewall renewal subscriptions for a three-year term.

Regular Calendar

7. Fiscal Year 2021-22 Audited Financial Statements and Independent Auditor's Reports on Internal Control over Financial Reporting
Rima Tan/Andrew Oftelie

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements and schedules. Crowe LLP, an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority for fiscal year 2021-22. In addition, a report has been issued on the results of additional analysis performed by Crowe LLP, to assist management in determining compliance with certain state requirements.



In connection with the annual audit of the Orange County Transportation Authority, Crowe LLP has issued an auditor's report on internal control over financial reporting with two findings.

Recommendations

- A. Receive and file the fiscal year 2021-22 audited financial statements and independent auditor's report on internal control over financial reporting as information items.
- B. Direct staff to implement auditor recommendations related to findings over internal controls.

Discussion Items

- 8. **Accelerated Transportation Infrastructure Finance and Innovation Act Loan Disbursement**
Robert Davis/Andrew Oftelie

Overview

Staff will provide an opportunity for additional reduction in financing costs for the Interstate 405 Improvement Project.

- 9. **Public Comments**
- 10. **Chief Executive Officer's Report**
- 11. **Committee Members' Reports**
- 12. **Closed Session**

There are no Closed Session items scheduled.

- 13. **Adjournment**

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, January 11, 2023**, at the OCTA Headquarters, Board Room, 550 South Main Street, Orange, California.



Committee Members Present

Patrick Harper
Gene Hernandez
Steve Jones
Joseph Muller

Staff Present

Darrell E. Johnson, Chief Executive Officer
Jennifer L. Bergener, Deputy Chief Executive Officer
Gina Ramirez, Clerk of the Board Specialist, Principal
James Donich, General Counsel
OCTA Staff

Committee Members Absent

Michael Hennessey, Chairman
Brian Goodell, Vice Chairman
Vicente Sarmiento

Call to Order

The November 9, 2022, regular Finance and Administration Committee meeting was called to order by Director Jones at 10:31 a.m.

Consent Calendar (Items 1 through 6)

1. Approval of Minutes

A motion was made by Director Hernandez, seconded by Director Muller, and declared passed by those present to approve the October 26, 2022 minutes of the Finance and Administration Committee meeting.

2. Independent Cost Estimates, Internal Audit Report No. 22-513

Director Harper pulled this item and inquired about the two recommendations made to enhance controls over independent cost estimates.

Janet Sutter, Executive Director of Internal Audit, provided an overview of the implemented controls and the training needs.

A motion was made by Director Harper, seconded by Director Hernandez, and declared passed by those present to direct staff to implement two recommendations provided in Independent Cost Estimates, Internal Audit Report No. 22-513.

3. Fiscal Year 2022-23 First Quarter Grant reimbursement Status Report

A motion was made by Director Hernandez, seconded by Director Muller, and declared passed by those present to receive and file as an information item.



4. Update on the Loan Agreements with the Cities of Anaheim, Placentia, and the West Orange County Water Board

A motion was made by Director Hernandez, seconded by Director Muller, and declared passed by those present to receive and file as an information item.

5. Property Insurance Policy Renewal

A motion was made by Director Hernandez, seconded by Director Muller, and declared passed by those present to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A52400 in an amount not to exceed \$800,000, to Marsh Risk and Insurance Services, Inc., to purchase property insurance on behalf of the Orange County Transportation Authority for the renewal of the coverage for the period of December 1, 2022 to December 1, 2023.

6. Excess Liability Insurance Pricing Update

A motion was made by Director Hernandez, seconded by Director Muller, and declared passed by those present to authorize the Chief Executive Officer to continue to fully self-insure for liability claims until such time the insurance market pricing is more favorable.

Regular Calendar

7. 91 Express Lanes Update for the Period Ending - September 30, 2022

Kirk Avila, General Manager of the 91 Express Lanes Program, provided a presentation on this item.

No action was taken on this receive and file information item.

Discussion Items

8. Public Comments

No public comments were received.

9. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer, provided an update on labor negotiations.

10. Committee Members' Reports

There were no Committee Members' Reports.



11. Closed Session

There were no Closed Session items scheduled.

12. Adjournment

The meeting adjourned at 10:57 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, November 30, 2022** at the OCTA Headquarters, Board Room, 550 South Main Street, Orange, California.

ATTEST:

Gina Ramirez
Clerk of the Board Specialist, Principal



November 30, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Right-of-Way and Appraisal Services and Activities, Internal Audit Report No. 22-511

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of right-of-way and appraisal services and activities. Based on the audit, service procurements were handled in accordance with procurement policies and procedures, and oversight and invoice review controls are adequate. However, recommendations were made to ensure a documented cost or price analysis is conducted for contract amendments, and to expand policy and procedures to provide clarification on the application of settlement authority thresholds.

Recommendation

Direct staff to implement two recommendations provided in Right-of-Way and Appraisal Services and Activities, Internal Audit Report No. 22-511.

Background

The Real Property Department (Real Property) provides general real estate and right-of-way (ROW) services for the entire agency. ROW services include acquisition and negotiation, relocation assistance, utility coordination, title and escrow, and environmental site assessment. Real Property utilizes on-call consultants to support ROW activities.

Effective July 29, 2020, OCTA entered into Agreement No. C-9-1613 with Epic Land Solutions, Inc. (Epic) for on-call ROW and property management services. The contract was set up as an on-call, time and expense agreement with an

initial term of three years, with two, one-year option terms and a maximum obligation of \$3,500,000.

Effective November 20, 2019, OCTA executed agreements with Hendrickson Appraisal Company, Inc., Hennessey & Hennessey, LLC, Integra Realty Resources – Los Angeles, and R.P. Laurain & Associates, Inc., to provide on-call real property appraisals and related services, in the aggregate amount of \$3,500,000, for a five-year term.

The Real Property manager assigns work to Real Property agents (agents) and support consultants to conduct ROW activities. The agent oversees all work assigned to the on-call consultant to ensure compliance with policies and procedures. Depending on project size and the number of parcels that need to be appraised, the Real Property manager may utilize the on-call ROW consultant for appraisal services or may issue a contract task order to consultants on the appraisal services bench. After obtaining an appraisal and a review appraisal, the ROW consultant makes recommendations on the acquiring property for review and concurrence by the agent. The agent, Real Property manager, and OCTA's legal counsel review and approve offer packages before they are delivered to the property owner.

The Real Property Policies and Procedures Manual outlines administrative and legal settlement authority thresholds as follows:

- The Executive Director, Capital Programs is authorized to execute real estate agreements, ROW contracts, utility agreements, deeds, certificates of acceptance, leases, licenses, permits, or any Real Property agreement documents up to \$250,000, or 20 percent above the appraised value.
- The Chief Executive Officer (CEO) approval limit is up to \$250,000, or 50 percent above the appraised value.
- The CEO is also authorized to approve settlements when the difference between the approved appraisal and the settlement amount exceeds 50 percent but is not more than \$25,000 over the appraised value.

For the Interstate 405, State Route 55, and the State Route 91 improvement projects (projects), the Board of Directors (Board) authorized an incentive payment program to expedite agreements with property owners to avoid construction delays. The payment program provides for an incentive payment to be provided to property owners that execute an agreement within 60 days of the first written offer. The incentive payment is calculated at 20 percent above the appraised value, with a minimum payment of \$1,000, and a maximum payment

of \$100,000, for each acquisition. The Board also approved modifications to the CEO settlement authority thresholds for these projects, as follows:

- The CEO approval limit is up to \$500,000, or 50 percent above the appraised value.
- The CEO is also authorized to approve settlements when the difference between the approved appraisal and the settlement amount exceeds 50 percent but is not more than \$100,000 over the appraised value.

For these projects, the Board must approve any administrative or legal settlement above the CEO approval limits.

Discussion

Two amendments that included pricing adjustments to the ROW services contract were executed without evidence of a cost or price analysis, as required by procurement policies and procedures. This analysis is used to determine if proposed prices are fair and reasonable. The Internal Audit Department (Internal Audit) recommended that a cost or price analysis be performed and documented as required, and that increases to rates already set by contract be denied. Management agreed and indicated that refresher training will be provided to procurement staff to ensure a cost or price analysis is performed and documented as required. Management also agreed to disallow changes to rates already included in the contract and subject to contract escalation.

Application of Board-approved authority thresholds for administrative and legal settlements should be clarified. When a transaction occurs following the initial acquisition transaction, management calculates the required approval level by adding the original appraised value and incentive payment amount to the valuation amount determined for the subsequent transaction. Discussion with legal counsel advised that the evaluation for settlement authority should include the original appraised value but should not include the incentive payment amount. Internal Audit consulted with the California Department of Transportation (Caltrans) staff, who indicated that OCTA should, at a minimum, clarify these interpretations in Board-approved policies. Internal Audit recommended management update policies to clarify procedures for determining settlement authority. Management agreed and indicated that policies will be updated to clarify determination of authority thresholds.

Summary

Internal Audit has completed an audit of ROW and appraisal services and activities and has offered two recommendations, which management agreed to implement or otherwise address.

Attachment

- A. Right-of-Way and Appraisal Services and Activities, Internal Audit Report No. 22-511

Prepared by:



Gabriel Tang
Principal Internal Auditor
714-560-5746

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Right-of-Way and Appraisal Services and Activities

Internal Audit Report No. 22-511

November 16, 2022



Audit Team:

Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

A handwritten signature in black ink, appearing to read "Gang", positioned to the right of the audit team names.

Distributed to:

Jim Beil, Executive Director, Capital Programs
Andrew Oftelie, Chief Financial Officer, Finance & Administration
Joe Gallardo, Pia Veesapen

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
On-Call Right-of-Way and Appraisal Services
November 16, 2022**

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Right-of-Way and Appraisal Services and Activities
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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of right-of-way (ROW) and appraisal services and activities. Based on the audit, service procurements were handled in accordance with OCTA procurement policies, and oversight and invoice review controls are adequate. However, recommendations were made to ensure a documented cost or price analysis is conducted for contract amendments, and to expand policy and procedures to provide clarification on the application of settlement authority thresholds.

Background

The Real Property Department (Real Property) provides general real estate and ROW services for the entire agency. ROW services include acquisition and negotiation, relocation assistance, utility coordination, title and escrow, and environmental site assessment. Real Property utilizes on-call consultants to support ROW activities.

On-Call ROW Support and On-Call Appraisal Services Agreements

Effective July 29, 2020, OCTA entered into Agreement No. C-9-1613 with Epic Land Solutions, Inc. (Epic), for on-call ROW and property management services. The contract was set up as an on-call, time and expense agreement with an initial term of three years, with two, one-year option terms and a maximum obligation of \$3,500,000. On February 18, 2021, Amendment No. 1 was executed to add subcontractors to provide specialty appraisal services. On October 22, 2021, Amendment No. 2 was executed to update and add to the schedule of fees, and on May 11, 2022, Amendment No. 3 was executed to incorporate required Federal Transit Administration clauses.

Effective November 20, 2019, OCTA executed agreements with Hendrickson Appraisal Company, Inc., Hennessey & Hennessey, LLC, Integra Realty Resources – Los Angeles, and R.P. Laurain & Associates, Inc., to provide on-call real property appraisals and related services, in the aggregate amount of \$3,500,000, for a five-year term. As needed, contract task orders (CTO) are issued to the bench of firms and awarded based on evaluation of firm experience, workplan, project timeline and pricing.

ROW and Appraisal Activities

The Real Property manager assigns work to Real Property agents (agents) and support consultants to conduct ROW activities. The agent oversees all work assigned to the on-call consultant to ensure compliance with policies and procedures. Depending on project size and the number of parcels that need to be appraised, the Real Property manager may utilize the on-call ROW consultant for appraisal services or may issue a CTO to consultants on the appraisal services bench. After obtaining an appraisal and review appraisal, the ROW consultant makes recommendations on the acquiring property

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for review and concurrence by the agent. The agent, Real Property manager, and OCTA's legal counsel review and approve offer packages before they are delivered to the property owner.

Real Property Policies and Procedures and Incentive Payment Program

The Real Property Policies and Procedures Manual outlines administrative and legal settlement authority thresholds as follows:

- The Executive Director, Capital Programs is authorized to execute real estate agreements, ROW contracts, utility agreements, deeds, certificates of acceptance, leases, licenses, permits or any Real Property agreement documents up to \$250,000, or 20 percent above the appraised value.
- The Chief Executive Officer (CEO) approval limit is up to \$250,000, or 50 percent above the appraised value.
- The CEO is also authorized to approve settlements when the difference between the approved appraisal and the settlement amount exceeds 50 percent but is not more than \$25,000 over the appraised value.

For the Interstate 405 (I-405), State Route 55, and the State Route 91 improvement projects (projects), the Board of Directors (Board) authorized an incentive payment program to expedite agreements with property owners to avoid construction delays. The payment program provides for an incentive payment to be provided to property owners that execute an agreement within 60 days of the first written offer. The incentive payment is calculated at 20 percent above the appraised value, with a minimum payment of \$1,000, and a maximum payment of \$100,000, for each acquisition. The Board also approved modifications to the CEO settlement authority thresholds for these projects, as follows:

- The CEO approval limit is up to \$500,000, or 50 percent above the appraised value.
- The CEO is also authorized to approve settlements when the difference between the approved appraisal and the settlement amount exceeds 50 percent but is not more than \$100,000, over the appraised value.

For these projects, the Board must approve any administrative or legal settlement above the CEO approval limits.

The Real Property Policies and Procedures Manual, along with the Board-approved modifications for these projects are collectively referred to as Policies hereafter.

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Invoice Processing

A senior real estate agent monitors on-call contract burn rates and forwards invoices to the agent responsible for the transaction to confirm services before forwarding invoices to Project Controls. Project Controls staff compares invoiced rates to contracted rates and verifies accounting charge codes, using an invoice review checklist to document the review. Invoices are then forwarded to the Real Property manager for review and approval. The Real Property manager forwards the invoice package to Accounts Payable for processing.

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Objectives, Scope, and Methodology

The objectives were to assess and test procurement, contract amendment, contract compliance, invoice review, and ROW transaction controls for compliance with Policies.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.¹ The components and principles that were evaluated as part of this audit are:

- Control Environment
 - OCTA demonstrates a commitment to integrity and ethical values.
 - The Board demonstrates independence from management and exercises oversight of the development and performance of internal control.
 - Management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
 - OCTA holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
- Risk Assessment
 - OCTA specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
 - OCTA identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
 - OCTA considers the potential for fraud in assessing risks to the achievement of objectives.
 - OCTA identifies and assesses changes that could significantly impact the system of internal control.
- Control Activities
 - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
 - OCTA selects and develops general control activities over technology to support the achievement of objectives.
 - OCTA deploys control activities through policies that establish what is expected and procedures that put policies into action.

¹ See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

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- Information and Communication
 - OCTA obtains or generates and uses relevant, quality information to support the functioning of internal control.
 - OCTA internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
 - OCTA communicates with external parties regarding matters affecting the functioning of internal control.
- Monitoring
 - OCTA selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
 - OCTA evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate.

The methodology consisted of testing compliance with selected procurement policies and procedures, testing compliance with bond and insurance contract requirements, testing a sample of ROW invoices and all appraisal invoices for compliance with invoice policy and contract provisions, and testing a sample of ROW transactions for compliance with Policies regarding offer letters, approvals, and executed contracts.

The scope was limited to Agreement No. C-9-1613 with Epic, and Amendment No. 1 and No. 2 to the agreement, Agreement No. C-9-0995 with Hendrickson Appraisal Company, Inc., Agreement No. C-9-1473 with Hennessey and Hennessey, LLC., Agreement No. C-9-1474 with Integra Realty Resources - Los Angeles, and Agreement No. C-9-1475 with R.P. Laurain & Associates, Inc., and all CTOs and CTO amendments. The scope included a judgmental sample of ROW contractor invoices from November 2021 through May 2022, with a bias towards obtaining sample coverage throughout the years and all paid appraisal invoices from July 2020 through May 2022. The scope also included a judgmental sample of ROW payments to property owners during the period July 2021 through May 2022, with a bias towards obtaining coverage throughout the period and the related ROW offers, approvals, and executed contracts. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Audit Comments, Recommendations, and Management Responses

Cost or Price Analysis for Contract Amendments

Two amendments that included pricing adjustments to the ROW services contract were executed without evidence of a cost or price analysis, as required. Procurement policies and procedures require a cost or price analysis be performed in connection with every procurement action, including contract amendments. This analysis is used to determine if proposed prices are fair and reasonable.

Amendment No. 1 to Agreement No. C-9-1613 (Agreement) with Epic changed contract pricing by adding three subcontractors for specialty appraisal services, along with labor rates for firm personnel. The amendment file indicates that the Contracts Administration and Materials Management (Camm) administrator reviewed the labor rates proposed and found the rates consistent with prior agreement rates; however, no documentation of this review was on file. In addition, Internal Audit noted that most of the proposed rates exceeded those from the prior agreements for these services.

Amendment No. 2 to the Agreement also changed contract pricing by adding personnel and increasing labor rates for two staff and four labor categories that were already listed in the Agreement and subject to annual escalation of three percent. No cost or price analysis was performed for this amendment.

Recommendation 1:

Internal Audit recommends that a cost or price analysis be performed and documented as required. In addition, increases to rates already agreed-upon should be denied.

Management Response (Camm):

Management agrees with the recommendation and will ensure that a cost or price analysis is performed and documented to the file when personnel are being added to the agreement. Management will also ensure that there are no changes to rates already agreed-upon and any increases be subject to contractual escalation.

Camm staff will also be provided a refresher training on how to conduct rate validation, documentation of rate reasonableness, and quality review of documents when personnel are being added to the agreement.

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Application of Settlement Authority Thresholds

Application of Board-approved authority thresholds for administrative and legal settlements should be clarified.

Interviews with management, and review of transactions with two property owners noted that for purposes of determining the required authorization level for settlement amendments, the appraised value, plus the incentive payment, from the original settlement agreement, is added to the value determined for the additional acquisition action.

For example, in 2017, in relation to the I-405 project, OCTA acquired, through a fee acquisition, approximately 713 square feet of land and a temporary construction easement (TCE) of approximately 407 square feet for a period of 60 months through March 30, 2022. The property owner participated in the incentive payment program and received payment for the appraised value of \$170,000 plus the 20 percent incentive payment of \$34,000. In 2022, the construction contractor requested an extension of the TCE for six months, through September 2022. A written evaluation of the TCE extension was performed and was valued at \$1,800. After negotiations, management agreed to settle with the owner for \$9,180. The ROW Department Manager sought, and obtained, authorization from the Executive Director of Capital Programs based on the following calculation:

Original Appraised Value (2017)	\$170,000
20 Percent Incentive Payment	<u>\$34,000</u>
Total	\$204,000
Written Valuation for TCE extension (2022)	\$1,800
Combined Values	<u>\$205,800</u>

Combined Settlements: $\$204,000 + 9,180 = \$213,180$ (< 20% above combined values)

Internal Audit considered whether the second settlement transaction should be evaluated separately, as follows:

Written Valuation	\$1,800
Proposed Settlement	\$9,180 (>50% above waiver evaluation value)

Under management's calculation, the settlement may be authorized by the Executive Director of Capital Programs. If the secondary transaction was evaluated separately, it would require CEO approval.

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Discussion with legal counsel advised that the evaluation for settlement authority should include the original appraised value but should not include the incentive payment amount. Discussion with California Department of Transportation (Caltrans) ROW staff indicated that Caltrans' process would consider the subsequent transaction as separate from the original, and Caltrans Audits and Investigations staff indicated that OCTA should, at a minimum, clarify these interpretations in Board-approved policies.

Recommendation 2:

Internal Audit recommends management update Policies to clarify procedures for determining settlement authorities.

Management Response (Capital Programs):

Management agrees with the recommendation and will work with General Counsel to incorporate language into the Policies to address the recommendation. The language will provide guidelines how the Delegated Settlement Authority thresholds should be calculated and shall include the following:

“When calculating the threshold limits for CEO’s or Executive Director’s settlement authority, staff shall include the original and/or revised appraised values but will not include the incentive payment amount agreed upon by a property owner in the calculations.”

Management believes Caltrans ROW staff did not have adequate background or information regarding this specific transaction or knowledge of OCTA’s internal Delegated Settlement Authority Policy. The policy is not impacted by the Caltrans ROW Manual procedures or Caltrans funding requirements. When calculating the thresholds limits for the CEO settlement authority, staff will no longer include the incentive payment agreed upon by a property owner in the calculations. With respect to the specific transaction reviewed, had management not included the incentive payment, this transaction would have settled correctly by seeking authorization from the Executive Director and not the CEO as shown below: Administrative Settlement $\$170,000 + 9,180 = \$179,180$ or 5.4 percent (< 20 percent above combined values), which is within the Executive Director’s approval authority.

To address any concerns, the Policies will be amended for clarity.



November 30, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report – October 2022

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending October 31, 2022.

Recommendation

Receive and file as an information item.

Discussion

As of October 31, 2022, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.5 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, the short-term portfolio for future budgeted expenditures, and the bond proceeds portfolio to meet Measure M2 (M2) transportation program needs. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program.

Portfolio Compliance and Liquidity Requirements for the Next Six Months: The portfolio is in full compliance with OCTA's Investment Policy and the State of California Government Code. Additionally, OCTA has reviewed the liquidity requirements for the next six months and anticipates that OCTA's liquidity will be sufficient to meet projected expenditures during the next six months.

The weighted average book yield for the OCTA portfolio is 1.6 percent. The book yield measures the exact income, or interest, on a bond without regard to market

price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

OCTA's month-end balance in the Local Agency Investment Fund was \$21,259,869, with an average monthly effective yield of 1.77 percent. OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$512,163. For the month of September, the monthly gross yield for the OCIP was 1.32 percent. Yields for the month of October will be received in November.

During the month of October, zero securities held within OCTA's investment portfolio were downgraded or placed on Negative Credit Watch.

OCTA's debt program is separate from its investment program and is comprised of M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, 2021 Transportation Infrastructure Finance and Innovation Act Loan, and the 2021 Bond Anticipation Notes. The debt program currently has an outstanding principal balance of \$1.3 billion as of October 31, 2022. Approximately 45.4 percent of the outstanding balance is comprised of M2 debt, 5.3 percent is associated with the 91 Express Lanes Program, and 49.3 percent is associated with the 405 Express Lanes.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending October 31, 2022.

Attachments

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending October 31, 2022
- B. Orange County Transportation Authority Portfolio Listing as of
October 31, 2022

Prepared by:



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Approved by:



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**Treasury/Public Finance Department's
Report On**

**Orange County Transportation Authority
Investment and Debt Programs**



**Presented to the
Finance and Administration Committee**

**For The Period Ending
October 31, 2022**

INVESTMENT PROGRAM

OCTA Investment Dashboard

10/31/2022

Safety of Principal

Securities that fell below OCTA's minimum credit quality requirements during the month of October 2022:

Not applicable.

Securities currently held within OCTA's portfolio that fell below OCTA's minimum credit quality requirements during prior reporting periods:

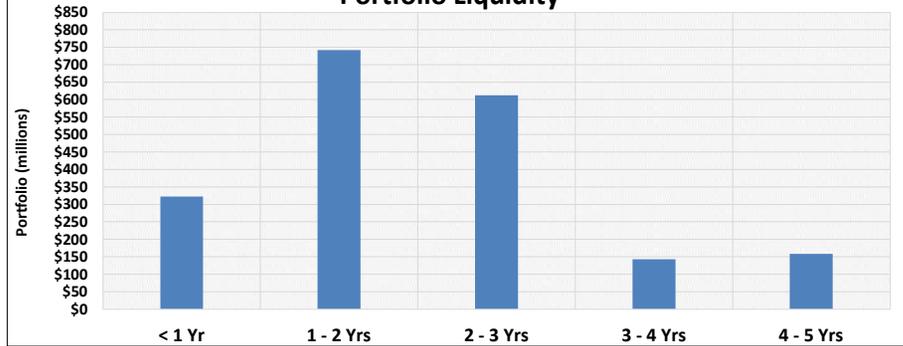
Not applicable.

Securities downgraded or placed on Negative Credit Watch during the month of October 2022, but remain in compliance with OCTA's Investment Policy:

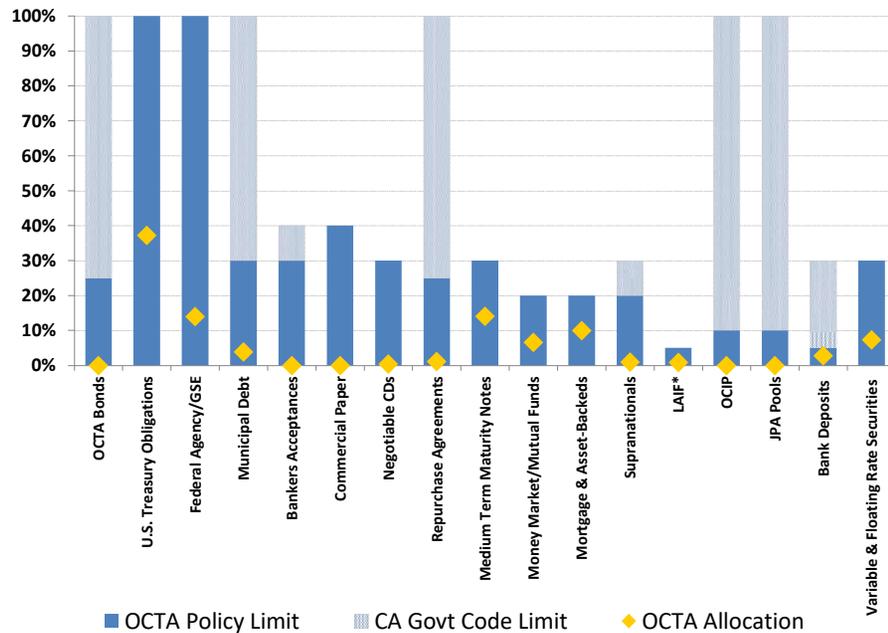
Not applicable.

For further details please refer to A-8 of this report.

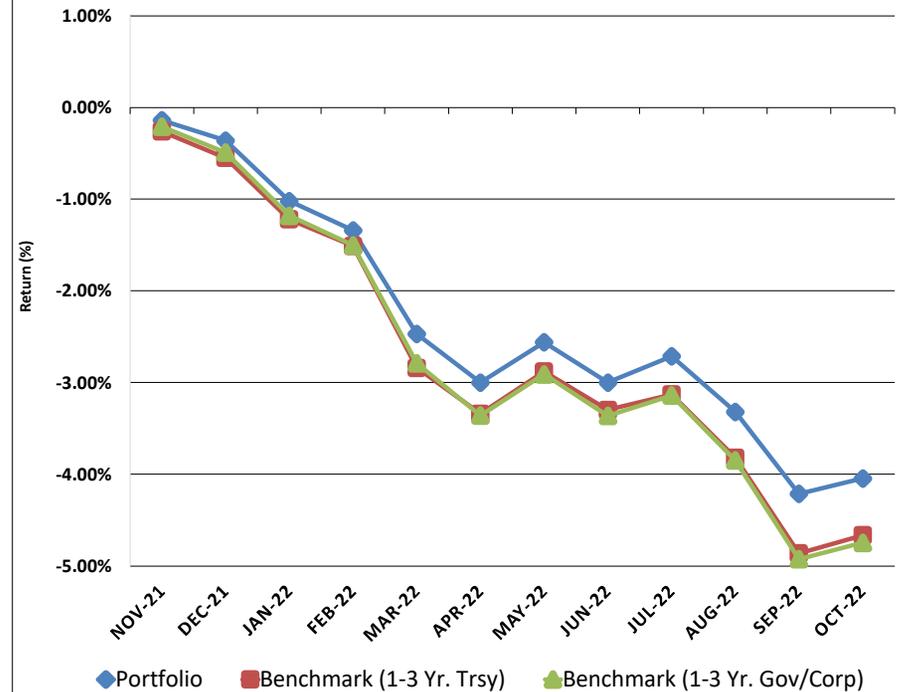
Portfolio Liquidity



Portfolio Diversification



Portfolio Return - 12 Month



*Per CA Government Code LAIF limit is \$75 million

Investment Compliance

10/31/2022

Portfolio Subject to Investment Policy			
	Dollar Amount	Percent Of	Investment Policy
	Invested		
Short-Term/Liquid Portfolio¹			
U.S. Treasury Obligations	\$ 829,087,732	37.7%	100%
Federal Agency/GSE	313,175,353	14.2%	100%
Municipal Debt	\$ 87,986,494	4.0%	30%
Commercial Paper	-	0.0%	40%
Negotiable Certificates of Deposit	\$ 11,375,000	0.5%	30%
Repurchase Agreements	63,437,985	2.9%	25%
Medium Term Maturity Notes/Corporates	\$ 314,657,935	14.3%	30%
Money Market/Mutual Funds	147,586,996	6.7%	20%
Mortgage & Asset-Backed	\$ 224,079,129	10.2%	20%
Supranationals	22,014,316	1.0%	20%
Local Agency Investment Fund	\$ 21,259,869	1.0%	\$ 75 Million
Orange County Investment Pool	512,163	0.0%	10%
Joint Powers Authority Pools	\$ -	0.0%	10%
Bank Deposits	250,000	0.0%	5%
Variable & Floating Rate Securities	\$ 164,370,638	7.5%	30%
Total Short-Term/Liquid Portfolio	\$ 2,199,793,609		

1. Excludes portion of Liquid Portfolio subject to Indenture

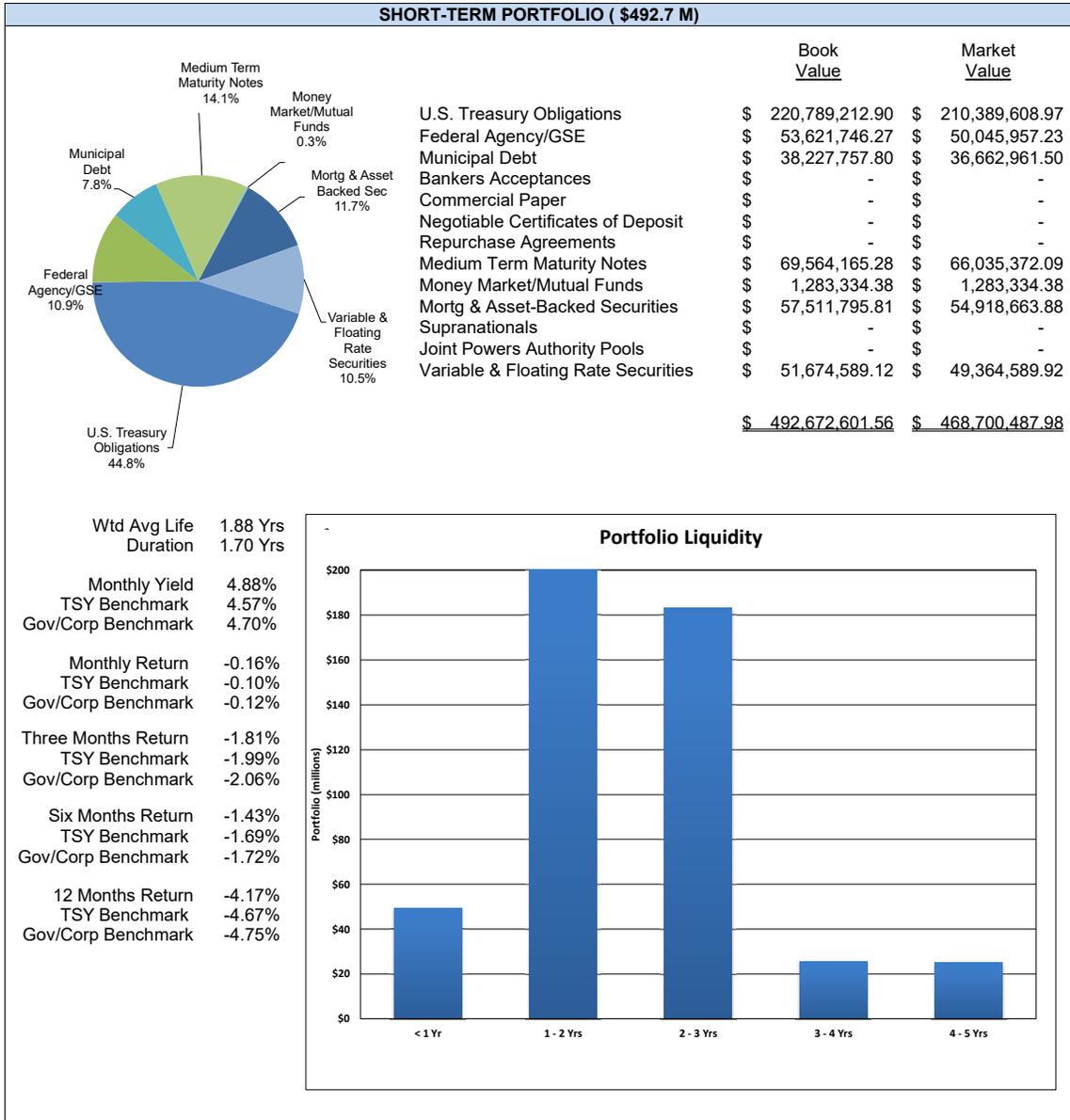
Portfolio Subject to Indenture					
	Dollar Amount	OCTA	Term	Indenture Requirements	
				Invested	Credit Quality
Liquid Portfolio*					
Government Obligations MMKT Fund	169,084,617	AAA	N/A	AAA	N/A
Total Liquid Portfolio	\$ 169,084,617				
Bond Proceeds Portfolio					
2021 Bond Anticipation Notes (BANs):					
Credit Agricole CP	\$ 24,028,214	"A-1"/"P-1"	150	"A-1" or "P-1"	270 days
Natixis NY Branch CP	20,399,085	"A-1"/"P-1"	240	"A-1" or "P-1"	270 days
Natixis NY Branch CP	19,999,894	"P-1"	181	"A-1" or "P-1"	270 days
Government Obligations MMKT Fund	955	"AAAm"/ "Aaa-mf"/"AAAmf"	181	"AAAm" or "AAAm-G"	270 days
Government Obligations MMKT Fund	51,239	"AAAm"/ "Aaa-mf"/"AAAmf"	N/A	"AAAm" or "AAAm-G"	N/A
Total Bond Proceeds Portfolio	\$ 64,479,387				
Reserve Funds Portfolio					
Lloyds Bank CP	\$ 10,999,168	"A-1"/"P-1"	122	"A-1" or "P-1"	180 days
Government Obligations MMKT Fund	4,362	"AAAm"/ "Aaa-mf"/"AAAmf"	N/A	N/A	N/A
Barclays CP	10,337,110	"A-1"/"P-1"/"F1"	179	"A-1" or "P-1"	180 days
Barclays CP	3,051,909	"A-1"/"P-1"/"F1"	179	"A-1" or "P-1"	180 days
Bank Deposits	311,389	N/A	N/A	N/A	N/A
Bank Deposits	142,011	N/A	N/A	N/A	N/A
Government Obligations MMKT Fund**	555,570	"AAAm"/ "Aaa-mf"/"AAAmf"	N/A	N/A	N/A
Total Reserve Funds Portfolio	\$ 25,401,519				
Total Portfolio Subject to Indenture	\$ 89,880,906				
Portfolio Total	\$ 2,458,759,133				

*Reflects portion of Liquid Portfolio subject to Indenture (OCTA Sales Tax Revenue)

**91 EL Debt Service Fund

Investment Manager Diversification and Maturity Schedules

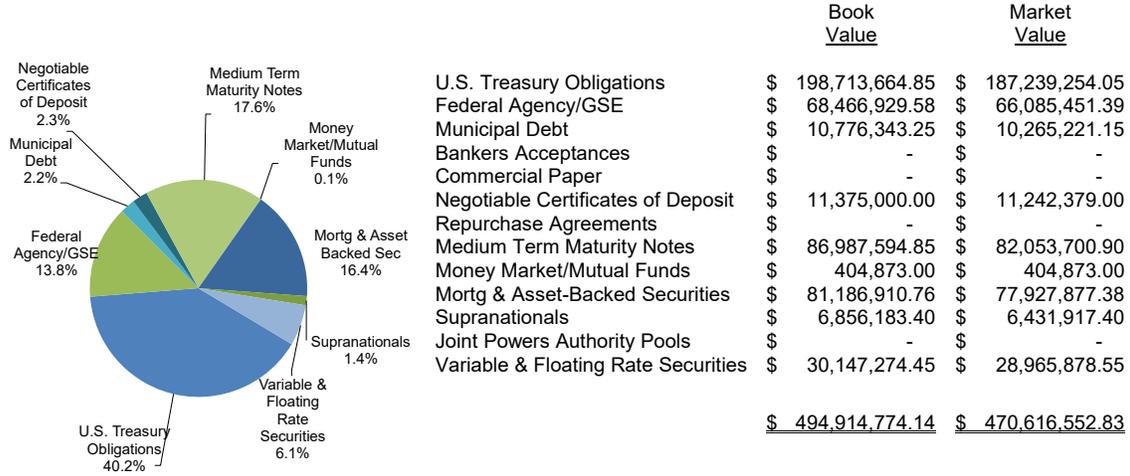
**MetLife Investment Management
10/31/2022**



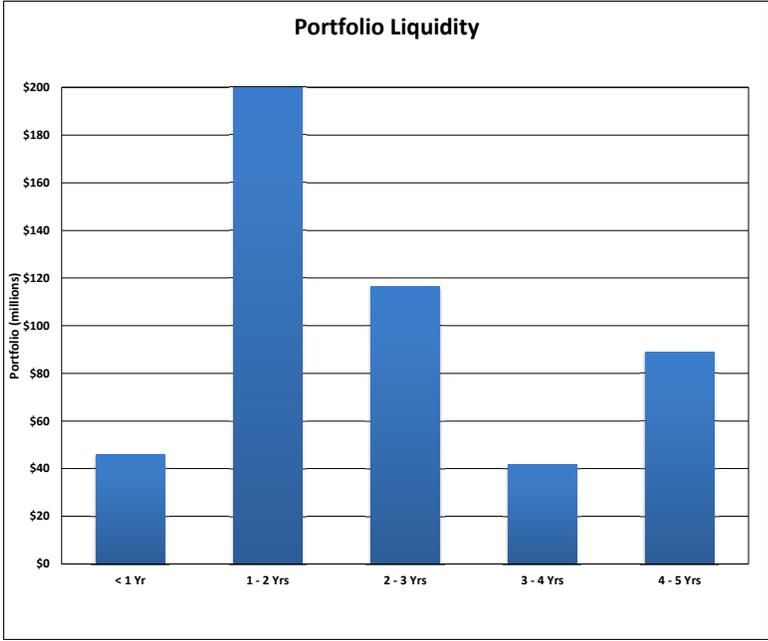
Investment Manager Diversification and Maturity Schedules

**PFM
10/31/2022**

SHORT-TERM PORTFOLIO (\$494.9 M)

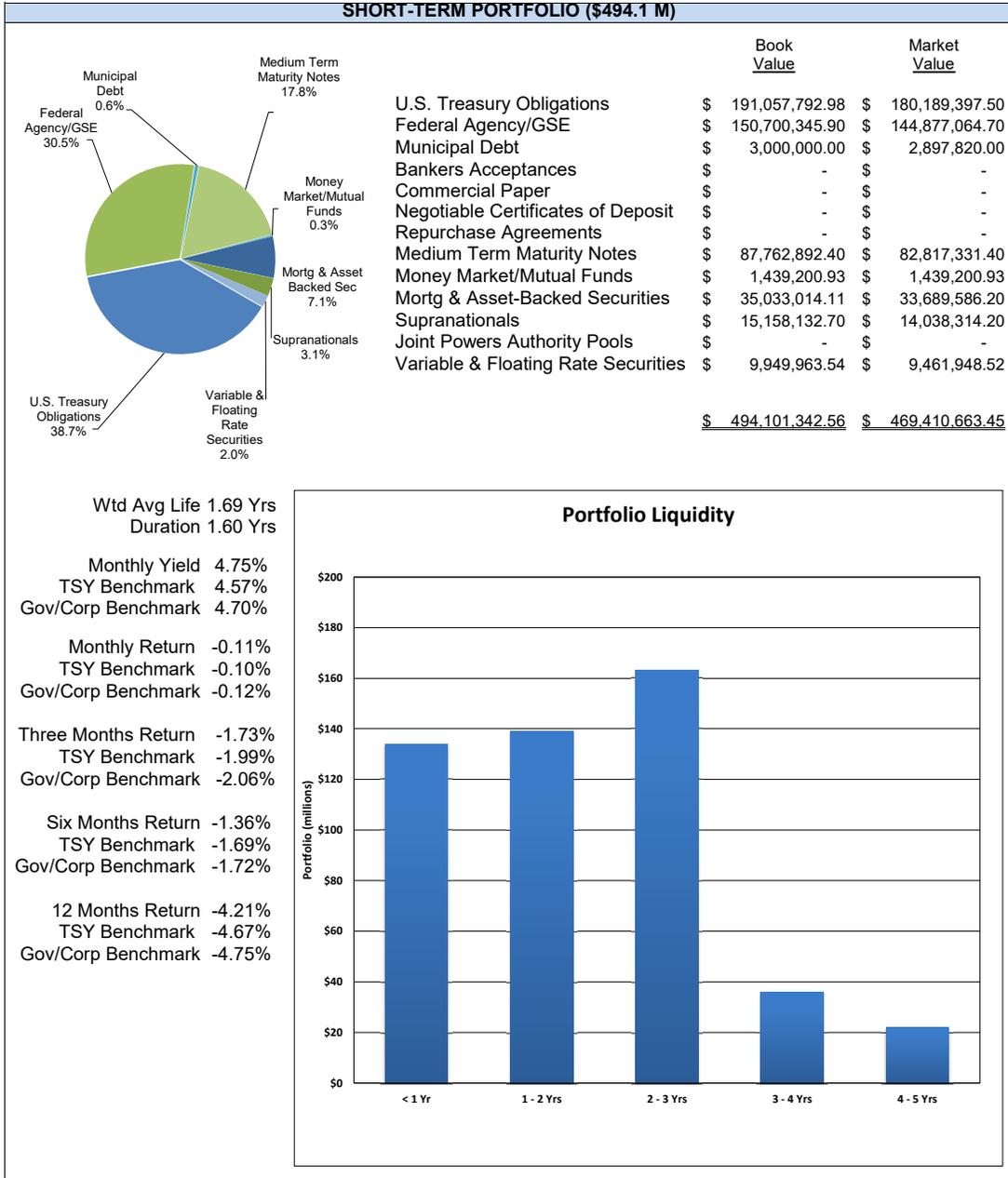


Wtd Avg Life	1.82 Yrs
Duration	1.68 Yrs
Monthly Yield	4.86%
TSY Benchmark	4.57%
Gov/Corp Benchmark	4.70%
Monthly Return	-0.17%
TSY Benchmark	-0.10%
Gov/Corp Benchmark	-0.12%
Three Months Return	-1.86%
TSY Benchmark	-1.99%
Gov/Corp Benchmark	-2.06%
Six Months Return	-1.48%
TSY Benchmark	-1.69%
Gov/Corp Benchmark	-1.72%
12 Months Return	-4.38%
TSY Benchmark	-4.67%
Gov/Corp Benchmark	-4.75%



Investment Manager Diversification and Maturity Schedules

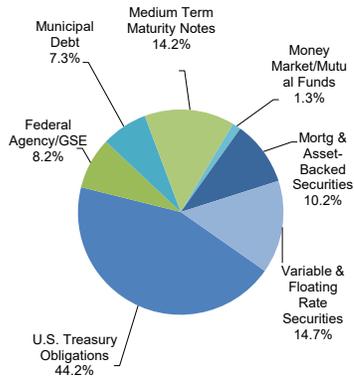
**Chandler Asset Management
10/31/2022**



Investment Manager Diversification and Maturity Schedules

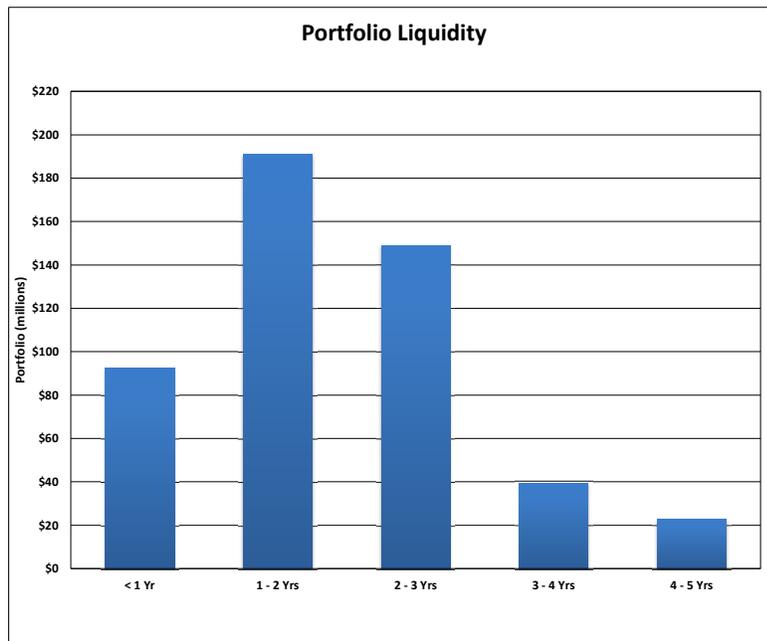
Payden & Rygel
10/31/2022

SHORT-TERM PORTFOLIO (\$494.8 M)



	<u>Book Value</u>	<u>Market Value</u>
U.S. Treasury Obligations	\$ 218,527,061.17	\$ 209,725,272.73
Federal Agency/GSE	\$ 40,386,330.87	\$ 38,905,311.73
Municipal Debt	\$ 35,982,392.80	\$ 34,493,457.70
Bankers Acceptances	\$ -	\$ -
Commercial Paper	\$ -	\$ -
Negotiable Certificates of Deposit	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -
Medium Term Maturity Notes	\$ 70,343,282.83	\$ 66,256,634.00
Money Market/Mutual Funds	\$ 6,586,853.21	\$ 6,586,853.21
Mortg & Asset-Backed Securities	\$ 50,347,408.01	\$ 49,097,201.96
Supranationals	\$ -	\$ -
Joint Powers Authority Pools	\$ -	\$ -
Variable & Floating Rate Securities	\$ 72,598,810.98	\$ 69,108,297.09
	<u>\$ 494,772,139.87</u>	<u>\$ 474,173,028.42</u>

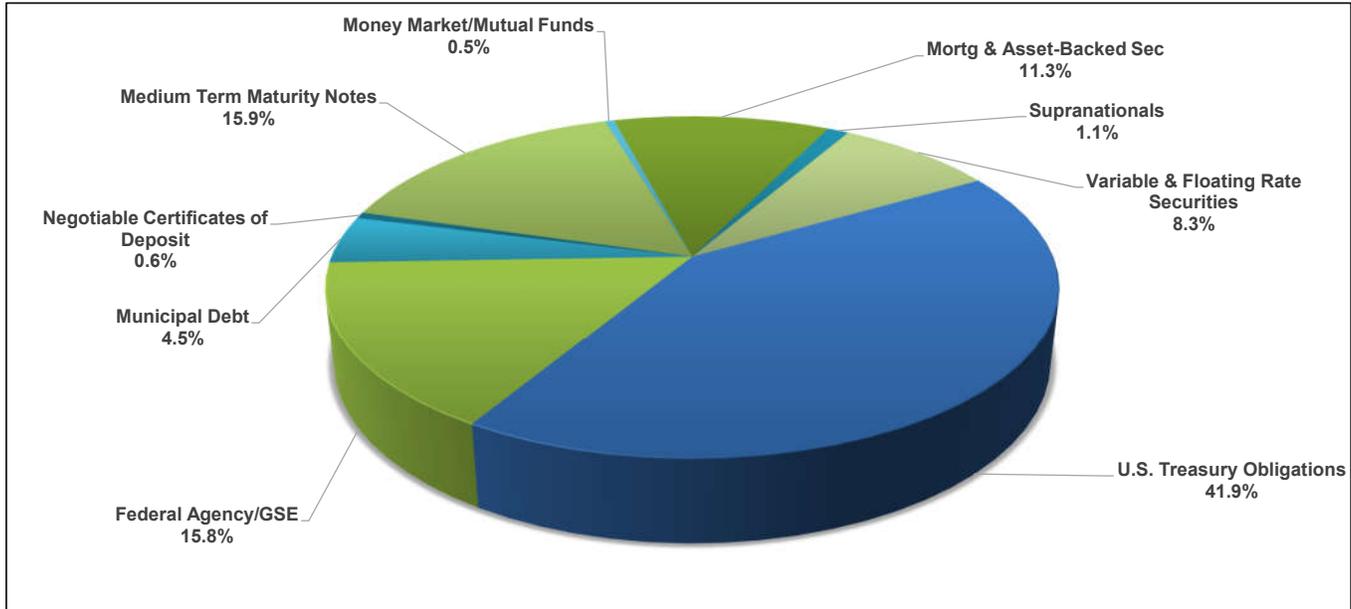
Wtd Avg Life	1.72 Yrs
Duration	1.49 Yrs
Monthly Yield	4.83%
TSY Benchmark	4.57%
Gov/Corp Benchmark	4.70%
Monthly Return	-0.07%
TSY Benchmark	-0.10%
Gov/Corp Benchmark	-0.12%
Three Months Return	-1.52%
TSY Benchmark	-1.99%
Gov/Corp Benchmark	-2.06%
Six Months Return	-0.92%
TSY Benchmark	-1.69%
Gov/Corp Benchmark	-1.72%
12 Months Return	-3.43%
TSY Benchmark	-4.67%
Gov/Corp Benchmark	-4.75%



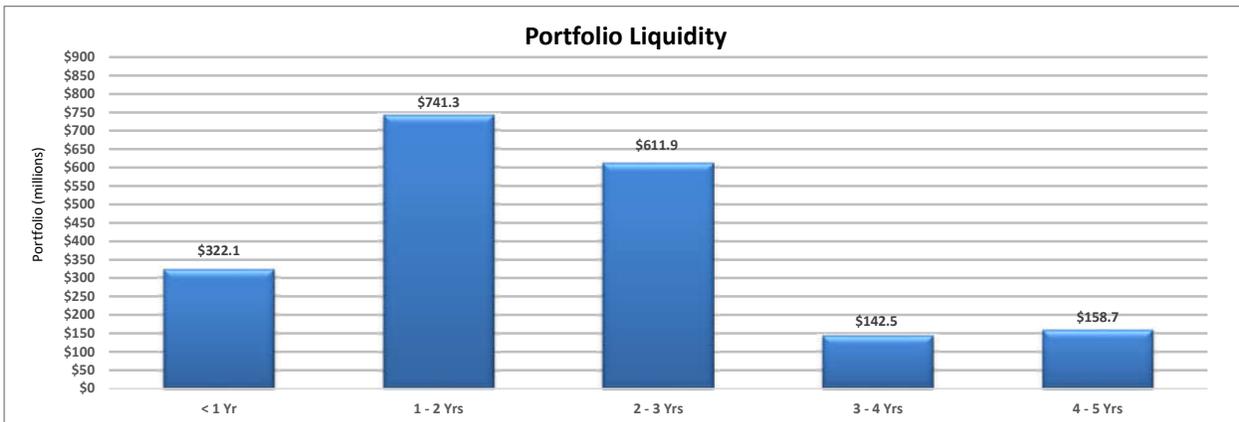
Short-Term Portfolio

10/31/2022

Portfolio Composition



Portfolio Liquidity



Rating Downgrades & Negative Credit Watch

10/31/2022

Investment Manager / Security

Par Amount

Maturity

S&P

Moody's

Fitch Ratings

Rating Downgrades:

N/A

Negative Credit Watch:

N/A

DEBT PROGRAM

(M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, 2021 TIFIA Loan (I-405), 2021 Bond Anticipation Notes (BANs))

Outstanding Debt¹

As of 10/31/22

Orange County Local Transportation Authority (OCLTA-M2)

2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

Issued:	\$	293,540,000
Outstanding:		250,000,000
Debt Service FY 2023:		17,270,000
All in True Interest Cost:		4.33%
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ Moody's/ S&P):		AA+/Aa2/AA+
Final Maturity:		2041

2019 M2 Sales Tax Bond

Issued:	\$	376,690,000
Outstanding:		360,170,000
Debt Service FY 2023:		37,613,650
All in True Interest Cost:		3.14%
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings (Fitch/ S&P):		AA+/AA+
Final Maturity:		2041

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		71,420,000
Debt Service FY 2023:		10,794,700
All in True Interest Cost:		3.83%
Pledged Revenue Source:	91 Toll Road Revenues	
Ratings (Fitch/ Moody's/ S&P):		A+/A1/AA-
Final Maturity:		2030

405 Express Lanes

2021 Bond Anticipation Notes

Issued:	\$	662,820,000
Outstanding:		662,820,000
Debt Service FY 2023:		32,141,000
All in True Interest Cost:		0.34%
Pledged Revenue Source:	Collateral ^z	
Ratings (Moody's/ S&P):		Aa3/AA
Final Maturity:		2024

2021 TIFIA Loan

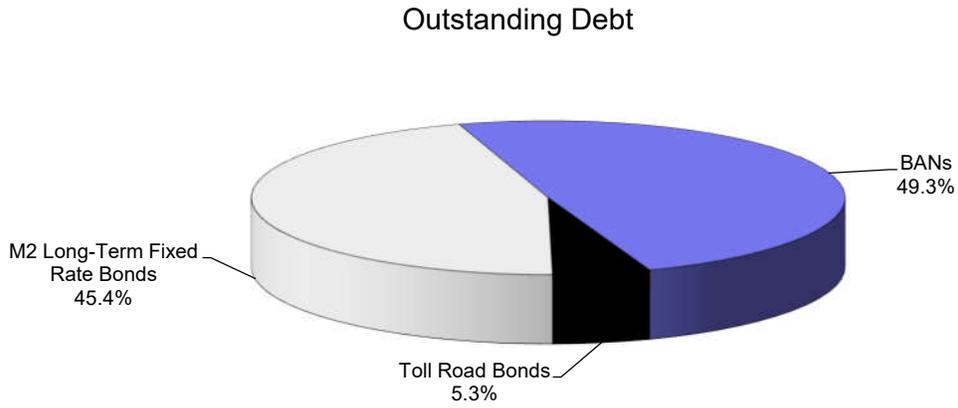
Amount Available	\$	628,930,000
Outstanding:		-
Accrued Interest:		-
Interest Rate:		1.95%
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings (Moody's/Kroll):		Baa2/BBB-
Final Maturity:		2058

1. Comprised of OCTA's debt obligations (M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, 2021 TIFIA Loan (I-405), and 2021 BANs) currently outstanding and irrespective of OCTA's investment program.

2. Comprised of (a) proceeds from draws under the TIFIA Loan Agreement; (b) any legally available funds of OCTA except (i) LTF Revenue, (ii) federal grant funds, (iii) any revenues and assets with respect to the SR 91 Express Lanes, and (iv) any revenues received from operation of the freeway callbox system in Orange County and the freeway service patrol; (c) proceeds from the purchase and sale of OCTA bonds by OCLTA under and pursuant to the Standby Bond Purchase Agreement; and (d) all amounts held by the Trustee in the funds and accounts established under the indenture, including investment earnings thereon, excluding amounts deposited to the Rebate Fund

Total Outstanding Debt*

As of 10/31/22



TOTAL OUTSTANDING DEBT: \$1,344,410,000

*Comprised of OCTA's debt obligations (M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, 2021 TIFIA Loan (I-405), and 2021 BANs) currently outstanding and irrespective of OCTA's investment program.

Orange County Transportation Authority
Portfolio Listing
As of October 31, 2022

LIQUID PORTFOLIO

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
<u>CASH EQUIVALENTS</u>				
BANK DEPOSITS	N/A	250,000.00	250,000.00	
REPURCHASE AGREEMENT	N/A	63,437,985.06	63,437,985.06	0.25%
MONEY MARKET DEMAND ACCOUNT	N/A	137,872,734.32	137,872,734.32	2.17%
FIDELITY TREASURY OBLIGATIONS FUND	N/A	142,796,046.47	142,796,046.47	2.88%
FEDERATED TREASURY OBLIGATIONS FUND	N/A	26,288,570.94	26,288,570.94	2.90%
SUB-TOTAL		370,645,336.79	370,645,336.79	
<u>LOCAL AGENCY INVESTMENT FUND (LAIF)</u>	N/A	21,259,868.88	21,259,868.88	1.77%
<u>ORANGE COUNTY INVESTMENT POOL (OCIP)</u>	N/A	512,163.07	512,163.07	1.32%
LIQUID PORTFOLIO - TOTAL		\$ 392,417,368.74	\$ 392,417,368.74	

SHORT-TERM PORTFOLIO

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
<u>Money Market Funds</u>				
FIRST AMER:GVT OBLG Z	10/31/2022	1,188,857.37	1,188,857.37	2.89
FIRST AMER:GVT OBLG Z	10/31/2022	250,343.56	250,343.56	2.89
FIRST AMER:GVT OBLG Z	10/31/2022	436,720.01	436,720.01	2.89
FIRST AMER:GVT OBLG Z	10/31/2022	846,614.37	846,614.37	2.89
FIRST AMER:GVT OBLG Z	10/31/2022	4,469,027.82	4,469,027.82	2.89
FIRST AMER:GVT OBLG Z	10/31/2022	2,117,825.39	2,117,825.39	2.89
FIRST AMER:GVT OBLG Z	10/31/2022	2,243.00	2,243.00	2.89
FIRST AMER:GVT OBLG Z	10/31/2022	402,630.00	402,630.00	2.89
SUB-TOTAL		9,714,261.52	9,714,261.52	
<u>NEGOTIABLE CERTIFICATES OF DEPOSIT</u>				
Credit Agricole Corporate And Investment Bank, New	8/16/2024	3,550,000.00	3,469,273.00	5.45
Credit Suisse AG, New York Branch	3/17/2023	3,100,000.00	3,048,106.00	5.06
Toronto-Dominion Bank - New York Branch	10/27/2025	4,725,000.00	4,725,000.00	5.60
SUB-TOTAL		11,375,000.00	11,242,379.00	
<u>U.S. TREASURY OBLIGATIONS</u>				
UNITED STATES TREASURY	4/30/2025	697,839.84	673,778.00	4.48
UNITED STATES TREASURY	4/30/2025	1,743,779.30	1,684,445.00	4.48
UNITED STATES TREASURY	9/30/2025	2,513,183.59	2,402,250.00	4.44
UNITED STATES TREASURY	9/30/2025	7,002,734.38	6,726,300.00	4.44
UNITED STATES TREASURY	10/31/2025	8,032,812.50	7,677,840.00	4.45
UNITED STATES TREASURY	11/15/2025	7,750,937.50	7,503,440.00	4.45
UNITED STATES TREASURY	11/15/2025	6,818,164.06	6,565,510.00	4.45
UNITED STATES TREASURY	5/31/2023	7,787,187.50	7,866,240.00	4.57
UNITED STATES TREASURY	10/31/2023	8,007,187.50	7,764,400.00	4.67
UNITED STATES TREASURY	4/30/2024	1,352,433.98	1,240,567.20	4.68
UNITED STATES TREASURY	4/30/2024	3,103,259.38	2,846,572.80	4.68
UNITED STATES TREASURY	5/15/2025	9,793,359.38	9,432,812.50	4.51
UNITED STATES TREASURY	5/15/2025	7,114,933.59	6,885,953.13	4.51
UNITED STATES TREASURY	5/15/2025	4,842,382.81	4,718,750.00	4.49
UNITED STATES TREASURY	10/31/2024	7,758,691.41	7,071,675.00	4.52
UNITED STATES TREASURY	10/31/2024	1,570,096.29	1,428,478.35	4.52
UNITED STATES TREASURY	10/31/2024	3,611,739.65	3,285,971.65	4.52
UNITED STATES TREASURY	11/30/2024	2,577,022.66	2,337,366.15	4.52
UNITED STATES TREASURY	11/30/2024	1,519,250.78	1,377,964.35	4.52
UNITED STATES TREASURY	11/30/2024	4,402,568.36	3,997,507.50	4.52
UNITED STATES TREASURY	12/31/2024	1,252,682.23	1,137,971.88	4.47
UNITED STATES TREASURY	12/31/2024	1,244,203.13	1,133,250.00	4.47
UNITED STATES TREASURY	12/31/2024	4,074,494.92	3,694,480.80	4.45
UNITED STATES TREASURY	12/31/2024	6,095,705.27	5,541,721.20	4.45
UNITED STATES TREASURY	12/31/2024	6,738,417.97	6,141,720.00	4.45
UNITED STATES TREASURY	12/31/2024	5,909,964.84	5,385,816.00	4.45
UNITED STATES TREASURY	12/31/2024	2,896,906.25	2,645,664.00	4.45
UNITED STATES TREASURY	1/31/2025	8,313,750.00	7,478,160.00	4.45
UNITED STATES TREASURY	3/31/2025	1,989,687.50	1,823,120.00	4.40
UNITED STATES TREASURY	3/31/2025	7,862,500.00	7,292,480.00	4.40
UNITED STATES TREASURY	3/31/2025	10,137,753.91	9,794,257.81	4.42
UNITED STATES TREASURY	3/31/2025	4,433,906.25	4,102,020.00	4.40
UNITED STATES TREASURY	4/30/2025	7,440,527.34	6,791,025.00	4.41
UNITED STATES TREASURY	5/31/2025	7,357,324.22	6,735,975.00	4.47
UNITED STATES TREASURY	6/30/2025	6,811,054.69	6,279,210.00	4.38
UNITED STATES TREASURY	7/31/2025	6,979,687.50	6,697,275.00	4.43
UNITED STATES TREASURY	7/31/2025	7,729,375.00	7,143,760.00	4.43
UNITED STATES TREASURY	9/30/2025	7,049,375.00	7,101,840.00	4.40
UNITED STATES TREASURY	10/15/2023	3,142,248.05	3,017,601.56	4.67
UNITED STATES TREASURY	10/15/2023	2,070,298.83	1,987,785.16	4.67
UNITED STATES TREASURY	10/15/2023	3,142,863.28	3,017,601.56	4.67
UNITED STATES TREASURY	10/15/2023	1,855,350.00	1,781,821.88	4.67
UNITED STATES TREASURY	10/15/2023	5,685,972.66	5,460,421.88	4.67
UNITED STATES TREASURY	10/15/2023	224,569.34	215,489.25	4.70
UNITED STATES TREASURY	11/15/2023	1,250,927.73	1,194,575.00	4.66
UNITED STATES TREASURY	11/15/2023	2,872,130.08	2,742,744.20	4.66
UNITED STATES TREASURY	12/15/2023	7,978,437.50	7,609,680.00	4.63
UNITED STATES TREASURY	12/15/2023	9,877,343.75	9,507,812.50	4.67
UNITED STATES TREASURY	12/15/2023	4,923,437.50	4,753,906.25	4.67
UNITED STATES TREASURY	12/15/2023	6,600,433.99	6,344,570.70	4.63
UNITED STATES TREASURY	12/15/2023	9,840,435.94	9,493,075.80	4.63
UNITED STATES TREASURY	12/15/2023	1,336,964.06	1,274,621.40	4.63
UNITED STATES TREASURY	12/15/2023	658,504.69	627,798.60	4.63
UNITED STATES TREASURY	12/15/2023	2,418,842.77	2,306,684.25	4.63
UNITED STATES TREASURY	1/31/2023	4,330,259.18	4,287,652.60	4.63
UNITED STATES TREASURY	2/15/2024	1,030,512.30	976,905.45	4.66
UNITED STATES TREASURY	2/15/2024	1,533,322.66	1,453,559.80	4.66
UNITED STATES TREASURY	3/15/2024	2,547,714.26	2,406,886.65	4.66
UNITED STATES TREASURY	3/15/2024	3,111,103.12	2,939,133.60	4.66
UNITED STATES TREASURY	3/15/2024	2,744,306.64	2,590,582.50	4.66
UNITED STATES TREASURY	3/31/2023	1,414,312.50	1,390,294.10	4.66
UNITED STATES TREASURY	4/15/2024	8,013,437.50	7,520,960.00	4.68

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
UNITED STATES TREASURY	4/15/2024	21,702,656.25	20,676,562.50	4.70
UNITED STATES TREASURY	4/15/2024	1,564,073.05	1,489,652.34	4.70
UNITED STATES TREASURY	4/15/2024	4,925,781.25	4,699,218.75	4.70
UNITED STATES TREASURY	4/15/2024	9,864,843.75	9,401,200.00	4.68
UNITED STATES TREASURY	4/15/2024	4,544,199.61	4,329,252.60	4.68
UNITED STATES TREASURY	4/15/2024	3,600,851.56	3,478,444.00	4.68
UNITED STATES TREASURY	4/15/2024	910,675.39	855,509.20	4.68
UNITED STATES TREASURY	4/15/2024	2,091,551.17	1,964,850.80	4.68
UNITED STATES TREASURY	4/30/2023	8,767,287.44	8,583,637.50	4.47
UNITED STATES TREASURY	4/30/2023	5,008,450.41	4,903,537.50	4.47
UNITED STATES TREASURY	5/15/2024	3,988,281.25	3,740,920.00	4.65
UNITED STATES TREASURY	5/15/2024	15,818,797.12	14,818,719.35	4.65
UNITED STATES TREASURY	5/15/2024	2,361,089.00	2,211,818.95	4.65
UNITED STATES TREASURY	5/15/2024	4,144,488.28	3,881,204.50	4.65
UNITED STATES TREASURY	5/15/2024	11,705,610.37	10,965,571.75	4.65
UNITED STATES TREASURY	5/15/2024	306,787.50	299,273.60	4.65
UNITED STATES TREASURY	5/31/2023	905,804.69	896,494.00	4.63
UNITED STATES TREASURY	5/31/2023	393,828.13	389,780.00	4.63
UNITED STATES TREASURY	6/15/2024	10,975,937.50	10,253,650.00	4.64
UNITED STATES TREASURY	6/15/2024	4,181,132.81	3,913,218.75	4.67
UNITED STATES TREASURY	6/15/2024	3,995,436.33	3,792,095.31	4.67
UNITED STATES TREASURY	6/15/2024	9,962,285.15	9,783,046.88	4.67
UNITED STATES TREASURY	6/15/2024	3,600,351.56	3,540,531.25	4.67
UNITED STATES TREASURY	6/15/2024	7,485,058.59	6,991,125.00	4.64
UNITED STATES TREASURY	6/15/2024	11,647,898.44	10,906,155.00	4.64
UNITED STATES TREASURY	6/15/2024	4,572,867.19	4,287,890.00	4.64
UNITED STATES TREASURY	6/15/2024	274,870.31	261,002.00	4.64
UNITED STATES TREASURY	6/15/2024	403,924.22	377,520.75	4.64
UNITED STATES TREASURY	6/15/2024	1,987,031.25	1,864,300.00	4.64
UNITED STATES TREASURY	6/15/2024	1,991,250.00	1,864,300.00	4.64
UNITED STATES TREASURY	6/15/2024	942,489.84	880,881.75	4.64
UNITED STATES TREASURY	6/15/2024	4,470,820.31	4,194,675.00	4.64
UNITED STATES TREASURY	6/15/2024	5,973,750.00	5,592,900.00	4.64
UNITED STATES TREASURY	7/15/2024	7,502,050.78	6,984,975.00	4.60
UNITED STATES TREASURY	7/15/2024	1,197,750.00	1,117,596.00	4.60
UNITED STATES TREASURY	7/15/2024	2,402,625.00	2,235,192.00	4.60
UNITED STATES TREASURY	7/15/2024	674,920.90	628,647.75	4.60
UNITED STATES TREASURY	7/15/2024	748,623.05	698,497.50	4.60
UNITED STATES TREASURY	7/15/2024	2,844,656.25	2,654,290.50	4.60
UNITED STATES TREASURY	7/15/2024	5,506,015.63	5,122,315.00	4.60
UNITED STATES TREASURY	7/15/2024	1,544,818.95	1,438,904.85	4.60
UNITED STATES TREASURY	7/15/2024	9,996,875.00	9,313,300.00	4.60
UNITED STATES TREASURY	7/15/2024	1,597,062.50	1,490,128.00	4.60
UNITED STATES TREASURY	7/31/2023	334,424.22	323,904.80	4.67
UNITED STATES TREASURY	8/15/2024	7,914,375.00	7,424,080.00	4.61
UNITED STATES TREASURY	8/15/2024	998,164.06	928,010.00	4.61
UNITED STATES TREASURY	8/15/2024	2,497,265.63	2,320,025.00	4.61
UNITED STATES TREASURY	8/15/2024	3,095,035.16	2,876,831.00	4.61
UNITED STATES TREASURY	8/15/2024	1,497,246.09	1,392,015.00	4.61
UNITED STATES TREASURY	8/15/2024	6,143,273.44	5,707,261.50	4.61
UNITED STATES TREASURY	8/31/2023	1,622,333.98	1,564,192.50	4.77
UNITED STATES TREASURY	8/31/2023	5,607,706.25	5,409,699.60	4.77
UNITED STATES TREASURY	8/31/2023	4,358,904.30	4,206,474.60	4.77
UNITED STATES TREASURY	9/15/2024	7,484,472.66	6,944,250.00	4.55
UNITED STATES TREASURY	9/15/2024	1,245,068.36	1,157,375.00	4.55
UNITED STATES TREASURY	9/15/2024	745,927.73	694,425.00	4.55
UNITED STATES TREASURY	9/15/2024	2,988,164.06	2,777,700.00	4.55
UNITED STATES TREASURY	9/30/2023	824,258.79	792,775.50	4.66
UNITED STATES TREASURY	10/15/2024	1,248,974.61	1,160,112.50	4.51
UNITED STATES TREASURY	10/15/2024	1,243,847.66	1,160,112.50	4.51
UNITED STATES TREASURY	10/15/2024	3,059,865.23	2,853,876.75	4.51
UNITED STATES TREASURY	10/31/2023	12,316,224.06	11,806,940.40	4.70
UNITED STATES TREASURY	10/31/2023	548,431.64	527,010.00	4.70
UNITED STATES TREASURY	10/31/2023	12,568,007.81	12,073,320.00	4.70
UNITED STATES TREASURY	11/15/2024	8,004,375.00	7,416,880.00	4.53
UNITED STATES TREASURY	11/15/2024	1,269,073.24	1,182,065.25	4.53
UNITED STATES TREASURY	11/15/2024	4,987,500.00	4,635,550.00	4.53
UNITED STATES TREASURY	11/15/2024	3,359,311.52	3,128,996.25	4.53
UNITED STATES TREASURY	11/30/2023	3,429,921.88	3,291,529.60	4.64
UNITED STATES TREASURY	11/30/2023	7,376,296.88	7,080,616.00	4.64
UNITED STATES TREASURY	11/30/2023	688,517.58	660,219.60	4.64
UNITED STATES TREASURY	11/30/2023	619,152.34	593,240.80	4.64
UNITED STATES TREASURY	11/30/2023	1,994,375.00	1,913,680.00	4.64
UNITED STATES TREASURY	11/30/2023	14,939,062.50	14,352,600.00	4.64
UNITED STATES TREASURY	12/15/2024	8,000,000.00	7,443,120.00	4.47
UNITED STATES TREASURY	12/15/2024	1,750,683.59	1,628,182.50	4.47
UNITED STATES TREASURY	12/15/2024	1,249,072.27	1,162,987.50	4.47
UNITED STATES TREASURY	12/15/2024	2,004,531.25	1,860,780.00	4.47
UNITED STATES TREASURY	12/15/2024	3,597,328.13	3,349,404.00	4.47
UNITED STATES TREASURY	12/31/2023	2,874,829.11	2,748,212.50	4.68
UNITED STATES TREASURY	12/31/2023	1,240,581.25	1,185,316.00	4.68
UNITED STATES TREASURY	12/31/2023	500,058.59	477,950.00	4.68
UNITED STATES TREASURY	12/31/2023	1,000,117.19	955,900.00	4.68
UNITED STATES TREASURY	12/31/2023	10,001,171.87	9,559,000.00	4.68
UNITED STATES TREASURY	1/31/2024	2,693,803.52	2,585,611.00	4.70
UNITED STATES TREASURY	1/31/2024	10,187,925.00	9,781,433.20	4.70
UNITED STATES TREASURY	1/31/2024	10,188,918.75	9,782,387.30	4.70
UNITED STATES TREASURY	1/31/2024	10,653,993.75	10,228,906.10	4.70
UNITED STATES TREASURY	1/31/2024	4,377,189.89	4,198,994.10	4.70
UNITED STATES TREASURY	1/31/2024	1,089,859.38	1,049,510.00	4.70
UNITED STATES TREASURY	1/31/2024	4,981,746.09	4,818,205.00	4.70
UNITED STATES TREASURY	1/31/2024	286,307.03	276,689.00	4.70
UNITED STATES TREASURY	1/31/2024	340,337.11	329,164.50	4.70
UNITED STATES TREASURY	1/31/2024	128,344.53	124,033.00	4.70
UNITED STATES TREASURY	2/15/2025	1,334,222.50	1,258,563.84	4.52
UNITED STATES TREASURY	2/15/2025	831,754.69	799,459.20	4.52
UNITED STATES TREASURY	2/15/2025	1,882,187.50	1,776,576.00	4.52
UNITED STATES TREASURY	2/15/2025	3,467,187.50	3,272,640.00	4.52
UNITED STATES TREASURY	2/29/2024	2,586,661.33	2,486,296.40	4.63
UNITED STATES TREASURY	2/29/2024	3,619,498.23	3,499,054.20	4.63
UNITED STATES TREASURY	2/29/2024	619,346.10	595,175.20	4.63
UNITED STATES TREASURY	3/15/2025	460,122.66	441,522.70	4.47
UNITED STATES TREASURY	3/15/2025	607,309.38	582,434.20	4.47

DESCRIPTION**MATURITY DATE****BOOK VALUE****MARKET VALUE****YIELD**

UNITED STATES TREASURY	3/31/2027	6,686,992.19	6,726,622.50	4.31
UNITED STATES TREASURY	4/15/2025	1,569,260.94	1,512,913.20	4.47
UNITED STATES TREASURY	4/15/2025	3,519,243.36	3,394,479.30	4.47
UNITED STATES TREASURY	4/15/2025	774,698.44	746,881.20	4.47
UNITED STATES TREASURY	4/15/2025	2,536,436.33	2,446,514.70	4.47
UNITED STATES TREASURY	5/15/2025	9,813,236.72	9,378,824.40	4.48
UNITED STATES TREASURY	5/15/2025	1,210,803.52	1,160,365.80	4.48
UNITED STATES TREASURY	5/15/2025	3,536,669.53	3,409,173.90	4.48
UNITED STATES TREASURY	5/15/2025	2,056,966.80	1,965,909.00	4.48
UNITED STATES TREASURY	5/15/2025	435,288.87	417,156.30	4.48
UNITED STATES TREASURY	5/15/2025	7,349,303.71	7,043,708.10	4.48
UNITED STATES TREASURY	5/15/2025	1,246,191.41	1,198,725.00	4.48
UNITED STATES TREASURY	5/15/2025	7,227,910.16	6,952,605.00	4.48
UNITED STATES TREASURY	6/15/2025	4,220,085.94	4,066,087.50	4.46
UNITED STATES TREASURY	6/15/2025	846,878.91	817,062.50	4.46
UNITED STATES TREASURY	6/15/2025	5,494,318.75	5,301,293.75	4.46
UNITED STATES TREASURY	6/15/2025	403,481.25	389,306.25	4.46
UNITED STATES TREASURY	6/15/2025	1,248,388.67	1,201,562.50	4.46
UNITED STATES TREASURY	6/15/2025	3,545,423.83	3,412,437.50	4.46
UNITED STATES TREASURY	6/30/2027	4,354,628.91	4,305,600.00	4.28
UNITED STATES TREASURY	6/30/2027	4,753,792.97	4,496,960.00	4.28
UNITED STATES TREASURY	6/30/2027	5,390,644.53	5,262,400.00	4.28
UNITED STATES TREASURY	7/15/2025	555,216.80	534,537.15	4.46
UNITED STATES TREASURY	7/15/2025	2,162,177.73	2,070,729.50	4.46
UNITED STATES TREASURY	7/15/2025	180,070.31	173,363.40	4.46
UNITED STATES TREASURY	7/15/2025	1,066,003.91	1,020,917.80	4.46
UNITED STATES TREASURY	7/15/2025	998,320.31	963,130.00	4.46
UNITED STATES TREASURY	7/15/2025	2,994,960.94	2,889,390.00	4.46
UNITED STATES TREASURY	7/31/2027	4,592,712.50	4,309,289.70	4.28
UNITED STATES TREASURY	7/31/2027	1,275,200.00	1,196,505.60	4.28
UNITED STATES TREASURY	8/15/2025	7,843,892.58	7,651,983.75	4.45
UNITED STATES TREASURY	8/15/2025	1,247,104.69	1,216,593.00	4.45
UNITED STATES TREASURY	8/15/2025	1,532,017.58	1,496,602.50	4.45
UNITED STATES TREASURY	8/15/2025	4,447,792.97	4,344,975.00	4.45
UNITED STATES TREASURY	9/15/2025	4,139,694.73	4,116,749.32	4.44
UNITED STATES TREASURY	9/15/2025	261,109.69	256,382.92	4.44
	SUB-TOTAL	829,087,731.91	787,543,533.25	

FEDERAL AGENCY/GSE

FH G12952	12/1/2022	169.31	163.24	4.32
FEDERAL HOME LOAN BANKS	9/8/2023	4,135,800.00	3,924,120.00	4.67
FEDERAL HOME LOAN BANKS	9/8/2023	4,104,600.00	3,924,120.00	4.67
FEDERAL HOME LOAN BANKS	12/8/2023	6,686,160.00	6,322,875.00	4.81
FEDERAL HOME LOAN BANKS	3/8/2024	5,201,750.00	4,817,750.00	4.69
FEDERAL HOME LOAN BANKS	2/12/2026	2,897,970.00	2,536,717.00	4.77
FEDERAL HOME LOAN BANKS	2/12/2026	1,249,125.00	1,093,412.50	4.77
FEDERAL HOME LOAN BANKS	12/20/2024	1,648,927.50	1,529,121.00	4.64
FEDERAL HOME LOAN BANKS	12/20/2024	5,994,720.00	5,560,440.00	4.64
FEDERAL HOME LOAN BANKS	2/28/2025	850,000.00	803,206.65	4.73
FEDERAL HOME LOAN BANKS	2/28/2025	4,095,000.00	3,854,336.85	4.90
FEDERAL HOME LOAN BANKS	7/8/2024	4,720,823.80	4,608,486.30	4.60
FEDERAL HOME LOAN BANKS	7/8/2024	1,706,682.60	1,666,070.10	4.60
FEDERAL HOME LOAN BANKS	10/3/2024	3,675,988.80	3,669,438.40	4.66
FEDERAL HOME LOAN BANKS	10/3/2024	179,803.80	179,483.40	4.66
FEDERAL HOME LOAN BANKS	10/3/2024	739,193.40	737,876.20	4.66
FEDERAL HOME LOAN BANKS	10/3/2024	619,324.20	618,220.60	4.66
FEDERAL HOME LOAN BANKS	10/3/2024	229,749.30	229,339.90	4.66
FEDERAL HOME LOAN BANKS	10/3/2024	259,716.60	259,253.80	4.66
FEDERAL HOME LOAN BANKS	10/3/2024	69,923.70	69,799.10	4.66
FEDERAL HOME LOAN BANKS	10/3/2024	1,318,561.20	1,316,211.60	4.66
FEDERAL HOME LOAN BANKS	6/9/2023	3,977,720.00	3,937,120.00	4.79
FEDERAL HOME LOAN BANKS	6/9/2023	4,029,880.00	3,937,120.00	4.79
FEDERAL FARM CREDIT BANKS FUNDING CORP	7/17/2023	5,060,200.00	4,934,400.00	4.77
FEDERAL FARM CREDIT BANKS FUNDING CORP	6/26/2023	6,967,450.00	6,867,000.00	4.76
FEDERAL FARM CREDIT BANKS FUNDING CORP	2/1/2023	4,996,450.00	4,971,050.00	4.17
FEDERAL FARM CREDIT BANKS FUNDING CORP	8/14/2023	4,993,550.00	4,877,250.00	4.82
FEDERAL FARM CREDIT BANKS FUNDING CORP	8/14/2023	7,983,280.00	7,722,320.00	4.75
FEDERAL FARM CREDIT BANKS FUNDING CORP	2/21/2023	5,000,600.00	4,953,500.00	4.52
FEDERAL FARM CREDIT BANKS FUNDING CORP	10/2/2023	4,994,600.00	4,795,350.00	4.80
FEDERAL FARM CREDIT BANKS FUNDING CORP	2/25/2025	4,956,270.00	4,690,500.00	4.60
FEDERAL HOME LOAN MORTGAGE CORP	8/12/2025	4,095,490.00	3,663,169.60	4.73
FEDERAL HOME LOAN MORTGAGE CORP	9/30/2025	2,400,000.00	2,380,176.00	5.06
FEDERAL HOME LOAN MORTGAGE CORP	9/30/2025	860,000.00	852,896.40	5.06
FEDERAL HOME LOAN MORTGAGE CORP	12/30/2024	2,685,000.00	2,632,304.19	4.96
FEDERAL HOME LOAN MORTGAGE CORP	11/25/2024	1,570,000.00	1,435,984.80	4.84
FEDERAL HOME LOAN MORTGAGE CORP	11/25/2024	680,000.00	621,955.20	4.84
FEDERAL HOME LOAN MORTGAGE CORP	7/21/2025	4,785,000.00	4,671,246.20	4.99
FEDERAL HOME LOAN MORTGAGE CORP	8/28/2025	2,250,000.00	2,200,635.00	4.89
FEDERAL HOME LOAN MORTGAGE CORP	8/28/2025	810,000.00	792,228.60	4.89
FEDERAL HOME LOAN MORTGAGE CORP	8/28/2025	2,250,000.00	2,216,340.00	4.77
FEDERAL HOME LOAN MORTGAGE CORP	8/28/2025	810,000.00	797,882.40	4.77
FEDERAL HOME LOAN MORTGAGE CORP	2/28/2025	2,230,000.00	2,196,126.30	4.69
FEDERAL HOME LOAN MORTGAGE CORP	2/28/2025	800,000.00	787,848.00	4.69
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5/22/2023	6,111,548.70	5,984,167.30	4.61
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/10/2023	3,203,098.50	3,112,191.30	4.78
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/10/2023	5,000,300.00	4,847,650.00	4.78
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7/10/2023	2,354,926.00	2,288,090.80	4.78
FEDERAL NATIONAL MORTGAGE ASSOCIATION	8/25/2025	7,771,280.00	7,132,240.00	4.52
FEDERAL NATIONAL MORTGAGE ASSOCIATION	11/27/2023	1,797,948.00	1,717,020.00	4.71
FNR 2011-74 UY	3/25/2026	624,172.71	604,369.99	5.42
FNA 2012-M17 A2	11/25/2022	43,349.58	44,889.33	4.47
FNA 2013-M7 A2	12/25/2022	30,776.99	30,245.33	4.43
FNA 2013-M7 A2	12/25/2022	75,018.92	73,722.99	4.43
FNA 2016-M03 A2	2/25/2026	2,356,185.46	2,251,974.62	5.46
FNA 2016-M03 A2	2/25/2026	846,739.86	841,859.67	5.46
FNA 2016-M03 A2	2/25/2026	2,116,849.64	2,104,649.18	5.46
FEDERAL NATIONAL MORTGAGE ASSOCIATION	10/27/2023	6,098,475.00	5,841,884.60	4.73
FHR 3778 L	12/15/2025	295,858.80	287,241.43	5.44
FHR 3806 L	2/15/2026	173,622.14	160,780.65	5.16
FHR 3806 L	2/15/2026	23,156.85	21,872.08	5.16
FHR 3806 L	2/15/2026	1,210,939.76	1,172,144.58	5.16
FHMS K-SMC A2	1/25/2023	308,728.52	308,065.60	5.44

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
FHMS K-SMC A2	1/25/2023	2,030,198.44	2,027,270.40	4.54
FHMS K-SMC A2	1/25/2023	410,500.00	397,504.00	4.54
FHMS K-SMC A2	1/25/2023	1,175,160.15	1,172,636.80	4.54
FHMS K-026 A2	11/25/2022	145,773.01	142,720.32	4.20
FHMS K-026 A2	11/25/2022	274,250.92	268,507.72	4.20
FHMS K-026 A2	11/25/2022	61,960.12	60,474.71	4.20
FHMS K-S01 A2	1/25/2023	20,276.45	20,746.23	4.08
FHR 4285 BA	12/15/2023	193,364.29	185,377.55	5.16
FHMS K-040 A2	9/25/2024	1,446,975.00	1,396,166.40	4.94
FHMS K-040 A2	9/25/2024	883,125.00	872,604.00	4.94
FHMS K-040 A2	9/25/2024	2,453,125.00	2,423,900.00	4.94
FHMS K-041 A1	8/25/2024	393,606.59	373,105.35	4.81
FHMS K-045 A2	1/25/2025	1,221,260.85	1,186,366.35	4.94
FHMS K-045 A2	1/25/2025	3,528,086.89	3,427,280.59	4.94
FHMS K-046 A1	1/25/2025	251,152.71	236,745.07	4.82
FHMS K-046 A2	3/25/2025	694,777.34	672,567.00	4.93
FHMS K-046 A2	3/25/2025	1,985,078.12	1,921,620.00	4.93
FHMS K-PLB A	5/25/2025	2,156,328.13	1,895,260.00	4.91
FHMS K-PLB A	5/25/2025	2,640,039.06	2,369,075.00	4.91
FHMS K-049 A2	7/25/2025	1,207,725.59	1,166,775.75	4.91
FHMS K-049 A2	7/25/2025	3,499,939.45	3,381,268.50	4.91
FHMS K-050 A1	1/25/2025	1,772,653.53	1,641,945.55	4.95
FHMS K-051 A2	9/25/2025	4,031,093.75	3,830,080.00	4.91
FHMS K-051 A2	9/25/2025	4,348,857.42	3,782,204.00	4.91
FHMS K-051 A2	9/25/2025	330,046.88	287,256.00	4.91
FHMS K-051 A2	9/25/2025	1,337,686.53	1,163,386.80	4.91
FHMS K-051 A2	9/25/2025	521,185.55	502,698.00	4.91
FHMS K-051 A2	9/25/2025	1,489,101.56	1,436,280.00	4.91
FHMS K-052 A2	11/25/2025	985,992.19	856,593.00	4.91
FHMS K-052 A2	11/25/2025	233,962.70	223,665.95	4.91
FHMS K-053 A2	12/25/2025	889,628.91	851,562.00	4.90
FHMS K-053 A2	12/25/2025	2,471,191.41	2,365,450.00	4.90
FHMS K-S07 A2	9/25/2025	489,921.88	470,880.00	4.87
FHMS K-062 A2	12/25/2026	492,457.66	464,829.70	4.84
FHMS K-S08 A2	3/25/2027	894,503.91	868,140.25	4.85
FHMS K-726 A2	4/25/2024	2,683,765.74	2,611,401.84	5.01
FHMS K-726 A2	4/25/2024	979,677.98	953,262.37	5.01
FEDERAL HOME LOAN MORTGAGE CORP	6/26/2023	7,463,143.80	7,272,126.60	4.73
FEDERAL HOME LOAN MORTGAGE CORP	8/24/2023	8,001,840.00	7,715,040.00	4.76
FEDERAL HOME LOAN MORTGAGE CORP	8/24/2023	2,787,154.20	2,690,620.20	4.76
FEDERAL HOME LOAN MORTGAGE CORP	8/24/2023	1,783,179.30	1,721,418.30	4.76
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	5,098,317.00	4,907,118.00	4.83
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	3,001,860.00	2,886,540.00	4.83
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	2,725,497.61	2,621,940.50	4.83
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	2,550,465.66	2,453,559.00	4.83
FEDERAL HOME LOAN MORTGAGE CORP	9/8/2023	6,997,690.00	6,735,260.00	4.83
FEDERAL HOME LOAN MORTGAGE CORP	10/16/2023	6,376,128.00	6,122,688.00	4.81
FEDERAL HOME LOAN MORTGAGE CORP	10/16/2023	1,539,237.15	1,478,055.15	4.81
FEDERAL HOME LOAN MORTGAGE CORP	10/16/2023	1,549,199.85	1,487,621.85	4.81
FEDERAL HOME LOAN MORTGAGE CORP	10/16/2023	1,991,720.00	1,913,340.00	4.81
FEDERAL HOME LOAN MORTGAGE CORP	11/6/2023	4,705,761.00	4,501,299.90	4.78
FEDERAL HOME LOAN MORTGAGE CORP	11/6/2023	2,482,763.50	2,374,889.65	4.78
FEDERAL HOME LOAN MORTGAGE CORP	11/6/2023	5,709,856.50	5,461,768.35	4.78
FEDERAL HOME LOAN MORTGAGE CORP	12/4/2023	5,959,094.65	5,688,701.20	4.65
FEDERAL HOME LOAN MORTGAGE CORP	12/4/2023	2,097,921.00	2,002,728.00	4.65
FEDERAL HOME LOAN MORTGAGE CORP	12/4/2023	4,820,223.25	4,601,506.00	4.65
FHMS K-066 A2	6/25/2027	521,185.55	489,027.00	4.80
FHMS K-BX1 A1	9/25/2024	605,677.32	586,526.12	4.86
FHMS K-BX1 A2	1/25/2026	744,257.81	715,912.50	4.83
FHMS K-727 A2	7/25/2024	2,715,155.95	2,440,024.09	4.96
FHMS K-727 A2	7/25/2024	1,175,634.54	1,056,505.28	4.96
FHMS K-728 A2	8/25/2024	1,198,881.10	1,158,426.89	5.04
FHMS K-728 A2	8/25/2024	3,425,374.58	3,309,791.12	5.04
FHMS K-P05 A	7/25/2023	46,637.81	45,346.08	6.90
FHMS K-J27 A1	7/25/2024	10,606.95	10,537.41	4.52
FHMS K-J30 A1	1/27/2025	170,260.91	165,261.78	4.73
FHMS K-J30 A1	1/27/2025	73,829.96	71,662.19	4.73
FN AM8730	7/1/2025	1,721,375.75	1,522,928.31	5.69
FN AN0429	1/1/2025	957,406.52	849,318.09	5.52
FN AN0992	2/1/2026	959,965.07	915,401.40	7.07
FNR 0338C MP	5/25/2023	21,480.90	20,611.53	5.31
FNR 0338C MP	5/25/2023	23,644.56	22,633.16	5.31
FNR 0333J LB	5/25/2023	12,223.28	11,754.64	5.69
FNR 0364L HQ	7/25/2023	20,120.85	19,393.18	5.54
FHR 2756 KA	2/15/2024	82,675.52	78,774.17	5.98
FN BL5365	2/1/2027	304,196.12	297,924.52	4.91
FN BM6007	5/1/2023	106,823.77	102,293.95	4.43
SUB-TOTAL		313,175,352.62	299,913,785.05	

MEDIUM TERM NOTES

ADOBE INC	2/1/2023	14,979.45	14,888.25	4.70
AMAZON.COM INC	6/3/2023	249,650.00	243,547.50	4.90
AMAZON.COM INC	5/12/2024	3,265,225.80	3,066,507.90	4.71
AMAZON.COM INC	5/12/2024	888,700.60	834,615.30	4.71
AMAZON.COM INC	5/12/2024	2,047,007.00	1,922,428.50	4.71
AMAZON.COM INC	4/13/2025	364,419.65	351,239.50	4.65
AMAZON.COM INC	4/13/2025	1,772,177.75	1,708,082.50	4.65
AMERICAN EXPRESS CO	7/30/2024	492,005.00	451,520.75	5.50
AMERICAN EXPRESS CO	7/30/2024	129,475.00	118,821.25	5.50
AMERICAN EXPRESS CO	7/30/2024	1,320,645.00	1,211,976.75	5.50
AMERICAN EXPRESS CO	7/30/2024	362,530.00	332,699.50	5.50
AMERICAN EXPRESS CO	3/4/2025	104,893.95	97,492.50	5.55
AMERICAN EXPRESS CO	3/4/2025	99,663.00	92,850.00	5.55
AMERICAN EXPRESS CO	3/4/2025	384,611.15	357,472.50	5.55
AMERICAN EXPRESS CO	3/4/2025	498,315.00	464,250.00	5.55
AMERICAN EXPRESS CO	5/3/2024	969,903.00	940,803.00	5.49
AMERICAN EXPRESS CO	5/3/2024	349,965.00	339,465.00	5.49
AMERICAN EXPRESS CO	8/1/2025	1,808,190.00	1,738,667.90	5.51
AMERICAN EXPRESS CO	8/1/2025	644,355.00	619,580.55	5.51
AMERICAN HONDA FINANCE CORP	1/12/2024	1,585,215.00	1,472,580.00	5.14
AMERICAN HONDA FINANCE CORP	8/9/2024	404,732.70	375,641.55	5.08

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
AMERICAN HONDA FINANCE CORP	8/9/2024	994,343.30	922,872.45	5.08
AMERICAN HONDA FINANCE CORP	8/9/2024	988,730.00	927,510.00	5.08
AMERICAN HONDA FINANCE CORP	1/13/2025	499,605.00	463,240.00	5.07
AMERICAN HONDA FINANCE CORP	1/13/2025	724,427.25	671,698.00	5.07
APPLE INC	5/3/2023	1,977,040.00	1,977,640.00	4.66
ASTRAZENECA FINANCE LLC	5/28/2024	584,947.35	546,817.05	5.06
ASTRAZENECA FINANCE LLC	5/28/2024	1,339,879.40	1,252,538.20	5.06
TRUIST FINANCIAL CORP	8/1/2024	4,454,730.00	4,288,050.00	5.35
TRUIST FINANCIAL CORP	8/1/2024	1,659,632.00	1,524,640.00	5.35
BMW US CAPITAL LLC	8/12/2024	254,977.05	235,495.05	5.31
BMW US CAPITAL LLC	8/12/2024	619,944.20	572,576.20	5.31
BMW US CAPITAL LLC	4/1/2025	194,816.70	186,318.60	5.23
BMW US CAPITAL LLC	4/1/2025	874,177.50	836,045.00	5.23
BAKER HUGHES HOLDINGS LLC	12/15/2023	380,000.00	364,218.60	5.08
BAKER HUGHES HOLDINGS LLC	12/15/2023	140,000.00	134,185.80	5.08
BANK OF AMERICA CORP	12/6/2025	855,000.00	778,691.25	5.36
BANK OF AMERICA CORP	12/6/2025	575,000.00	523,681.25	5.36
BANK OF AMERICA CORP	12/6/2025	1,500,000.00	1,366,125.00	5.36
BANK OF AMERICA CORP	2/4/2025	3,845,000.00	3,643,060.60	5.14
BANK OF AMERICA CORP	2/4/2025	300,000.00	284,244.00	5.14
BANK OF AMERICA CORP	2/4/2025	1,500,000.00	1,421,220.00	5.14
BANK OF NEW YORK MELLON CORP	4/24/2025	389,006.00	347,958.40	5.27
BANK OF NEW YORK MELLON CORP	4/24/2025	890,619.00	796,641.60	5.27
BANK OF NEW YORK MELLON CORP	10/25/2024	599,610.00	552,204.00	5.16
BANK OF NEW YORK MELLON CORP	10/25/2024	1,334,132.25	1,228,653.90	5.16
BANK OF NEW YORK MELLON CORP	10/25/2024	992,360.00	920,340.00	5.16
BANK OF NEW YORK MELLON CORP	1/26/2027	3,695,080.00	3,517,080.00	5.27
BANK OF NEW YORK MELLON CORP	4/25/2025	1,229,827.80	1,183,321.50	4.99
BANK OF NEW YORK MELLON CORP	4/25/2025	859,879.60	827,363.00	4.99
BANK OF NEW YORK MELLON CORP	4/25/2025	2,124,702.50	2,044,356.25	4.99
BRIGHTHOUSE FINANCIAL GLOBAL FUNDING	1/13/2025	1,627,913.60	1,484,815.90	6.14
BRIGHTHOUSE FINANCIAL GLOBAL FUNDING	1/13/2025	544,302.40	496,456.85	6.14
BURLINGTON NORTHERN SANTA FE LLC	4/1/2025	226,092.30	200,915.40	4.92
BURLINGTON NORTHERN SANTA FE LLC	4/1/2025	527,548.70	468,802.60	4.92
CAPITAL ONE FINANCIAL CORP	12/6/2024	470,000.00	445,254.50	5.14
CATERPILLAR FINANCIAL SERVICES CORP	7/7/2023	339,809.60	330,269.20	4.96
CATERPILLAR FINANCIAL SERVICES CORP	7/7/2023	384,784.40	373,981.30	4.96
CATERPILLAR FINANCIAL SERVICES CORP	5/17/2024	5,193,032.00	4,854,616.00	4.97
CATERPILLAR FINANCIAL SERVICES CORP	5/17/2024	1,448,057.00	1,353,691.00	4.97
CATERPILLAR FINANCIAL SERVICES CORP	5/17/2024	624,162.50	583,487.50	4.97
CATERPILLAR FINANCIAL SERVICES CORP	9/13/2024	474,354.00	438,629.25	4.94
CATERPILLAR FINANCIAL SERVICES CORP	9/13/2024	1,168,408.80	1,080,413.10	4.94
CATERPILLAR FINANCIAL SERVICES CORP	1/10/2024	1,844,704.80	1,761,384.60	4.91
CATERPILLAR FINANCIAL SERVICES CORP	1/10/2024	334,946.40	319,817.80	4.91
CINTAS NO 2 CORP	5/1/2025	149,967.00	144,639.00	4.99
CINTAS NO 2 CORP	5/1/2025	264,941.70	255,528.90	4.99
CINTAS NO 2 CORP	5/1/2025	769,830.60	742,480.20	4.99
CITIGROUP INC	11/3/2025	160,000.00	144,985.60	5.53
CITIGROUP INC	11/3/2025	260,221.00	235,601.60	5.53
CITIGROUP INC	1/25/2026	1,040,000.00	950,133.60	5.47
CITIGROUP INC	1/25/2026	395,000.00	360,868.05	5.47
CITIGROUP GLOBAL MARKETS HOLDINGS INC	6/7/2024	1,400,000.00	1,307,684.00	5.09
CITIGROUP GLOBAL MARKETS HOLDINGS INC	6/7/2024	600,000.00	560,436.00	5.09
CNO GLOBAL FUNDING	1/6/2025	519,667.20	477,131.20	5.72
CNO GLOBAL FUNDING	1/6/2025	174,888.00	160,573.00	5.72
COLGATE-PALMOLIVE CO	8/15/2025	199,816.00	191,848.00	4.67
COLGATE-PALMOLIVE CO	8/15/2025	569,475.60	546,766.80	4.67
COMCAST CORP	10/15/2025	4,042,256.85	3,495,415.80	5.17
COMERICA INC	7/31/2023	742,007.00	691,488.00	5.37
PNC BANK NATIONAL ASSOCIATION	4/10/2025	4,562,820.00	4,317,930.00	5.04
CONSUMERS ENERGY	6/1/2023	579,802.80	564,322.60	5.67
COOPERATIVE RABOBANK UA (NEW YORK BRANCH)	1/12/2024	4,332,008.85	4,094,407.50	5.22
COOPERATIVE RABOBANK UA (NEW YORK BRANCH)	1/10/2025	523,393.50	482,165.25	5.37
COOPERATIVE RABOBANK UA (NEW YORK BRANCH)	1/10/2025	1,520,333.50	1,400,575.25	5.37
COOPERATIVE RABOBANK UA (NEW YORK BRANCH)	8/22/2024	354,836.70	347,001.85	5.19
COOPERATIVE RABOBANK UA (NEW YORK BRANCH)	8/22/2024	1,329,388.20	1,300,035.10	5.19
JOHN DEERE CAPITAL CORP	7/5/2023	119,901.60	116,803.20	4.74
JOHN DEERE CAPITAL CORP	1/17/2024	3,512,504.35	3,335,945.90	4.83
JOHN DEERE CAPITAL CORP	1/17/2024	239,829.60	227,774.40	4.83
JOHN DEERE CAPITAL CORP	1/17/2024	554,605.95	526,728.30	4.83
JOHN DEERE CAPITAL CORP	9/10/2024	129,915.50	120,507.40	4.78
JOHN DEERE CAPITAL CORP	9/10/2024	404,736.75	375,426.90	4.78
JOHN DEERE CAPITAL CORP	1/10/2025	774,635.75	718,053.00	4.82
JOHN DEERE CAPITAL CORP	1/10/2025	204,903.65	189,936.60	4.82
JOHN DEERE CAPITAL CORP	1/10/2025	809,619.30	750,481.20	4.82
JOHN DEERE CAPITAL CORP	3/7/2025	64,972.05	60,996.00	4.93
JOHN DEERE CAPITAL CORP	3/7/2025	194,916.15	182,988.00	4.93
JOHN DEERE CAPITAL CORP	6/6/2025	169,960.90	163,968.40	4.87
JOHN DEERE CAPITAL CORP	6/6/2025	469,891.90	453,324.40	4.87
JOHN DEERE CAPITAL CORP	10/11/2024	569,635.20	567,087.30	4.83
JOHN DEERE CAPITAL CORP	10/11/2024	204,868.80	203,952.45	4.83
ENTERGY LOUISIANA LLC	11/17/2023	633,303.84	602,495.73	5.43
ENTERGY LOUISIANA LLC	11/17/2023	271,951.04	258,892.32	5.43
ENTERGY LOUISIANA LLC	10/1/2024	858,710.00	793,040.40	5.27
ENTERGY LOUISIANA LLC	10/1/2024	344,482.50	318,138.30	5.27
EQUITABLE FINANCIAL LIFE GLOBAL FUNDING	8/12/2024	1,784,839.35	1,644,288.45	5.51
EQUITABLE FINANCIAL LIFE GLOBAL FUNDING	8/12/2024	719,935.20	663,242.40	5.51
F&G GLOBAL FUNDING	9/20/2024	2,479,479.20	2,253,377.60	6.10
F&G GLOBAL FUNDING	9/20/2024	804,830.95	731,439.10	6.10
F&G GLOBAL FUNDING	9/20/2024	844,900.00	772,327.00	6.10
F&G GLOBAL FUNDING	9/20/2024	324,931.75	295,301.50	6.10
GA GLOBAL FUNDING TRUST	4/8/2024	2,886,990.00	2,784,690.00	6.30
GA GLOBAL FUNDING TRUST	9/13/2024	1,107,546.90	1,001,763.90	6.43
GA GLOBAL FUNDING TRUST	9/13/2024	444,016.55	401,608.05	6.43
GOLDMAN SACHS GROUP INC	3/3/2024	132,256.80	117,802.80	5.43
GOLDMAN SACHS GROUP INC	3/3/2024	308,599.20	274,873.20	5.43
GOLDMAN SACHS GROUP INC	12/6/2023	725,000.00	693,658.25	5.32
GOLDMAN SACHS GROUP INC	12/6/2023	265,000.00	253,544.05	5.32
GOLDMAN SACHS GROUP INC	1/24/2025	1,000,000.00	945,030.00	5.28
GOLDMAN SACHS GROUP INC	1/24/2025	325,000.00	307,134.75	5.28
GOLDMAN SACHS GROUP INC	1/24/2025	1,250,000.00	1,181,287.50	5.28
HSBC USA INC	5/24/2024	909,963.60	882,991.20	5.76
HSBC USA INC	5/24/2024	2,634,894.60	2,556,793.20	5.76

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
HOME DEPOT INC	2/15/2024	6,008,140.80	5,801,048.40	4.56
HOME DEPOT INC	4/15/2025	94,833.75	90,347.85	4.84
HOME DEPOT INC	4/15/2025	274,518.75	261,533.25	4.84
HOME DEPOT INC	9/15/2025	1,699,388.00	1,664,164.00	4.79
HOME DEPOT INC	9/15/2025	1,049,622.00	1,027,866.00	4.79
HOME DEPOT INC	9/15/2025	379,863.20	371,989.60	4.79
HOME DEPOT INC	9/15/2025	129,953.20	127,259.60	4.79
HOME DEPOT INC	9/15/2025	374,865.00	367,095.00	4.79
HORMEL FOODS CORP	6/3/2024	3,344,397.90	3,124,230.00	5.02
HORMEL FOODS CORP	6/3/2024	304,359.30	294,210.00	5.02
HORMEL FOODS CORP	6/3/2024	869,598.00	840,600.00	5.02
INTERCONTINENTAL EXCHANGE INC	5/23/2025	2,497,250.00	2,419,750.00	5.00
INTERCONTINENTAL EXCHANGE INC	5/23/2025	854,059.50	827,554.50	5.00
INTERCONTINENTAL EXCHANGE INC	5/23/2025	309,659.00	300,049.00	5.00
INTERNATIONAL BUSINESS MACHINES CORP	2/12/2024	307,804.00	275,178.40	5.03
INTERNATIONAL BUSINESS MACHINES CORP	2/12/2024	720,041.50	643,720.90	5.03
INTERNATIONAL BUSINESS MACHINES CORP	7/27/2025	600,000.00	585,438.00	4.96
INTERNATIONAL BUSINESS MACHINES CORP	7/27/2025	2,000,000.00	1,951,460.00	4.96
JACKSON NATIONAL LIFE GLOBAL FUNDING	1/12/2025	1,659,717.80	1,523,365.40	5.79
JACKSON NATIONAL LIFE GLOBAL FUNDING	1/12/2025	499,915.00	458,845.00	5.79
JACKSON NATIONAL LIFE GLOBAL FUNDING	1/12/2025	169,971.10	156,007.30	5.79
KEYBANK NA	3/7/2023	260,045.00	248,657.50	4.91
KEYBANK NA	8/8/2025	969,728.40	936,729.00	5.50
KEYBANK NA	8/8/2025	349,902.00	337,995.00	5.50
LOCKHEED MARTIN CORP	10/15/2025	199,430.00	200,166.00	4.92
LOCKHEED MARTIN CORP	10/15/2025	583,332.75	585,485.55	4.92
MASSMUTUAL GLOBAL FUNDING II	6/9/2023	3,521,432.45	3,429,198.85	4.99
MASSMUTUAL GLOBAL FUNDING II	6/9/2023	1,502,565.00	1,463,385.00	4.99
MASSMUTUAL GLOBAL FUNDING II	8/26/2025	889,083.30	862,926.20	5.32
MASSMUTUAL GLOBAL FUNDING II	8/26/2025	319,670.40	310,265.60	5.32
MET TOWER GLOBAL FUNDING	6/13/2025	1,448,579.00	1,392,232.00	5.35
MET TOWER GLOBAL FUNDING	6/13/2025	524,485.50	504,084.00	5.35
METROPOLITAN LIFE GLOBAL FUNDING I	9/27/2024	1,629,804.40	1,492,542.10	5.42
METROPOLITAN LIFE GLOBAL FUNDING I	9/27/2024	1,978,300.00	1,831,340.00	5.42
METROPOLITAN LIFE GLOBAL FUNDING I	9/27/2024	1,089,869.20	998,080.30	5.42
METROPOLITAN LIFE GLOBAL FUNDING I	9/27/2024	439,947.20	402,894.80	5.42
METROPOLITAN LIFE GLOBAL FUNDING I	3/21/2025	579,483.80	547,189.40	5.35
MONONGAHELA POWER CO	4/15/2024	160,784.00	156,689.60	5.60
MONONGAHELA POWER CO	4/15/2024	110,743.60	107,724.10	5.60
MORGAN STANLEY	2/25/2023	324,300.40	303,810.50	4.97
MORGAN STANLEY	2/25/2023	738,979.60	692,289.50	4.97
NATIONAL AUSTRALIA BANK LTD (NEW YORK BRANCH)	6/9/2025	670,000.00	643,789.60	5.12
NATIONAL AUSTRALIA BANK LTD (NEW YORK BRANCH)	6/9/2025	1,610,000.00	1,547,016.80	5.12
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/8/2024	244,830.95	230,790.00	5.13
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/8/2024	564,610.15	532,230.00	5.13
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/7/2025	1,184,964.45	1,104,384.45	5.09
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/7/2025	399,988.00	372,788.00	5.09
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/7/2025	169,994.90	158,434.90	5.09
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2/7/2025	499,985.00	465,985.00	5.09
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	6/15/2025	1,499,595.00	1,437,240.00	5.17
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	6/15/2025	889,759.70	852,762.40	5.17
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	6/15/2025	319,913.60	306,611.20	5.17
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	6/15/2025	109,970.30	105,397.60	5.17
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	6/15/2025	344,906.85	330,565.20	5.17
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	10/30/2025	314,577.90	316,430.10	5.28
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	10/30/2025	114,845.90	115,522.10	5.28
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	10/30/2025	329,557.80	331,498.20	5.28
NATIONAL SECS	4/23/2023	3,162,024.90	3,109,169.40	4.58
NESTLE HOLDINGS INC	9/14/2024	910,000.00	841,367.80	4.88
NESTLE HOLDINGS INC	9/14/2024	2,210,000.00	2,043,321.80	4.88
NESTLE HOLDINGS INC	9/12/2025	224,925.75	220,698.00	4.72
NESTLE HOLDINGS INC	9/12/2025	809,732.70	794,512.80	4.72
NEW YORK LIFE GLOBAL FUNDING	8/27/2024	1,547,845.50	1,430,200.50	5.09
NEW YORK LIFE GLOBAL FUNDING	8/27/2024	624,131.25	576,693.75	5.09
NEW YORK LIFE GLOBAL FUNDING	10/29/2024	1,542,991.50	1,418,974.35	5.26
NEW YORK LIFE GLOBAL FUNDING	10/29/2024	619,194.00	569,426.60	5.26
NEW YORK LIFE GLOBAL FUNDING	1/14/2025	5,948,568.60	5,489,735.85	5.25
NEW YORK LIFE GLOBAL FUNDING	6/6/2024	5,135,836.60	4,986,314.00	5.12
NEXTERA ENERGY CAPITAL HOLDINGS INC	9/1/2024	3,188,077.20	3,118,085.40	5.38
NEXTERA ENERGY CAPITAL HOLDINGS INC	9/1/2024	200,962.00	196,106.00	5.38
NEXTERA ENERGY CAPITAL HOLDINGS INC	9/1/2024	837,120.90	818,742.55	5.38
NEXTERA ENERGY CAPITAL HOLDINGS INC	9/1/2024	412,070.50	402,017.30	5.38
NEXTERA ENERGY CAPITAL HOLDINGS INC	9/1/2024	201,002.00	196,106.00	5.38
NEXTERA ENERGY CAPITAL HOLDINGS INC	9/1/2024	300,762.00	294,159.00	5.38
NIKE INC	3/27/2025	44,938.80	42,511.05	4.86
NORTHWESTERN MUTUAL GLOBAL FUNDING	7/1/2025	5,003,298.30	4,843,488.65	5.31
OKLAHOMA GAS AND ELECTRIC CO	5/26/2023	430,000.00	419,142.50	5.11
OKLAHOMA GAS AND ELECTRIC CO	5/26/2023	190,000.00	185,202.50	5.11
PACCAR FINANCIAL CORP	2/7/2023	2,274,886.25	2,260,007.75	4.38
PACCAR FINANCIAL CORP	8/11/2023	134,823.15	130,412.70	4.85
PACCAR FINANCIAL CORP	8/11/2023	314,587.35	304,296.30	4.85
PACCAR FINANCIAL CORP	2/2/2024	1,618,120.80	1,531,920.60	4.88
PACCAR FINANCIAL CORP	8/9/2024	684,630.10	631,707.00	5.15
PACCAR FINANCIAL CORP	8/9/2024	274,851.50	253,605.00	5.15
PACCAR FINANCIAL CORP	8/9/2024	344,813.70	318,159.00	5.15
PACCAR FINANCIAL CORP	8/9/2024	764,586.90	705,483.00	5.15
PACCAR FINANCIAL CORP	11/8/2024	1,544,907.30	1,425,339.75	4.98
PACCAR FINANCIAL CORP	4/7/2025	1,889,508.60	1,800,810.90	4.93
PACCAR FINANCIAL CORP	4/7/2025	4,823,745.50	4,597,308.25	4.93
PACCAR FINANCIAL CORP	4/7/2025	854,777.70	814,652.55	4.93
PACCAR FINANCIAL CORP	4/7/2025	619,838.80	590,742.20	4.93
PACCAR FINANCIAL CORP	4/7/2025	474,876.50	452,584.75	4.93
PACCAR FINANCIAL CORP	4/7/2025	1,499,610.00	1,429,215.00	4.93
PACCAR FINANCIAL CORP	10/3/2025	1,264,063.90	1,263,342.85	5.00
PACCAR FINANCIAL CORP	10/3/2025	454,663.30	454,403.95	5.00
PACIFIC LIFE GLOBAL FUNDING II	9/23/2023	2,022,468.75	1,943,939.25	5.14
PAYPAL HOLDINGS INC	10/1/2024	1,759,687.00	1,619,828.00	5.01
PRICOA GLOBAL FUNDING I	12/6/2024	2,897,013.00	2,660,344.00	5.37
PRICOA GLOBAL FUNDING I	12/6/2024	1,218,743.40	1,119,179.20	5.37
PRICOA GLOBAL FUNDING I	12/6/2024	449,536.50	412,812.00	5.37
PRICOA GLOBAL FUNDING I	8/28/2025	354,783.45	343,285.00	5.47
PRICOA GLOBAL FUNDING I	8/28/2025	149,908.50	145,050.00	5.47
PRINCIPAL LIFE GLOBAL FUNDING II	8/23/2024	799,504.00	735,264.00	5.50

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
PRINCIPAL LIFE GLOBAL FUNDING II	8/23/2024	324,798.50	298,701.00	5.50
PRINCIPAL LIFE GLOBAL FUNDING II	1/10/2025	922,003.00	846,449.00	5.54
ROCHE HOLDINGS INC	3/10/2025	1,580,000.00	1,484,157.20	4.89
ROCHE HOLDINGS INC	3/10/2025	4,640,000.00	4,358,537.60	4.89
ROCKWELL AUTOMATION INC	8/15/2023	314,848.80	303,669.45	5.06
ROYAL BANK OF CANADA	11/1/2024	4,205,160.00	3,758,200.00	5.48
ROYAL BANK OF CANADA	4/14/2025	2,524,065.75	2,420,515.50	5.19
SALESFORCE INC	7/15/2024	564,711.85	526,246.65	4.86
SALESFORCE INC	7/15/2024	349,821.50	325,993.50	4.86
SALESFORCE INC	7/15/2024	149,923.50	139,711.50	4.86
CHARLES SCHWAB CORP	3/18/2024	2,333,832.50	2,202,348.65	5.06
CHARLES SCHWAB CORP	3/18/2024	2,006,720.00	1,886,380.00	5.06
CHARLES SCHWAB CORP	3/18/2024	1,229,385.00	1,160,123.70	5.06
CHARLES SCHWAB CORP	3/18/2024	524,737.50	495,174.75	5.06
CHARLES SCHWAB CORP	3/18/2024	389,805.00	367,844.10	5.06
CHARLES SCHWAB CORP	3/18/2024	889,555.00	839,439.10	5.06
SECURITY BENEFIT GLOBAL FUNDING	5/17/2024	3,128,810.60	2,909,491.50	6.10
SOUTHERN CALIFORNIA EDISON CO	4/1/2024	4,014,000.00	3,762,440.00	5.51
SOUTHERN CALIFORNIA GAS CO	9/15/2024	919,545.78	893,210.34	5.16
SOUTHERN CALIFORNIA GAS CO	9/15/2024	2,785,336.95	2,705,674.95	5.16
STATE STREET CORP	3/30/2026	128,811.25	117,467.50	5.60
STATE STREET CORP	3/30/2026	510,065.00	469,870.00	5.60
STATE STREET CORP	3/30/2026	386,433.75	352,402.50	5.60
STATE STREET CORP	3/30/2026	1,020,130.00	939,740.00	5.60
STATE STREET CORP	2/6/2026	1,625,000.00	1,500,037.50	4.82
STATE STREET CORP	2/6/2026	855,000.00	789,250.50	4.82
STATE STREET CORP	2/6/2026	285,000.00	263,083.50	4.82
STATE STREET CORP	2/6/2026	255,000.00	235,390.50	4.82
STATE STREET CORP	2/6/2026	745,000.00	687,709.50	4.82
TARGET CORP	7/1/2024	425,056.00	391,344.00	4.86
TARGET CORP	7/1/2024	1,062,640.00	978,360.00	4.86
TORONTO-DOMINION BANK	6/12/2024	3,171,900.00	2,874,330.00	5.39
TOYOTA MOTOR CREDIT CORP	1/11/2024	649,961.00	616,018.00	5.01
TOYOTA MOTOR CREDIT CORP	1/11/2024	249,985.00	236,930.00	5.01
TOYOTA MOTOR CREDIT CORP	1/11/2024	1,249,925.00	1,184,650.00	5.01
TOYOTA MOTOR CREDIT CORP	4/6/2023	1,798,542.00	1,767,474.00	4.68
TOYOTA MOTOR CREDIT CORP	6/18/2024	3,086,322.90	2,874,256.20	5.01
TOYOTA MOTOR CREDIT CORP	1/13/2025	973,693.50	903,318.00	5.02
USAA CAPITAL CORP	5/1/2025	488,397.70	469,880.60	5.15
USAA CAPITAL CORP	5/1/2025	1,415,356.60	1,361,694.80	5.15
UNILEVER CAPITAL CORP	8/12/2024	220,000.00	204,661.60	4.76
UNILEVER CAPITAL CORP	8/12/2024	485,000.00	451,185.80	4.76
US BANCORP	2/5/2024	2,107,940.00	1,958,620.00	5.09
US BANCORP	7/30/2024	2,662,075.00	2,389,150.00	5.08
UNITEDHEALTH GROUP INC	5/15/2024	1,988,520.00	1,871,360.00	4.94
UNITEDHEALTH GROUP INC	5/15/2024	1,188,762.40	1,113,459.20	4.94
UNITEDHEALTH GROUP INC	5/15/2024	514,464.40	481,875.20	4.94
UNITEDHEALTH GROUP INC	5/15/2024	419,563.20	392,985.60	4.94
UNITEDHEALTH GROUP INC	5/15/2024	963,996.40	902,931.20	4.94
UNITEDHEALTH GROUP INC	10/15/2025	134,987.85	135,176.85	5.10
UNITEDHEALTH GROUP INC	10/15/2025	404,963.55	405,530.55	5.10
WALMART INC	6/26/2023	3,083,010.00	2,977,800.00	4.56
WALMART INC	6/26/2023	2,056,460.00	1,985,200.00	4.56
WALMART INC	9/9/2025	1,274,107.50	1,248,301.50	4.69
WALMART INC	9/9/2025	1,753,771.50	1,718,250.30	4.69
WALMART INC	9/9/2025	629,559.00	616,807.80	4.69
WALMART INC	9/9/2025	474,667.50	465,053.50	4.69
WALMART INC	9/9/2025	1,374,037.50	1,346,207.50	4.69
WELLS FARGO & CO	8/15/2026	1,000,000.00	961,980.00	5.69
WELLS FARGO & CO	8/15/2026	360,000.00	346,312.80	5.69
SUB-TOTAL		314,657,935.36	297,163,038.39	
<u>MORTGAGE AND ASSET-BACK SECURITIES</u>				
ALLYA 2022-1 A3	11/16/2026	714,861.58	693,235.40	4.98
ALLYA 2022-1 A3	11/16/2026	1,944,623.45	1,885,794.20	4.98
ALLYA 2022-2 A3	5/15/2027	899,988.84	893,061.00	5.14
ALLYA 2022-2 A3	5/15/2027	349,995.66	347,301.50	5.14
ALLYA 2022-2 A3	5/15/2027	1,124,986.05	1,116,326.25	5.14
ACAR 221 B	9/14/2026	1,549,965.28	1,483,706.50	5.00
ACAR 221 B	9/14/2026	499,988.80	478,615.00	5.00
AMXCA 2022-2 A	5/17/2027	4,409,024.51	4,235,452.20	5.10
AMXCA 2022-2 A	5/17/2027	3,124,898.44	3,025,323.00	5.10
AMXCA 2022-2 A	5/17/2027	949,789.86	912,399.00	5.10
AMXCA 2022-2 A	5/17/2027	2,749,391.70	2,641,155.00	5.10
AMXCA 2022-3 A	8/16/2027	1,089,755.86	1,085,546.25	5.15
AMCAR 2021-3 A3	8/18/2026	949,883.82	903,991.50	5.09
BMWLT 2021-1 A3	1/25/2024	135,157.05	133,585.35	4.92
BMWLT 2021-1 A3	1/25/2024	307,697.96	304,119.85	4.92
BMWLT 2022-1 A3	3/25/2025	1,589,762.30	1,524,825.90	6.81
BMWOT 2022-A A3	8/25/2026	1,699,911.60	1,643,866.00	5.02
BMWOT 2022-A A3	8/25/2026	344,982.06	333,608.10	5.02
BMWOT 2022-A A3	8/25/2026	1,004,947.74	971,814.90	5.02
BMWLT 2021-2 A3	12/26/2024	1,299,865.84	1,259,999.00	6.37
CAPITAL ONE MULTI TR A B S SER 2021 3 CL A 11/16/2	11/16/2026	624,913.88	577,237.50	5.03
CAPITAL ONE MULTI TR A B S SER 2021 3 CL A 11/16/2	11/16/2026	2,149,703.73	1,985,697.00	5.03
COMET 2022-1 A	3/17/2025	3,450,123.12	3,341,778.96	4.93
COMET 2022-1 A	3/17/2025	949,928.37	905,502.00	4.93
COMET 2022-1 A	3/17/2025	2,999,773.80	2,859,480.00	4.93
COMET 2022-2 A	5/15/2025	3,799,392.76	3,656,246.00	5.13
COMET 2022-2 A	5/15/2025	404,935.28	389,678.85	5.13
COMET 2022-2 A	5/15/2025	1,049,832.21	1,010,278.50	5.13
COPAR 2022-1 A3	4/15/2027	379,916.97	364,807.60	5.05
COPAR 2022-1 A3	4/15/2027	1,089,761.84	1,046,421.80	5.05
COPAR 2021-1 A3	9/15/2026	359,993.20	336,351.60	4.94
COPAR 2021-1 A3	9/15/2026	879,983.37	822,192.80	4.94
CARMX 2021-2 A3	2/17/2026	399,913.80	383,064.00	4.88

DESCRIPTION**MATURITY DATE****BOOK VALUE****MARKET VALUE****YIELD**

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CARMX 2021-2 A3	2/17/2026	914,802.82	876,258.90	4.88
CARMX 2020-3 B	3/16/2026	737,328.52	684,075.70	4.34
CARMX 2020-3 B	3/16/2026	121,012.50	112,450.80	4.34
CARMX 2020-2 A4	5/15/2025	1,492,593.75	1,401,019.00	5.39
CARMX 2019-4 B	7/15/2025	1,758,871.25	1,624,666.24	4.91
CARMX 2020-1 A3	12/16/2024	412,644.45	406,930.76	4.91
CARMX 2020-1 A3	12/16/2024	98,057.52	95,281.35	4.91
CARMX 2020-1 A4	6/16/2025	4,262,480.39	3,951,925.23	4.75
CARMX 2020-4 A3	8/15/2025	112,426.82	108,650.71	5.16
CARMX 2020-4 A3	8/15/2025	255,867.94	247,274.03	5.16
CARMX 2021-1 A3	12/15/2025	162,380.13	156,081.39	5.03
CARMX 2021-1 A3	12/15/2025	378,886.97	364,189.92	5.03
CARMX 2021-3 A3	6/15/2026	2,899,522.95	2,746,300.00	4.67
CARMX 2021-3 A3	6/15/2026	1,249,794.38	1,183,750.00	4.67
CARMX 2021-3 A3	6/15/2026	764,874.16	724,455.00	4.67
CARMX 2021-3 A3	6/15/2026	1,759,710.48	1,666,720.00	4.67
CARMX 2022-2 A3	2/16/2027	494,924.71	480,808.35	5.02
CARMX 2022-2 A3	2/16/2027	1,434,781.74	1,393,858.55	5.02
CARMX 2022-3 A3	8/15/2025	649,984.66	634,543.00	5.06
CARMX 2022-3 A3	8/15/2025	1,879,955.63	1,835,293.60	5.06
CARMX 224 A3	8/16/2027	3,299,226.15	3,300,000.00	5.40
CARMX 224 A3	8/16/2027	1,199,718.60	1,200,000.00	5.40
CARMX 224 A3	8/16/2027	759,821.78	760,000.00	5.40
CARMX 224 A3	8/16/2027	2,194,485.27	2,195,000.00	5.40
CRVNA 2021-P1 A3	12/10/2025	2,114,193.85	2,048,336.04	6.10
DCENT 2021-1 A	9/16/2024	389,916.50	359,700.90	4.97
DCENT 2021-1 A	9/16/2024	944,797.68	871,582.95	4.97
DCENT 2022-2 A	5/17/2027	714,941.87	685,835.15	5.08
DCENT 2022-2 A	5/17/2027	1,959,840.65	1,880,051.60	5.08
DCENT 2022-3 A	7/15/2027	779,903.20	750,352.20	5.11
DCENT 2022-3 A	7/15/2027	2,249,720.78	2,164,477.50	5.11
DRIVE 2021-3 A3	10/15/2025	1,399,791.68	1,383,914.00	4.09
DRIVE 2021-3 B	5/15/2026	1,249,989.13	1,210,162.50	4.74
DRIVE 2021-2 A3	3/17/2025	344,272.32	344,025.39	1.81
EART 2021-3 A3	2/18/2025	291,129.69	290,474.76	4.05
FORDO 2022-A A3	6/15/2026	769,908.52	731,538.50	4.60
FORDF 2019-2 B	4/15/2024	1,831,369.92	1,642,181.40	6.17
FORDF 2019-4 A	9/15/2024	4,357,395.70	4,004,414.10	5.50
FORDF 2019-4 A	9/15/2024	1,359,093.75	1,325,338.00	5.50
FORDF 2020-1 A1	9/15/2025	1,007,617.19	960,230.00	5.42
FORDF 2020-1 A1	9/15/2025	180,935.16	172,841.40	5.42
FORDF 2020-1 A1	9/15/2025	1,005,625.00	960,230.00	5.42
FORDO 2021-A A3	8/15/2025	987,999.67	957,693.60	4.39
FORDO 2021-A A3	8/15/2025	225,455.17	218,421.35	4.39
FORDO 2021-A A3	8/15/2025	520,281.16	504,049.26	4.39
FORDO 2022-B	9/15/2026	189,989.72	185,666.10	4.99
FORDO 2022-B	9/15/2026	654,964.56	640,059.45	4.99
GMCAR 2021-4 A3	9/16/2026	1,074,972.59	1,006,006.50	4.90
GMCAR 2021-4 A3	9/16/2026	299,992.35	280,746.00	4.90
GMCAR 2021-4 A3	9/16/2026	719,981.64	673,790.40	4.90
GMCAR 2022-2 A3	2/16/2027	309,935.21	297,928.60	5.12
GMCAR 2022-2 A3	2/16/2027	899,811.90	864,954.00	5.12
GMCAR 2020-3 A3	4/16/2025	147,587.36	144,149.08	4.30
GMCAR 2020-3 A3	4/16/2025	344,370.50	336,347.86	4.30
GMCAR 2020-4 A3	8/18/2025	90,323.45	87,909.82	4.24
GMCAR 2020-4 A3	8/18/2025	204,964.74	199,487.67	4.24
GMALT 2021-1 A3	2/20/2024	122,161.64	121,036.22	5.17
GMALT 2021-1 A3	2/20/2024	179,166.06	177,519.78	5.17
GMALT 2021-1 A3	2/20/2024	409,910.23	406,143.75	5.17
GMALT 2022-1 A3	3/20/2025	3,329,971.36	3,195,967.50	6.97
GMCAR 2022-4 A3	8/16/2027	1,399,770.54	1,388,856.00	5.20
GMCAR 2022-4 A3	8/16/2027	499,918.05	496,020.00	5.20
GMCAR 2022-3 A3	4/16/2027	399,997.24	386,876.00	5.19
GMCAR 2022-3 A3	4/16/2027	1,149,992.07	1,112,268.50	5.19
GMCAR 2022-1 A3	11/16/2026	1,049,908.75	994,959.00	4.48
GMCAR 2022-1 A3	11/16/2026	274,976.10	260,584.50	4.48
GMCAR 2022-1 A3	11/16/2026	804,930.05	762,801.90	4.48
GALC 212 A3	7/15/2025	2,299,705.37	2,137,436.00	5.67
GALC 212 A3	7/15/2025	899,884.71	836,388.00	5.67
GALC 221 A3	5/15/2025	2,699,534.79	2,675,349.00	5.09
GALC 221 A3	5/15/2025	999,827.70	990,870.00	5.09
HDMOT 2020-A A3	10/15/2024	36,628.25	36,486.76	3.78
HDMOT 2020-A A3	10/15/2024	84,314.08	83,988.40	3.78
HDMOT 2022-A A3	2/16/2027	639,893.44	616,300.80	5.07
HDMOT 2022-A A3	2/16/2027	1,894,684.48	1,824,828.15	5.07
HAROT 2020-1 A3	4/22/2024	935,940.27	927,146.32	4.28
HAROT 2022-1 A3	5/15/2026	1,084,836.82	1,026,995.90	4.99
HAROT 2021-3 A3	11/18/2025	5,399,921.16	5,105,916.00	5.14
HAROT 2021-4 A3	1/21/2026	1,509,681.69	1,423,582.70	4.92
HAROT 2021-4 A3	1/21/2026	354,925.17	334,683.35	4.92

DESCRIPTION**MATURITY DATE****BOOK VALUE****MARKET VALUE****YIELD**

DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
HAROT 2021-4 A3	1/21/2026	959,797.63	905,059.20	4.92
HAROT 2019-3 A3	8/15/2023	72,980.53	72,903.77	4.25
HAROT 2022-2 A3	7/20/2026	1,614,903.75	1,570,732.85	5.11
HART 2019-B C	6/15/2026	1,557,011.72	1,446,165.00	5.24
HALST 2021-A A3	1/16/2024	81,474.34	80,800.85	4.82
HALST 2021-A A3	1/16/2024	187,390.98	185,841.96	4.82
HALST 2022-A A3	1/15/2025	1,919,957.57	1,836,096.00	6.27
HART 2022-A A3	10/15/2026	684,973.63	651,161.00	5.03
HART 2022-A A3	10/15/2026	2,014,922.42	1,915,459.00	5.03
HALST 2022-C A3	10/15/2025	1,499,952.90	1,476,495.00	5.52
HALST 2022-C A3	10/15/2025	499,984.30	492,165.00	5.52
HART 2022-B A3	11/16/2026	399,999.84	390,120.00	4.96
HART 2022-B A3	11/16/2026	1,149,999.54	1,121,595.00	4.96
HART 2021-A A3	9/15/2025	1,759,814.85	1,692,873.60	5.09
HART 2021-A A3	9/15/2025	264,972.12	254,892.90	5.09
HART 2021-A A3	9/15/2025	604,936.36	581,925.30	5.09
HALST 21C A3	8/15/2024	499,954.75	481,625.00	5.96
HALST 21C A3	8/15/2024	1,209,890.49	1,165,532.50	5.96
HART 2021-B A3	1/15/2026	3,614,202.17	3,434,466.90	5.21
HART 2021-C A3	5/15/2026	274,938.62	258,348.75	5.07
HART 2021-C A3	5/15/2026	679,848.22	638,826.00	5.07
JDOT 2019-B A3	12/15/2023	49,326.03	49,283.22	3.80
JDOT 2022 A3	9/15/2026	1,994,558.71	1,896,307.35	5.26
JDOT 2020 A3	8/15/2024	672,046.50	664,949.99	4.15
JDOT 2022-C A3	3/15/2027	2,899,774.96	2,889,618.00	5.29
JDOT 2022-C A3	3/15/2027	999,922.40	996,420.00	5.29
KCOT 221 A2	4/15/2025	229,851.32	224,767.87	6.60
KCOT 221 A2	4/15/2025	659,573.35	644,986.05	6.60
KCOT 221 A3	10/15/2026	649,907.05	610,538.50	5.98
KCOT 221 A3	10/15/2026	1,849,735.45	1,737,686.50	5.98
KCOT 222 A3	12/15/2026	609,888.19	591,468.20	5.62
KCOT 222 A3	12/15/2026	1,764,676.48	1,711,379.30	5.62
KCOT 2021-1 A3	8/15/2025	274,943.73	259,105.00	5.92
KCOT 2021-1 A3	8/15/2025	639,869.06	603,008.00	5.92
KCOT 212 A3	11/17/2025	464,982.47	432,808.05	5.88
KCOT 212 A3	11/17/2025	1,064,959.85	991,270.05	5.88
MCCT 211 A	11/21/2025	4,741,015.63	4,642,800.00	5.38
MBALT 2020-B A3	11/15/2023	32,145.14	31,959.68	4.93
MBALT 2020-B A3	11/15/2023	72,326.57	71,909.27	4.93
MBALT 2021-B A3	11/15/2024	1,989,849.76	1,916,051.60	6.31
MBART 2020-1 A3	2/18/2025	80,111.88	78,573.45	4.23
MBART 2020-1 A3	2/18/2025	183,414.03	179,891.86	4.23
MMAF 20B A3	8/14/2025	3,469,950.38	3,318,673.30	5.39
MMAF 20B A3	8/14/2025	1,229,246.88	1,185,923.60	5.39
MMAF 2020-A A2	4/9/2024	531,020.88	523,205.12	4.89
NAROT 2020-B A3	7/15/2024	105,907.64	104,741.29	3.87
NAROT 2020-B A3	7/15/2024	242,074.60	239,408.66	3.87
NAROT 2019-C A3	7/15/2024	547,217.15	544,663.05	3.75
NAROT 2019-C A3	7/15/2024	49,999.54	49,766.17	3.75
NAROT 2019-C A3	7/15/2024	116,665.59	116,121.06	3.75
NAROT 2022-B A3	5/17/2027	279,942.07	275,948.40	5.11
NAROT 2022-B A3	5/17/2027	1,224,746.55	1,207,274.25	5.11
PFSFC 20E A	10/15/2025	302,156.25	286,107.00	6.06
PFSFC 20E A	10/15/2025	1,007,421.87	953,690.00	6.06
PACIFICORP	4/1/2024	2,196,837.00	2,133,849.00	5.00
PACIFICORP	4/1/2024	1,147,911.60	1,118,431.20	5.00
SDART 2021-4 A3	8/15/2025	553,533.05	549,991.16	3.48
SDART 2021-4 B	6/15/2026	249,972.17	242,372.50	4.81
SRT 2022-A A3	7/21/2025	2,199,830.38	2,066,020.00	6.25
SDART 2021-3 A3	3/17/2025	116,495.86	116,220.59	6.34
SDART 2021-3 B	12/15/2025	1,449,739.00	1,428,264.50	4.95
SDART 2022-6 A3	11/16/2026	1,499,959.80	1,473,675.00	5.69
SDART 2022-6 A3	11/16/2026	499,986.60	491,225.00	5.69
TAOT 2022-C A3	4/15/2027	247,509.38	246,666.60	5.24
TAOT 2022-C A3	4/15/2027	1,922,765.63	1,915,293.60	5.24
TAOT 2022-C A3	4/15/2027	209,964.91	203,137.20	5.24
TAOT 2022-C A3	4/15/2027	644,892.22	623,921.40	5.24
TAOT 2020-D A3	1/15/2025	977,783.41	960,352.45	3.94
TAOT 2020-D A3	1/15/2025	255,975.44	251,169.10	3.94
TAOT 2022-B A3	9/15/2026	359,991.58	345,686.40	5.14
TAOT 2022-B A3	9/15/2026	1,039,975.66	998,649.60	5.14
TAOT 2021-D A3	4/15/2026	364,992.23	342,078.00	5.20
TAOT 2021-D A3	4/15/2026	899,980.83	843,480.00	5.20
TLOT 2022-A A3	2/20/2025	1,217,382.81	1,199,825.00	5.43
TAOT 2019-C A3	9/15/2023	12,498.31	12,485.91	4.22
TAOT 2019-C A3	9/15/2023	5,370.37	5,365.04	4.22
TLOT 21B A3	10/21/2024	239,996.76	230,932.80	5.97
TLOT 21B A3	10/21/2024	559,992.44	538,843.20	5.97
TAOT 2021-A A3	5/15/2025	2,921,334.78	2,839,100.30	4.42
UART 211 A3	6/16/2025	201,365.61	199,328.92	3.50
VZOT 2020-B A	2/20/2025	182,758.89	179,775.64	3.11
VZOT 2020-B A	2/20/2025	426,437.41	419,476.49	3.11
VZOT 2019-C A1A	4/22/2024	51,523.58	51,343.60	4.23
VZOT 2019-C A1A	4/22/2024	119,223.17	118,806.70	4.23
VZOT 2020-A A1A	7/22/2024	81,885.57	81,470.13	4.02
VZOT 2020-A A1A	7/22/2024	191,066.34	190,096.97	4.02
VWALT 2022-A A3	7/21/2025	189,984.88	185,048.60	5.33
VWALT 2022-A A3	7/21/2025	549,956.22	535,667.00	5.33
VALET 2021-1 A3	6/22/2026	239,990.59	226,300.80	5.21
VALET 2021-1 A3	6/22/2026	1,139,955.31	1,074,928.80	5.21
WLAKE 2021-3 A3	6/16/2025	2,849,950.41	2,760,139.50	4.75
WLAKE 2021-3 A3	6/16/2025	999,982.60	968,470.00	4.75
WLAKE 223 A3	7/15/2026	3,499,748.70	3,479,175.00	5.95
WLAKE 223 A3	7/15/2026	1,299,906.66	1,292,265.00	5.95
WOLS 2021-A A3	8/15/2024	2,099,750.94	2,016,483.00	6.13
WOLS 2021-A A3	8/15/2024	899,893.26	864,207.00	6.13
WOART 2021-D A3	10/15/2026	434,940.75	407,760.30	5.11
WOART 2021-D A3	10/15/2026	1,069,854.27	1,002,996.60	5.11
WOART 2020-B A3	5/15/2025	156,536.91	153,380.62	4.25
WOART 2020-B A3	5/15/2025	365,252.78	357,888.12	4.25

SUB-TOTAL**224,079,128.68****215,633,329.43**

DESCRIPTION**MATURITY DATE****BOOK VALUE****MARKET VALUE****YIELD****Municipal Debt**

ALABAMA FED AID HWY FIN AUTH SPL OBLIG REV	9/1/2027	1,349,172.30	1,278,151.35	5.11
ANAHEIM CALIF HSG & PUB IMPT AUTH REV	10/1/2023	2,215,000.00	2,167,311.05	5.07
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2023	2,590,000.00	2,563,400.70	4.69
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2023	1,110,000.00	1,098,600.30	4.69
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2023	550,000.00	544,329.50	4.75
BAY AREA TOLL AUTH CALIF TOLL BRDG REV	4/1/2023	240,000.00	237,525.60	4.75
CALIFORNIA EARTHQUAKE AUTH REV	7/1/2023	260,000.00	253,294.60	5.47
CALIFORNIA EARTHQUAKE AUTH REV	7/1/2023	105,000.00	102,292.05	5.47
CALIFORNIA EARTHQUAKE AUTH REV	7/1/2023	1,750,000.00	1,748,845.00	5.48
CALIFORNIA EARTHQUAKE AUTH REV	7/1/2023	630,000.00	629,584.20	5.48
CALIFORNIA ST	4/1/2024	3,239,373.40	3,013,212.05	4.72
CALIFORNIA ST DEPT WTR RES CENT VY PROJ REV	12/1/2022	190,000.00	189,395.80	4.17
CALIFORNIA ST DEPT WTR RES CENT VY PROJ REV	12/1/2022	435,000.00	433,616.70	4.17
CALIFORNIA ST DEPT WTR RES CENT VY PROJ REV	12/1/2023	70,000.00	66,675.00	4.97
CALIFORNIA ST DEPT WTR RES CENT VY PROJ REV	12/1/2023	160,000.00	152,400.00	4.97
CALIFORNIA ST UNIV REV	11/1/2023	760,000.00	726,924.80	4.99
CALIFORNIA ST UNIV REV	11/1/2023	330,000.00	315,638.40	4.99
CALIFORNIA ST UNIV REV	11/1/2023	300,000.00	286,944.00	4.99
CALIFORNIA ST UNIV REV	11/1/2023	700,000.00	669,536.00	4.99
CALIFORNIA STATEWIDE CMNTYS DEV AUTH REV	2/1/2023	610,000.00	603,595.00	4.59
CALIFORNIA STATEWIDE CMNTYS DEV AUTH REV	2/1/2023	265,000.00	262,217.50	4.59
CONNECTICUT ST	7/1/2023	70,417.90	68,717.60	4.82
CONNECTICUT ST	7/1/2023	155,925.35	152,160.40	4.82
CONNECTICUT ST	6/15/2024	1,228,488.00	1,187,928.00	4.90
CONNECTICUT ST	6/15/2024	440,208.20	425,674.20	4.90
CORONA	5/1/2024	1,080,000.00	1,010,912.40	5.20
CORONA	5/1/2024	430,000.00	402,492.90	5.20
EL CAJON CALIF	4/1/2024	540,000.00	506,709.00	5.51
EL DORADO CALIF IRR DIST REV	3/1/2024	720,000.00	684,684.00	4.93
EL SEGUNDO CALIF PENSION OBLIG	7/1/2023	970,000.00	938,882.40	5.33
EL SEGUNDO CALIF PENSION OBLIG	7/1/2023	415,000.00	401,686.80	5.33
FLORIDA ST BRD ADMIN FIN CORP REV	7/1/2025	310,000.00	278,978.30	5.33
FLORIDA ST BRD ADMIN FIN CORP REV	7/1/2025	715,000.00	643,449.95	5.33
GOLDEN ST TOB SECURITIZATION CORP CALIF TOB SETTLE	6/1/2025	1,510,000.00	1,374,084.90	5.17
GOLDEN ST TOB SECURITIZATION CORP CALIF TOB SETTLE	6/1/2025	610,000.00	555,093.90	5.17
HAWAII ST ARPTS SYS CUSTOMER FAC CHARGE REV	7/1/2024	715,000.00	678,549.30	5.24
LOS ALTOS CALIF SCH DIST	10/1/2024	1,217,676.00	1,121,448.00	4.61
LOS ALTOS CALIF SCH DIST	10/1/2024	608,838.00	560,724.00	4.61
LOS ANGELES CALIF CMNTY COLLEGE DIST	8/1/2023	230,000.00	222,794.10	4.75
LOS ANGELES CALIF CMNTY COLLEGE DIST	8/1/2023	530,000.00	513,395.10	4.75
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2025	1,120,000.00	986,507.20	5.30
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2025	480,000.00	422,788.80	5.30
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2022	713,692.00	700,000.00	0.00
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2022	305,868.00	300,000.00	0.00
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2023	720,000.00	689,004.00	5.12
LOS ANGELES CALIF MUN IMPT CORP LEASE REV	11/1/2023	755,102.40	746,421.00	5.12
MASSACHUSETTS (COMMONWEALTH OF)	7/15/2024	3,120,000.00	3,060,720.00	4.81
MASSACHUSETTS (COMMONWEALTH OF)	7/15/2024	1,120,000.00	1,098,720.00	4.81
MASSACHUSETTS (COMMONWEALTH OF)	1/15/2025	605,000.00	590,407.40	4.82
MASSACHUSETTS (COMMONWEALTH OF)	1/15/2025	1,740,000.00	1,698,031.20	4.82
MASSACHUSETTS ST WTR RES AUTH	8/1/2023	2,365,000.00	2,313,135.55	4.78
MISSISSIPPI ST	11/1/2023	280,000.00	268,452.80	4.69
MISSISSIPPI ST	11/1/2023	645,000.00	618,400.20	4.69
NEW JERSEY ST TPK AUTH TPK REV	1/1/2025	255,000.00	233,314.80	5.09
NEW JERSEY ST TPK AUTH TPK REV	1/1/2025	595,000.00	544,401.20	5.09
NEW YORK ST	2/15/2024	3,000,000.00	2,897,820.00	4.76
NEW YORK STATE DORMITORY AUTHORITY	3/15/2025	2,690,000.00	2,467,698.40	4.60
NEW YORK STATE DORMITORY AUTHORITY	3/15/2024	3,570,000.00	3,452,654.10	4.82
NEW YORK ST URBAN DEV CORP REV	3/15/2024	845,000.00	797,798.30	4.88
NEW YORK ST URBAN DEV CORP REV	3/15/2024	1,945,000.00	1,836,352.30	4.88
PORT AUTH N Y & N J	7/1/2023	2,914,031.50	2,857,775.50	4.89
PORT AUTH N Y & N J	7/1/2023	661,362.45	648,607.75	4.89
PORT AUTH N Y & N J	7/1/2023	1,064,864.00	1,043,624.50	4.89
RANCHO SANTIAGO CALIF CMNTY COLLEGE DIST	9/1/2023	865,000.00	834,076.25	4.84
REDONDO BEACH CALIF CMNTY FING AUTH LEASE REV	5/1/2026	1,045,000.00	912,002.85	5.36
REDONDO BEACH CALIF CMNTY FING AUTH LEASE REV	5/1/2026	450,000.00	392,728.50	5.36
RHODE ISLAND ST	12/1/2022	400,000.00	399,180.00	4.66
RIVERSIDE CNTY CALIF PENSION OBLIG	2/15/2023	960,000.00	953,126.40	4.85
RIVERSIDE CNTY CALIF PENSION OBLIG	2/15/2023	415,000.00	412,028.60	4.85
RIVERSIDE CNTY CALIF INFRASTRUCTURE FING AUTH LEAS	11/1/2024	1,290,000.00	1,189,612.20	5.01
RIVERSIDE CNTY CALIF INFRASTRUCTURE FING AUTH LEAS	11/1/2024	520,000.00	479,533.60	5.01
SAN BERNARDINO CALIF CMNTY COLLEGE DIST	8/1/2024	620,000.00	578,131.40	5.02
SAN BERNARDINO CALIF CMNTY COLLEGE DIST	8/1/2024	270,000.00	251,766.90	5.02
SAN DIEGO CNTY CALIF REGL ARPT AUTH ARPT REV	7/1/2023	3,560,000.00	3,455,407.20	5.19
SAN DIEGO CNTY CALIF WTR AUTH WTR REV	5/1/2024	1,440,000.00	1,352,361.60	4.85
SAN DIEGO CNTY CALIF WTR AUTH WTR REV	5/1/2024	627,540.55	624,528.10	4.85
SAN FRANCISCO CALIF CITY & CNTY PUB UTILS COMMN WT	11/1/2022	440,000.00	440,000.00	0.00
SAN FRANCISCO CALIF CITY & CNTY PUB UTILS COMMN WT	11/1/2022	190,000.00	190,000.00	0.00
SAN JOSE EVERGREEN CALIF CMNTY COLLEGE DIST	9/1/2023	430,000.00	415,294.00	4.73
SEMITROPIC IMPT DIST SEMITROPIC WTR STORAGE DIST C	12/1/2022	1,140,117.00	1,098,064.00	4.25
SEMITROPIC IMPT DIST SEMITROPIC WTR STORAGE DIST C	12/1/2022	497,505.60	479,155.20	4.25
SOUTHERN CALIF PUB PWR AUTH PWR PROJ REV	7/1/2023	1,910,000.00	1,856,634.60	4.84
SOUTHERN CALIF PUB PWR AUTH PWR PROJ REV	7/1/2023	825,000.00	801,949.50	4.84
UPPER SANTA CLARA VY JT PWRS AUTH CALIF REV	8/1/2023	2,590,000.00	2,508,337.30	5.02
UPPER SANTA CLARA VY JT PWRS AUTH CALIF REV	8/1/2024	2,625,000.00	2,448,967.50	4.87
VALLEJO CALIF WTR REV	5/1/2023	590,000.00	579,332.80	5.18
VALLEJO CALIF WTR REV	5/1/2023	250,000.00	245,480.00	5.18
VENTURA CNTY CALIF PUB FING AUTH LEASE REV	11/1/2023	720,000.00	692,424.00	5.02
VENTURA CNTY CALIF PUB FING AUTH LEASE REV	11/1/2023	722,793.60	692,424.00	5.02
VENTURA CNTY CALIF PUB FING AUTH LEASE REV	11/1/2023	728,517.60	692,424.00	5.02

SUB-TOTAL**87,986,493.85****84,319,460.35**

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
<u>Variable & Floating Rate</u>				
ACAR 2021-4 B	2/13/2026	1,049,836.83	1,033,347.00	3.35
ACAR 2021-4 B	2/13/2026	449,930.07	442,863.00	3.35
AMERICAN EXPRESS CO	11/4/2026	2,360,000.00	2,290,144.00	4.48
AMERICAN EXPRESS CO	11/4/2026	950,000.00	921,880.00	4.48
BANK OF AMERICA CORP	3/5/2024	319,278.00	297,516.00	5.43
BANK OF AMERICA CORP	3/5/2024	744,982.00	694,204.00	5.43
BANK OF AMERICA CORP	10/22/2025	1,527,212.50	1,352,995.00	5.85
BANK OF AMERICA CORP	10/22/2025	658,281.25	583,187.50	5.85
BANK OF AMERICA CORP	5/19/2024	430,000.00	420,196.00	4.96
BANK OF AMERICA CORP	5/19/2024	995,000.00	972,314.00	4.96
BANK OF AMERICA CORP	10/24/2024	2,256,637.50	2,134,755.00	5.03
BANK OF AMERICA CORP	10/24/2024	802,424.00	759,024.00	5.03
BANK OF AMERICA CORP	10/24/2024	1,510,000.00	1,432,657.80	5.03
BANK OF AMERICA CORP	10/24/2024	645,000.00	611,963.10	5.03
BANK OF AMERICA CORP	4/22/2025	1,220,000.00	1,132,269.80	5.19
BANK OF AMERICA CORP	4/22/2025	525,000.00	487,247.25	5.19
BANK OF AMERICA CORP	4/22/2025	255,000.00	236,662.95	5.19
BANK OF AMERICA CORP	4/22/2025	595,000.00	552,213.55	5.19
BANK OF AMERICA CORP	4/2/2026	550,000.00	516,692.00	5.63
BANK OF AMERICA CORP	7/22/2026	195,000.00	189,898.80	5.61
BANK OF NEW YORK MELLON CORP	6/13/2025	3,410,000.00	3,307,870.50	4.73
BANK OF NEW YORK MELLON CORP	7/24/2026	2,580,000.00	2,505,876.60	5.27
BANK OF NEW YORK MELLON CORP	7/24/2026	930,000.00	903,281.10	5.27
COPAR 2022-2 A3	5/15/2027	374,973.15	362,752.50	5.06
COPAR 2022-2 A3	5/15/2027	1,084,922.31	1,049,563.90	5.06
CARMX 2020-3 A3	3/17/2025	111,195.72	109,139.51	4.42
CARMX 2020-3 A3	3/17/2025	255,513.56	250,788.66	4.42
CITIGROUP INC	10/30/2024	1,440,000.00	1,361,462.40	5.12
CITIGROUP INC	10/30/2024	625,000.00	590,912.50	5.12
CITIGROUP INC	10/30/2024	760,000.00	718,549.60	5.12
CITIGROUP INC	10/30/2024	1,740,000.00	1,645,100.40	5.12
CITIGROUP INC	5/1/2025	2,515,000.00	2,321,747.40	5.36
CITIGROUP INC	5/1/2025	1,749,352.50	1,615,530.00	5.36
CITIGROUP INC	5/1/2025	430,000.00	396,958.80	5.36
CITIGROUP INC	5/1/2025	185,000.00	170,784.60	5.36
CITIGROUP INC	5/1/2025	85,000.00	78,468.60	5.36
CITIGROUP INC	5/1/2025	205,000.00	189,247.80	5.36
FNA 2014-M8 A2	6/25/2024	716,984.78	645,126.71	6.43
FNA 2014-M8 A2	6/25/2024	311,202.44	280,012.92	6.43
FNA 2014-M13 A2	8/25/2024	354,611.69	343,252.00	5.07
FHMS K-029 A2	2/25/2023	1,017,804.60	967,739.54	4.48
FHMS K-029 A2	2/25/2023	712,503.18	682,602.00	4.48
FHMS K-029 A2	2/25/2023	1,560,786.28	1,460,249.85	4.48
FHMS K-029 A2	2/25/2023	936,086.61	889,974.76	4.48
FHMS K-029 A2	2/25/2023	472,552.14	449,307.64	4.48
FHMS K-031 A2	4/25/2023	2,528,754.03	2,353,276.27	4.78
FHMS K-031 A2	4/25/2023	1,095,452.15	1,019,435.47	4.78
FHMS K-032 A2	5/25/2023	2,655,776.95	2,582,438.40	4.96
FHMS K-032 A2	5/25/2023	1,149,819.14	1,118,067.20	4.96
FHMS K-033 A2	7/25/2023	2,665,809.38	2,506,167.20	4.98
FHMS K-033 A2	7/25/2023	1,143,989.06	1,075,481.20	4.98
FHMS K-035 A2	8/25/2023	512,598.31	488,585.82	5.00
FHMS K-047 A2	5/25/2025	930,925.78	891,015.50	4.87
FHMS K-047 A2	5/25/2025	2,666,976.56	2,552,639.00	4.87
FHMS K-048 A2	6/25/2025	180,617.00	158,479.20	4.93
FHMS K-063 A2	1/25/2027	4,743,179.49	4,465,010.70	4.84
FHMS K-730 AM	1/25/2025	3,800,660.16	3,342,636.00	5.00
FHMS Q-015 A	8/25/2024	699,021.62	696,686.89	3.74
FHMS Q-015 A	8/25/2024	299,580.69	298,580.10	3.74
FN AL3382	3/1/2023	87,931.74	86,156.15	5.03
FN BM1757	4/1/2023	497,470.44	492,490.45	5.35
FIFTH THIRD BANK NA (OHIO)	10/27/2025	1,350,000.00	1,351,660.50	5.31
FIFTH THIRD BANK NA (OHIO)	10/27/2025	485,000.00	485,596.55	5.31
FIRST REPUBLIC BANK	2/12/2024	350,000.00	345,562.00	4.30
FIRST REPUBLIC BANK	2/12/2024	150,000.00	148,098.00	4.30
GMALT 2020-3 A3	8/21/2023	7,150.70	7,136.51	4.02
GMALT 2020-3 A3	8/21/2023	16,371.34	16,338.86	4.02
GMCAR 2021-1 A3	10/16/2025	290,839.94	281,313.18	4.55
GMALT 2021-2 A3	5/20/2024	433,312.08	425,813.30	6.36
GMALT 2021-2 A3	5/20/2024	1,002,034.18	984,693.26	6.36
GOLDMAN SACHS GROUP INC	11/17/2023	1,511,963.00	1,506,119.30	3.71
GOLDMAN SACHS GROUP INC	11/17/2023	510,000.00	508,689.30	3.71
GOLDMAN SACHS GROUP INC	11/17/2023	1,165,000.00	1,162,005.95	3.71
GOLDMAN SACHS GROUP INC	3/8/2024	1,480,000.00	1,450,266.80	4.38
GOLDMAN SACHS GROUP INC	3/8/2024	635,000.00	622,242.85	4.38
GOLDMAN SACHS GROUP INC	10/21/2024	4,730,000.00	4,477,039.60	5.10
GOLDMAN SACHS GROUP INC	10/21/2024	320,236.80	302,886.40	5.10
HUNTINGTON NATIONAL BANK	5/16/2025	3,410,000.00	3,323,351.90	5.18
JPMORGAN CHASE & CO	12/5/2024	413,655.38	367,916.25	5.65
JPMORGAN CHASE & CO	12/5/2024	3,961,767.92	3,531,996.00	5.65
JPMORGAN CHASE & CO	12/5/2024	335,226.79	309,049.65	5.65
JPMORGAN CHASE & CO	6/1/2024	475,000.00	463,766.25	5.63
JPMORGAN CHASE & CO	6/1/2024	1,100,000.00	1,073,985.00	5.63
JPMORGAN CHASE & CO	9/16/2024	810,000.00	773,242.20	5.35
JPMORGAN CHASE & CO	9/16/2024	610,854.40	610,956.80	5.35
JPMORGAN CHASE & CO	9/16/2024	350,000.00	334,117.00	5.35
JPMORGAN CHASE & CO	9/16/2024	262,476.50	262,520.50	5.35
JPMORGAN CHASE & CO	9/16/2024	90,000.00	85,915.80	5.35
JPMORGAN CHASE & CO	9/16/2024	210,000.00	200,470.20	5.35
JPMORGAN CHASE & CO	2/16/2025	245,000.00	228,401.25	5.42
JPMORGAN CHASE & CO	2/16/2025	570,000.00	531,382.50	5.42
JPMORGAN CHASE & CO	3/16/2024	1,470,000.00	1,441,496.70	5.06
JPMORGAN CHASE & CO	3/16/2024	640,000.00	627,590.40	5.06
JPMORGAN CHASE & CO	6/1/2025	865,000.00	796,794.75	5.57
JPMORGAN CHASE & CO	6/1/2025	2,308,757.15	2,123,250.75	5.57
JPMORGAN CHASE & CO	6/1/2025	1,151,840.00	1,059,322.50	5.57

DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
JPMORGAN CHASE & CO	6/1/2025	930,000.00	856,669.50	5.57
JPMORGAN CHASE & CO	6/1/2025	405,000.00	373,065.75	5.57
JPMORGAN CHASE & CO	6/1/2025	240,000.00	221,076.00	5.57
JPMORGAN CHASE & CO	6/1/2025	545,000.00	502,026.75	5.57
JPMORGAN CHASE & CO	8/9/2025	790,000.00	720,946.10	5.15
JPMORGAN CHASE & CO	8/9/2025	310,000.00	282,902.90	5.15
JPMORGAN CHASE & CO	12/10/2025	3,295,542.45	3,296,735.40	5.31
JPMORGAN CHASE & CO	2/24/2026	945,000.00	875,485.80	5.44
JPMORGAN CHASE & CO	2/24/2026	1,625,000.00	1,505,465.00	5.44
JPMORGAN CHASE & CO	4/26/2026	305,000.00	292,403.50	5.47
JPMORGAN CHASE & CO	4/26/2026	695,000.00	666,296.50	5.47
JDOT 2021 A3	9/15/2025	1,454,720.35	1,392,886.05	5.29
JDOT 2021 A3	9/15/2025	1,099,871.10	1,053,041.00	5.29
JDOT 2021 A3	9/15/2025	1,639,684.79	1,569,988.40	5.29
JDOT 2021 A3	9/15/2025	709,863.54	679,690.10	5.29
KEYCORP	5/23/2025	205,000.00	198,800.80	5.32
KEYCORP	5/23/2025	35,039.55	33,941.60	5.32
KEYBANK NA	6/14/2024	1,430,000.00	1,384,669.00	4.27
KEYBANK NA	6/14/2024	615,000.00	595,504.50	4.27
MORGAN STANLEY	10/21/2025	430,000.00	387,847.10	5.42
MORGAN STANLEY	10/21/2025	185,000.00	166,864.45	5.42
MORGAN STANLEY	1/25/2024	1,290,000.00	1,270,688.70	4.19
MORGAN STANLEY	1/25/2024	550,000.00	541,766.50	4.19
MORGAN STANLEY	1/22/2025	1,200,000.00	1,120,128.00	5.20
MORGAN STANLEY	1/22/2025	520,000.00	485,388.80	5.20
MORGAN STANLEY	1/22/2025	321,938.50	303,368.00	5.20
MORGAN STANLEY	1/22/2025	990,580.00	933,440.00	5.20
MORGAN STANLEY	10/21/2025	4,703,935.70	4,698,854.40	5.40
MORGAN STANLEY	2/18/2026	1,215,000.00	1,126,086.30	5.47
MORGAN STANLEY	2/18/2026	390,000.00	361,459.80	5.47
MORGAN STANLEY	2/18/2026	1,365,000.00	1,265,109.30	5.47
MORGAN STANLEY	10/16/2026	730,000.00	732,197.30	5.75
MORGAN STANLEY	10/16/2026	435,000.00	436,309.35	5.75
MORGAN STANLEY	4/5/2024	610,000.00	595,116.00	4.55
MORGAN STANLEY	4/5/2024	265,000.00	258,534.00	4.55
MORGAN STANLEY	4/5/2024	75,000.00	73,170.00	4.55
NALT 2020-B A3	10/16/2023	23,371.63	23,304.62	6.08
NALT 2020-B A3	10/16/2023	53,035.62	52,883.55	6.08
PNC FINANCIAL SERVICES GROUP INC	10/28/2025	405,000.00	405,409.05	5.15
PNC FINANCIAL SERVICES GROUP INC	10/28/2025	1,165,000.00	1,166,176.65	5.15
CITIZENS BANK NA	5/23/2025	625,000.00	609,231.25	5.31
Citizens Bank, National Association	10/24/2025	1,570,000.00	1,581,178.40	5.26
Citizens Bank, National Association	10/24/2025	285,000.00	287,029.20	5.26
TRUIST BANK	8/2/2024	2,994,236.00	2,767,408.00	5.22
TRUIST BANK	8/2/2024	1,283,244.00	1,186,032.00	5.22
TLOT 2021-A A3	4/22/2024	2,344,726.34	2,300,154.22	5.94
TLOT 2021-A A3	4/22/2024	329,961.49	323,689.08	5.94
TLOT 2021-A A3	4/22/2024	754,911.89	740,561.38	5.94
TRUIST FINANCIAL CORP	7/28/2026	880,000.00	848,487.20	5.39
TRUIST FINANCIAL CORP	7/28/2026	640,000.00	617,081.60	5.39
TRUIST FINANCIAL CORP	7/28/2026	395,000.00	380,855.05	5.39
TRUIST FINANCIAL CORP	7/28/2026	1,150,000.00	1,108,818.50	5.39
TRUIST FINANCIAL CORP	10/28/2026	425,000.00	425,021.25	5.62
TRUIST FINANCIAL CORP	10/28/2026	1,225,000.00	1,225,061.25	5.62
UNITED STATES TREASURY	10/31/2023	2,503,412.34	2,502,125.00	4.05
VZMT 2022-5 A1A	7/20/2027	1,824,919.70	1,789,540.25	5.42
WELLS FARGO & CO	10/30/2025	4,478,494.80	4,479,937.80	5.84
WELLS FARGO & CO	10/30/2025	1,524,791.00	1,350,501.00	5.84
WELLS FARGO & CO	10/30/2025	657,237.50	582,112.50	5.84
WELLS FARGO & CO	5/19/2025	320,000.00	296,147.20	4.99
WELLS FARGO & CO	5/19/2025	135,000.00	124,937.10	4.99
WELLS FARGO & CO	4/25/2026	1,360,000.00	1,295,780.80	5.54
WELLS FARGO & CO	4/25/2026	490,000.00	466,862.20	5.54
SUB-TOTAL		164,370,638.09	156,900,714.08	
Supranationals				
INTER-AMERICAN DEVELOPMENT BANK	9/23/2024	6,764,990.20	6,270,103.20	4.62
INTER-AMERICAN DEVELOPMENT BANK	9/23/2024	1,219,097.20	1,129,915.20	4.62
INTER-AMERICAN DEVELOPMENT BANK	9/23/2024	2,992,783.70	2,773,849.20	4.62
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM	3/19/2024	5,349,700.00	4,858,450.00	4.63
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM	11/24/2023	3,043,442.50	2,909,761.00	4.73
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM	11/24/2023	803,269.25	767,986.10	4.73
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM	11/24/2023	1,841,033.25	1,760,166.90	4.73
SUB-TOTAL		22,014,316.10	20,470,231.60	
SHORT-TERM PORTFOLIO - TOTAL		\$ 1,976,460,858.13	\$ 1,882,900,732.68	

BOND PROCEEDS PORTFOLIO

DESCRIPTION	MATURITY DATE	BOOK VALUE	MARKET VALUE	YIELD
2021 Bond Anticipation Notes (BANs) - US Bank				
CREDIT AGRICOLE CP	3/23/2023	24,028,214.00	24,029,357.52	4.82%
NATIXIS NY BRANCH CP	6/1/2023	20,399,084.80	20,354,556.32	4.52%
NATIXIS NY BRANCH CP	3/9/2023	19,999,893.99	20,023,182.66	3.82%
FIRST AMERICAN GOVERNMENT OBLIGATIONS FUND	N/A	955.11	955.11	2.62%
FIRST AMERICAN GOVERNMENT OBLIGATIONS FUND	N/A	51,239.03	51,239.03	2.62%
BOND PROCEEDS PORTFOLIO-TOTAL		\$ 64,479,386.93	\$ 64,459,290.64	

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
DEBT SERVICE RESERVE FUNDS				
<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>YIELD</u>
<u>91 EXPRESS LANES 2013 BONDS (US Bank DSRF)</u>				
LLOYDS BANK	12/9/2022	10,999,167.79	11,050,667.27	3.03%
FIRST AMERICAN GOVERNMENT OBLIGATIONS MMKT FUND	N/A	4,362.35	4,362.35	2.62%
FIRST AMERICAN GOVERNMENT OBLIGATIONS MMKT FUND (DSF)	N/A	555,570.25	555,570.25	2.62%
<u>91 EXPRESS LANES 2013 BONDS - OPERATING & MAINTENANCE RESERVES</u>				
BANK DEPOSITS	N/A	453,399.83	453,399.83	0.00%
OPERATING RESERVE - BARCLAYS CP	1/6/2023	3,051,908.67	3,051,908.67	3.17%
MAINTENANCE RESERVE - BARCLAYS CP	1/6/2023	10,337,110.00	10,337,110.00	3.17%
DEBT SERVICE RESERVE FUNDS - TOTAL		\$ 25,401,518.89	\$ 25,453,018.37	
		<u>Book Value</u>	<u>Market Value</u>	
TOTAL PORTFOLIO		\$ 2,458,759,132.69	\$ 2,365,230,410.43	



November 30, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report for September 30, 2022

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway programs. The California Community Foundation manages the non-wasting endowment required to fund the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance.

Recommendation

Receive and file as an information item.

Background

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Annually, approximately \$2.9 million will be deposited in the endowment. These annual deposits are expected over a ten-to-twelve-year period, or until the fund totals approximately \$46.2 million. As of September 30, 2022, the Orange County Transportation Authority (OCTA) has made seven deposits to the CCF Endowment Pool, each in the amount of \$2,877,000.

Discussion

Per Attachment A, as of September 30, 2022, total pool assets in the CCF Endowment Pool were \$1.09 billion. Total foundation assets were \$2.25 billion. Performance for the CCF Endowment Pool was below the benchmark in the short-term horizon of up to five years. Over the longer time frame, the CCF Endowment Pool has exceeded the benchmark in the ten-to-twenty-year time periods. Based on CCF's performance to date, OCTA remains on track to meet the endowment target of \$46.2 million in fiscal year (FY) 2027-28.

Per Attachment B, the balance as of September 30, 2022, was \$21,276,964. The balance is below the FY 2022-23 target of \$24,015,673. Volatility remained elevated during the quarter driven by the effects of decades-high inflation, aggressive interest rate increases by the Federal Reserve and other major central banks, rising risks of recession, lingering impacts from the pandemic, and Russia's invasion of Ukraine. Fixed-income performance was down for the quarter as interest rates continued to climb higher, while United States equities hit a new bear market low, recording their worst performance since 2002. Diversification, asset allocation, and appropriate sizing of underlying investments in the endowment portfolio are the main methods to protect the portfolio from outsized volatility.

Summary

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment Report to the Board of Directors. The report is for the quarter ending September 30, 2022.

Attachments

- A. California Community Foundation Endowment Pool Investments – September 30, 2022
- B. California Community Foundation Fund Statement – 7/1/2022 – 9/30/2022

Prepared by:



Robert Davis
Department Manager,
Treasury and Public Finance
714-560-5675

Approved by:



Andrew Oftelie
Chief Financial Officer
Finance and Administration
714-560-5649



Endowment Pool

September 30, 2022

INVESTMENTS

Total Pool Assets

\$1.09 billion (Endowment Pool), \$2.25 billion (total foundation assets) as of September 30, 2022.

Pool Objective

Prudent investment of funds to provide real growth of the assets over time while protecting the value of the assets from undue volatility or risk of loss. Managed on a total return basis (i.e., yield plus capital appreciation) while taking into account the level of liquidity required to meet withdrawals from the pool - mainly expenses and grants to external organizations. While the Investment Committee recognizes the importance of the preservation of capital, they also adhere to the principle that varying degrees of risk are generally rewarded with commensurate returns over full market cycles (5-10 years).

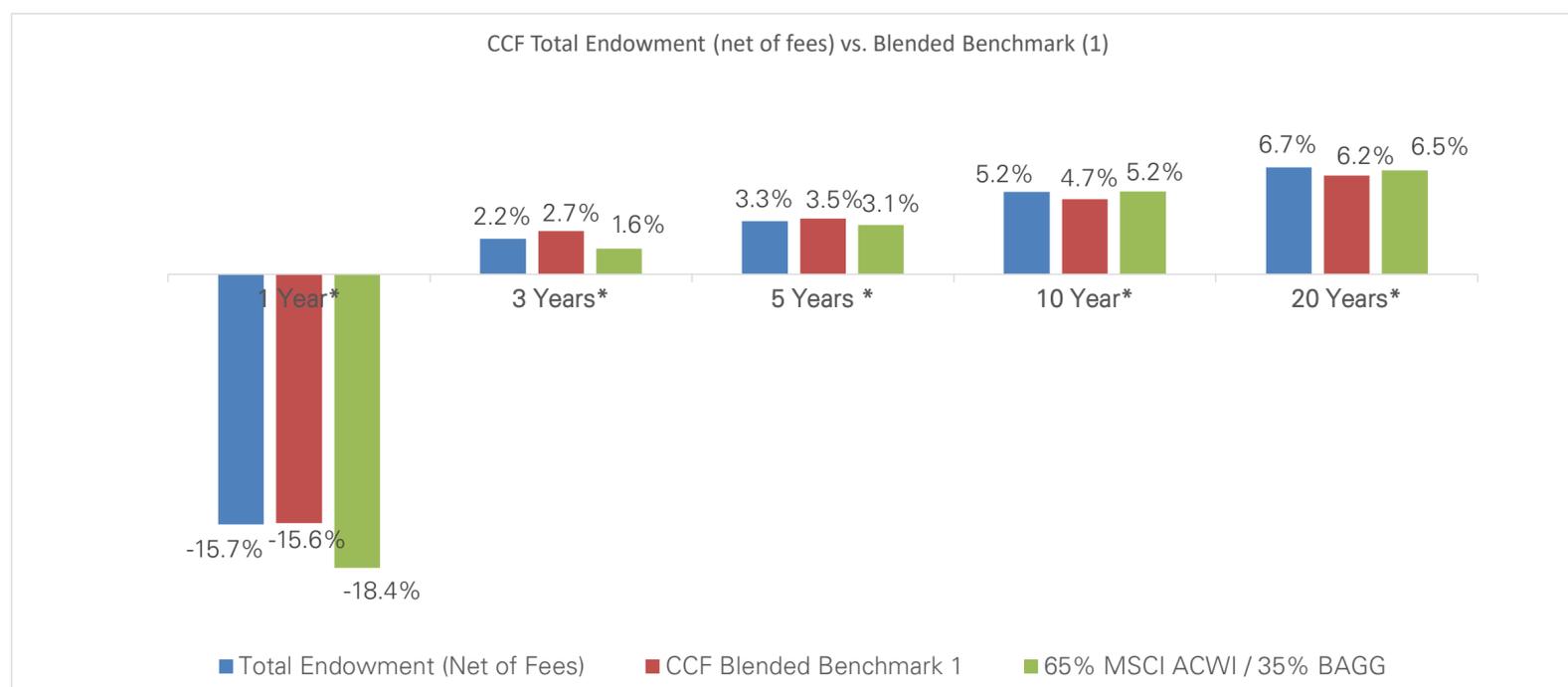
Outsource CIO

Hall Capital Partners

Performance & Asset Allocation

Preliminary performance for September 2022 was -5.3% (2,5)

Preliminary performance for the three months ended September 30, 2022 was -4.0%



Asset Class	Balance (\$m)	% of Port	Long-Term Target Range (4)
Cash & Equivalent (3)	\$4	0.4%	0 - 5%
Fixed Income	\$147	13.4%	10 - 20%
Public Equities	\$503	46.1%	40 - 60%
Alternative Assets	\$144	13.2%	10 - 25%
Private Investments	\$129	11.8%	10 - 20%
Real Assets	\$165	15.1%	5 - 10%
Total Endowment Assets	\$1,092	100%	

* Represents Annualized Returns.

Footnotes:

1 – Total benchmark intended to roughly match CCF portfolio asset allocation with relevant constituent benchmarks. Current blended benchmark effective since 7/1/2.

Current blend: ML Treasury 1-3 (2%), Barclays Agg. Bond Index (18%), MSCI ACWI (50%), Hedge Fund Blend (7.5% BofA ML High Yield, 3.75% ML 3-Month T- bills, 3.75% MSCI ACWI), Cambridge PE Index (3.5%), Cambridge VC Index (1.5%), Cambridge RE Index (7%), S&P Infrastructure Index (3%).

65% MSCI ACWI / 35% Barclays Aggregate Bond Index Blend.

CPI +5%.

CCF benchmark blends prior to 7/1/21: Total Fund Benchmark is a combination of: 48% MSCI ACWI - 2% Cambridge PE Index 1-Qtr Lag / 14% HFR FOF / 5% ODCE - 5% S&P Global Large Mid NR - 4% S&P Global Infrastructure / 9% Barc Agg. - 3% Barc 1-5 Yr. Gov/Cr - 3% Barc 0-5 Yr. US Treasury TIPs / 2% Barc High Yield - 2% S&P/LSTA Leveraged Loan - 3% JP Morgan EMBI Global Diversified.

2 – Performance is preliminary and at times estimated pending final reporting from all investments. Managers often report on substantial lags, particularly private illiquid investments. In the instances where we do not have actual or estimated performance for a manager, we default to a 0% performance. Investment performance is presented net of investment expenses, including fund manager incentive fees

3 – Includes cash in transit to or from investments. For example, 2/28 cash could include money that is being sent to an investment on 3/1

4 – Current portfolio allocations may be outside of strategic ranges as it can take substantial time to adjust investments to meet range goals. This is particularly true for private illiquid investments that call capital into strategies over time and typically necessitate multi-year periods to gain exposure for appropriate vintage diversification

5 – Investment expense ratio approximates weighted-average 1.21% excluding fund manager incentive fees



Fund Name OCTA - Measure M2 Environmental Mitigation Program Fund
Fund Start Date 2/28/2017
Investment Pool(s) Endowment Pool

FUND STATEMENT

OCTA - Measure M2 Environmental Mitigation Program Fund (V398)

7/1/2022 - 9/30/2022

Fund Summary

	Report Period 7/1/2022 - 9/30/2022	Calendar YTD 1/1/2022 - 9/30/2022
Opening Fund Balance	\$19,332,924.13	\$22,634,538.09
Contributions (see attached detail)	2,877,000.00	2,877,000.00
Investment Activity, net	(932,960.39)	(4,176,300.46)
Administration & Grant Management Fees	0.00	(58,273.89)
Net Changes to Fund	1,944,039.61	(1,357,574.35)
Ending Balance	\$21,276,963.74	\$21,276,963.74

Investment Pool Performance as of 9/30/2022

	This Qtr.	1-Year	3-Years	5-Years	10-Years
Endowment Pool	-5.3%	-15.7%	2.2%	3.3%	5.2%
Social Impact Endowment Pool	-7.0%	-16.3%	4.2%	5.4%	6.5%
Conservative Balanced Pool	-4.0%	-10.5%	1.6%	3.0%	n/a
Short Duration Bond Pool	-1.8%	-7.2%	-0.9%	0.5%	n/a
Capital Preservation Pool	0.2%	0.5%	0.6%	1.2%	0.7%

Endowment Pool - invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps pace with inflation over time. The target asset allocation is 50% public equity, 15% hedge funds, 20% fixed income, 10% real assets and 5% private equity & venture capital. Investment management fees are approximately 95 basis points.

Social Impact Endowment Pool - invested in a diversified pool aiming for capital growth for long-term grantmaking; underlying instruments undergo rigorous environmental and social analysis, with an asset allocation of approximately 65% equity (Vanguard FTSE Social Index Fund) and 35% fixed income (30% CCM CRA Qualified Fund & 5% Vanguard Short-Term Bond Index Fund). Investment management fees are 22 basis points.

Conservative Balanced Pool - designed to aim for moderate growth and to offer diversified exposure to the U.S. equity market and to investment grade fixed income with maturities from one to five years and an asset allocation of 70% fixed income and 30% equities investments. Investment management fees are 5 basis points.

Short Duration Bond Pool - invested to offer diversified exposure to investment grade fixed income with maturities from one to five years for the purposes of grants over a near-term one to four year horizon. Investment management fees are 5 basis points.

Capital Preservation Pool - designed to preserve principal and provide liquidity for present grantmaking needs through investment in short-term fixed income and cash instruments. Investment management fees are 12 basis points.



November 30, 2022

To: Finance and Administration

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Employees Retirement System Early Payment for Fiscal Year 2023-24

Overview

The Orange County Employees Retirement System has offered an early payment discount to member agencies of 5.8 percent if they elect to prepay their contributions for fiscal year 2023-24. Advance payments must be received before January 13, 2023. The estimated savings for the Orange County Transportation Authority over the next year and a half under this payment option will total approximately \$300,000. Board of Directors' authorization is requested for the early payment option.

Recommendation

Authorize the early payment of approximately \$30.6 million by January 13, 2023, to the Orange County Employees Retirement System for member contributions for fiscal year 2023-24.

Background

The Orange County Employees Retirement System (OCERS) provides retirement benefits to Orange County Transportation Authority (OCTA) employees. The majority of OCTA employees and retirees are covered by the OCERS plan. OCERS is a defined benefit plan with benefits determined by a formula based on years of service, age at retirement, and highest average salary over a consecutive three-year period. OCERS is administered by a ten-member Board of Retirement. The OCERS Board of Retirement serves as fiduciary and has administrative authority over investments and benefits. As of June 30, 2022, the plan had approximately \$20.9 billion in assets. OCERS operates under the state statutory requirements of the County Employees Retirement Act of 1937, a section of the California Government Code.

Employer contributions to OCERS are calculated each pay period by OCTA and paid electronically every two weeks. During fiscal year (FY) 2023-24, based on preliminary estimates, OCTA will contribute approximately \$33.1 million to OCERS, based upon wages of approximately \$115.3 million. OCTA's employer rate is 28.91 percent, and the Public Employees' Pension Reform Act (PEPRA) contribution rate is 28.36 percent during this time period.

Discussion

On July 18, 2022, the OCERS Board of Retirement voted to offer an early payment discount on employer contribution payments made before January 13, 2023, for the succeeding FY. OCERS is offering to discount the contributions for FY 2023-24 by 5.8 percent. If the early payment option is exercised, OCERS will reconcile the projected payroll wages for the FY and collect appropriate additions or provide credits against future payments from OCTA for FY 2023-24.

The OCTA Board of Directors approved a similar action in previous years where the early payment option was exercised. By using available cash now, OCTA will reduce the overall cost of future budgeted expenditures.

For FY 2023-24, OCERS decreased OCTA's employer rates to 28.91 percent from the FY 2022-23 rate of 31.71 percent. The PEPRA contribution rate decreased to 28.36 percent for FY 2023-24 from the 30.85 percent rate in FY 2022-23. OCTA's estimated wages for FY 2023-24 are \$115.3 million. Applying the 28.91 percent and 28.36 percent PEPRA employer's rates to the estimated wages for the year translates into an approximate contribution value of \$33.1 million for FY 2023-24. Further, there is a balance from the prepayment contribution for FY 2022-23 of \$740,063.20, which is required to be applied as a credit for this year's prepayment.

Under the early payment option, OCTA has the choice of paying OCERS \$30.6 million (\$33.1 million discounted by 5.8 percent for a total of \$31.3 million, less the \$740,063.20 credit) by January 13, 2023, or OCTA would make the regular biweekly payments of approximately \$1,245,236.63 for the employer contribution, (for a total of \$32.4 million) during FY 2023-24. Given these assumptions, OCTA has calculated the savings to equal approximately \$300,000 (which is the net between the \$1.8 million in guaranteed savings from the OCERS prepayment and \$1.5 million estimated interest earnings by OCTA).

Given the unprecedented rise in yields (United States Treasury yields have risen across the curve with rates at the front end of the curve posting sharp increases), and therefore higher estimated interest earnings by OCTA, the estimated

savings of approximately \$300,000 is lower than prior years; however, the estimated interest earnings by OCTA are speculative while the discount rate of 5.8 percent offered by OCERS is guaranteed.

Based upon this analysis, it is financially prudent and advantageous for OCTA to exercise this early payment option. If this option were to be exercised, these funds would be deposited into OCERS on behalf of OCTA and be credited to OCTA's account. The funds will be paid from the General Fund (36.5 percent), and the Orange County Transit District Fund (63.5 percent).

Summary

The Orange County Employees Retirement System has offered an early payment of contributions to member agencies for the upcoming fiscal year. Under this early payment option, a discount of 5.8 percent will be applied to the amounts due for employer contributions. Orange County Transportation Authority has calculated the savings to equal approximately \$300,000. Staff recommends exercising this early payment option.

Attachment

None.

Prepared by:



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Approved by:



Andrew Oftelie
Chief Financial Officer
Finance and Administration
714-560-5649



November 30, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Agreement for Palo Alto Firewall Renewal Subscriptions

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2022-23 Budget, the Orange County Transportation Authority Board of Directors approved expenditures for Palo Alto renewal subscriptions. Palo Alto provides firewall hardware and services used as Orange County's Transportation Authority's primary cybersecurity defense for all connections into and out of the Orange County Transportation Authority Nevada data center, Orange Administration building, and five bus bases. A firewall is a network security device used to monitor incoming and outgoing network traffic and permits or blocks this traffic based on the organization's security rules. Palo Alto subscriptions provide licensing and services needed for these firewalls to meet the federal, state, and Orange County Transportation Authority policy requirements. Bids were received in accordance with the Orange County Transportation Authority's procurement procedures. Board of Directors' approval is requested to execute the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A52259 between the Orange County Transportation Authority and Thomas Gallaway Corporation, doing business as Technogent, in the amount of \$393,639 for Palo Alto Firewall renewal subscriptions for a three-year term.

Discussion

The Orange County Transportation Authority's (OCTA) data center, Orange Administration building, and five bus bases require the use of firewalls to monitor, protect, and report on the data that flows into and from the OCTA network and the internet. The purpose of OCTA firewalls is to provide the first line of defense for all data and connections. The security subscriptions being purchased allow OCTA firewalls to provide threat analysis, receive real time updates to new

security threats, provide URL filtering, allow central management, and provide configuration support to meet the requirements set out by OCTA policy, cybersecurity insurance, and industry best practices. Without these subscriptions, OCTA would not be able to utilize the next generation-based security components used to monitor, update, and protect against modern cybersecurity threats in near real time.

OCTA purchased Palo Alto firewalls to replace legacy firewalls to take advantage of next generation security services that were not available for the hardware in use at OCTA and to meet industry best practices in 2019.

In the event of a cyber incident, whether malicious or unintentional, the firewalls will be used as one of the main data sources in OCTA's Incident Response Program processes. The firewalls will be used to mitigate any further intrusion attempts until the remediation efforts have been completed as OCTA's Continuity of Operations Plan establishes mission essential functions to be performed or resumed during an emergency or disruptive event.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for competitive sealed bid procurements. These procedures, which conform to both state and federal requirements, apply when minimum requirements are clearly specified. Upon completion of the sealed bid process, the contract is awarded to the lowest responsive and responsible bidder.

Invitation for Bids (IFB) 2-2788 was released on September 6, 2022, through OCTA's CAMM NET system. The project was advertised on September 6 and September 13, 2022, in a newspaper of general circulation. Three addenda were issued to provide responses to questions received and make administrative changes. On October 17, 2022, four bids were received and publicly opened. One bid from Questivity, Inc., was deemed non-responsive as the correct price summary sheet was not submitted.

All bids were reviewed by staff from both Contracts Administration and Materials Management and the Information Systems (IS) departments to ensure compliance with the technical specifications and solicitation instructions.

The list of bidders and bid amounts is presented on the next page:

<u>Firm and Location</u>	<u>Bid Amount</u>
Thomas Gallaway Corporation, doing business as Technologent Irvine, California	\$393,639
Digital Scepter Murrieta, California	\$408,702
Zones, LLC Auburn, Washington	\$441,016

The independent cost estimate for this project was \$450,000. The recommended firm's bid is approximately 12.5 percent lower than the OCTA project manager's estimate and therefore considered by staff to be fair and reasonable.

State law requires award to the lowest responsive, responsible bidder. As such, staff recommends award to Thomas Gallaway Corporation, doing business as Technologent, the lowest responsive, responsible bidder, in the amount of \$393,639, for Palo Alto Firewall renewal subscriptions for a three-year term.

Fiscal Impact

The project was approved in Orange County Transportation Authority's Fiscal Year 2022-23 Budget, Finance and Administration/IS, Account No. 1289-7519-IX061-PAL, and is funded through local funds.

Summary

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A52259 between the Orange County Transportation Authority and Thomas Gallaway Corporation, doing business as Technologent, in the amount of \$393,639, for Palo Alto Firewall renewal subscriptions for a three-year term.

Attachment

None.

Prepared by:



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Approved by:



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Chief Financial Officer, Finance and
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Pia Veaspen
Director, Contracts Administration and
Materials Management
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November 30, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2021-22 Audited Financial Statements and Independent Auditor's Reports on Internal Control over Financial Reporting

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on various financial statements and schedules. Crowe LLP, an independent accounting firm, has completed its annual audit of the Orange County Transportation Authority for fiscal year 2021-22. In addition, a report has been issued on the results of additional analysis performed by Crowe LLP, to assist management in determining compliance with certain state requirements.

In connection with the annual audit of the Orange County Transportation Authority, Crowe LLP has issued an auditor's report on internal control over financial reporting with two findings.

Recommendations

- A. Receive and file the fiscal year 2021-22 audited financial statements and independent auditor's report on internal control over financial reporting as information items.
- B. Direct staff to implement auditor recommendations related to findings over internal controls.

Background

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting its results of operations and financial position at fiscal year-end. These financial statements are included in OCTA's Annual Comprehensive Financial Report (ACFR). OCTA staff also prepares stand-alone financial

statements for various funds. In connection with the audit of these financial statements, Crowe LLP (Crowe) provided opinions on financial reports of OCTA and various stand-alone funds, and conducted additional analysis to assist management in determining compliance with certain state requirements.

The audits were performed under generally accepted auditing standards, the standards set forth for financial audits in the Government Accountability Office's Government Auditing Standards, and State of California Transportation Development Act.

Discussion

Crowe has completed its annual audit of OCTA's financial records and systems and has issued its opinion on OCTA's financial statements for the fiscal year (FY) ended June 30, 2022. The auditors have issued an unmodified (also known as "clean") opinion on the financial statements, indicating that the statements present fairly, in all material respects, the financial position of OCTA at June 30, 2022, and the results of its operations and cash flows of the proprietary funds for the FY then ended (Attachment A). Fund financial statements for the Orange County Local Transportation Authority (OCLTA) as a component unit of OCTA (Attachment B), for the 91 Express Lanes (Attachment C), for the Local Transportation Fund (LTF) (Attachment D), and for the State Transit Assistance Fund (STAF) (Attachment E) were also prepared and an unmodified opinion on each fund's financial statements was issued.

The ACFR will be submitted to the Government Finance Officers Association (GFOA) for consideration of the Certificate for Excellence in Financial Reporting for FY 2021-22. The GFOA awards certificates only to those governments whose annual financial reports are deemed in conformance with the highest standards of public financial reporting. OCTA has been awarded the GFOA certificate for each year of its existence, commencing with the FY ended June 30, 1992. Such recognition has a positive effect on OCTA's ability to borrow at favorable interest rates. The ACFR is a useful tool in business dealings with outside organizations. The 91 Express Lanes Fund financial statements will be forwarded to rating agencies, investors, and insurance companies.

In connection with the audit of these financial statements, Crowe has issued an auditor's report on internal control over financial reporting identifying two deficiencies as defined by the American Institute of Certified Public Accountants, Statement on Auditing Standards Number 115. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or

detected 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. Management has responded to these two recommendations.

Crowe reported a deficiency related to financial accounting and reporting for STAF. OCTA functions as both the transportation planning agency and claimant (operator) for the County of Orange. As such, OCTA receives LTF and STAF monies into the respective special revenue funds. These monies are then transferred in accordance with Transportation Development Act (TDA) requirements to the Orange County Transit District (OCTD), as the claimant, to be used in operations or capital activities. Management performs a quarterly review of transfers of TDA monies from the LTF and STAF funds to the OCTD fund in order to evaluate compliance with TDA laws and regulations. The calculation review process included a review of LTF allocations in compliance with 21 California Code of Regulations (CCR) 6634 but this review did not encompass STAF allocations. This gave rise to STAF allocations in excess of eligible amounts for \$16.2 million.

Their recommendation is to amend quarterly review of TDA allocations to include a review of both LTF and STAF allocations for compliance with Title 21 CCR 6634. Management agrees with the recommendation and has implemented a control to discontinue systematic transfers from the STAF fund to OCTD fund. Management will also perform a quarterly review of TDA allocations to include both LTF and STAF allocations to ensure all transfers have corresponding eligible expenditures.

In addition, Crowe reported a deficiency related to preparation of the schedule of expenditures of federal awards (SEFA). Their observation indicates that the SEFA provided did not include presentation of expenditures passed through to subrecipients. There were approximately \$3.5 million in expenditures to subrecipients for the Federal Transit Cluster that were excluded. Additionally, the SEFA overstated expenditures for the Federal Transit Cluster by approximately \$1 million as a result of accruing expenditures which had already been recognized during the year and \$4.5 million as a result of missing an accrual in the prior year.

Their recommendation is to strengthen review process over the SEFA to ensure that all expenditures are appropriately and accurately reflected. Management concurs with this recommendation. Management will strengthen the review process and centralize the responsibilities within the Accounting Department. Additionally, the Accounting Department will add a secondary review of grant revenue accruals provided by other departments to ensure timeliness and accuracy of the accrual information.

The auditor's report on internal control over financial reporting for FY 2021-22 is included herewith as Attachment G.

Summary

Staff has prepared OCTA's ACFR and various stand-alone fund financial statements for the FY ended June 30, 2022. Crowe has audited these financial statements and schedules, and has issued unmodified opinions as to fair presentation of the financial statements and schedules.

In connection with the annual audit of OCTA's financial statements for FY 2021-22, Crowe has issued an independent auditor's report on internal control over financial reporting, which identified two deficiencies along with recommendations for improvement to internal controls. Management has responded that these items will be addressed.

Attachments

- A. Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022
- B. Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) Annual Financial and Compliance Report Year Ended June 30, 2022
- C. 91 Express Lanes Fund (An Enterprise Fund of the Orange County Transportation Authority) Financial Statements for the Year Ended June 30, 2022
- D. Orange County Transportation Authority Local Transportation Fund Financial Statements Year ended June 30, 2022
- E. Orange County Transportation Authority State Transit Assistance Fund Financial Statements Year ended June 30, 2022
- F. Independent Auditor's 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

Prepared by:



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Department Manager, Accounting
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Approved by:

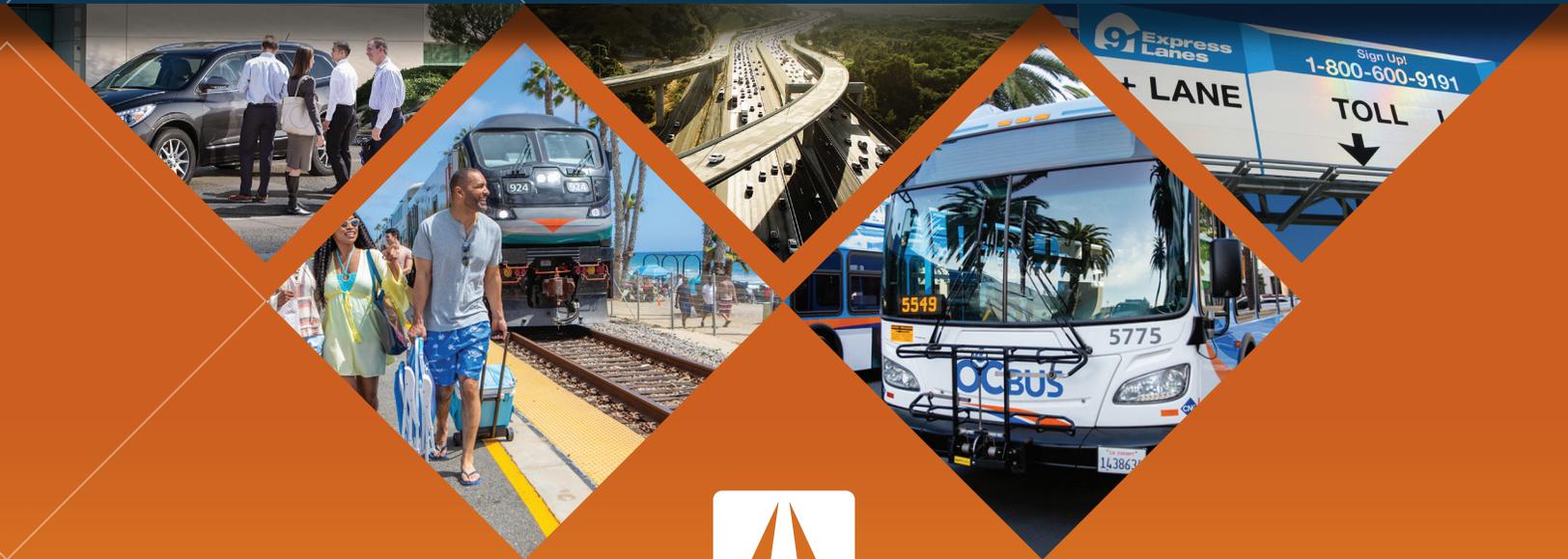


Andrew Oftelie
Chief Financial Officer,
Finance and Administration
714-560-5649

20 22

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For fiscal year ended June 30, 2022



20 22

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For fiscal year ended June 30, 2022

Submitted by:
Darrell E. Johnson
Chief Executive Officer

Finance and Administration Division
Andrew Oftelie
Chief Financial Officer

Orange County
Transportation Authority
Orange County, California



ORANGE COUNTY TRANSPORTATION AUTHORITY
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

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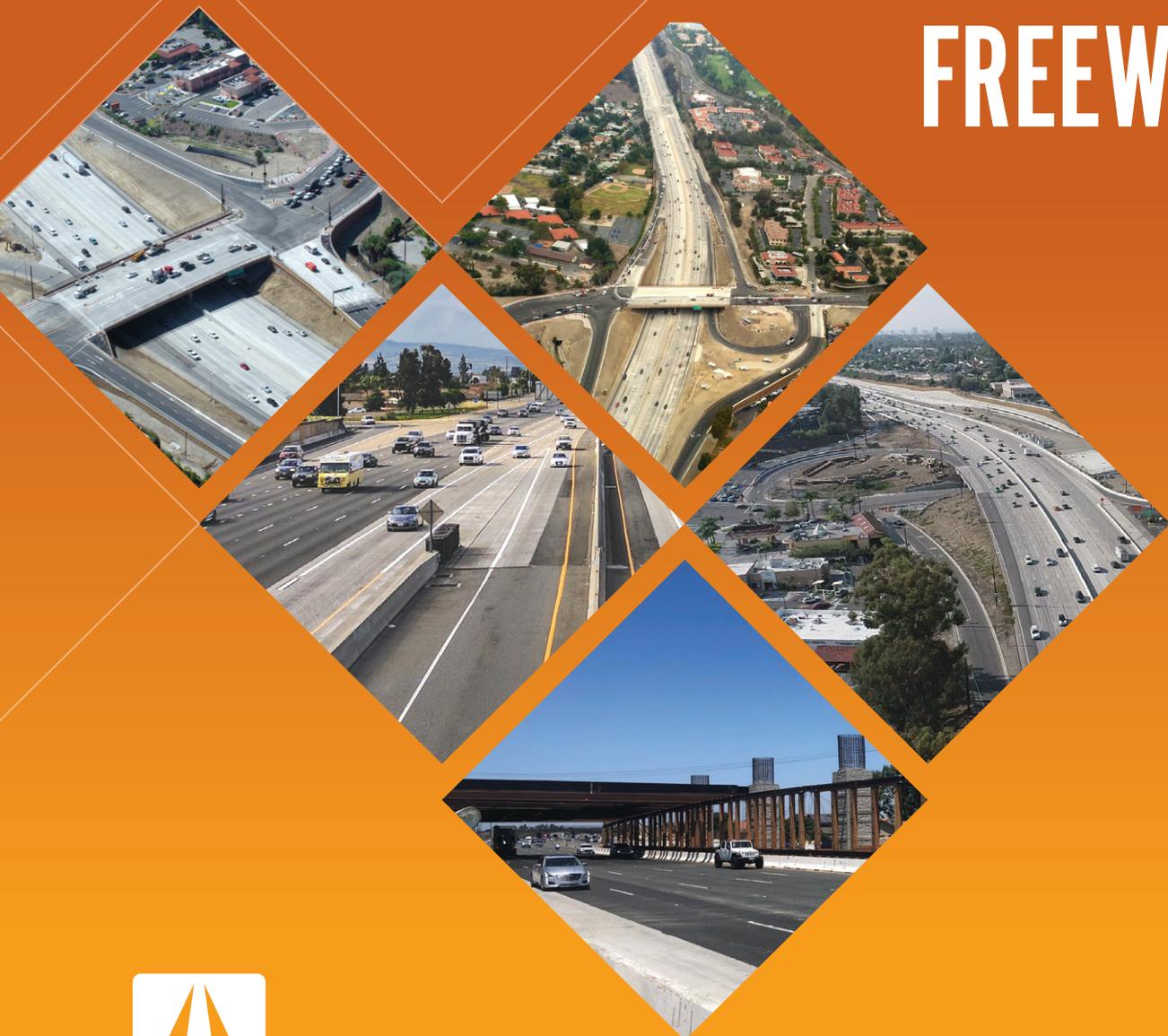
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FREEWAYS



STREETS AND ROADS





*AFFILIATED
AGENCIES*

*Orange County
Transit District*

*Local Transportation
Authority*

*Service Authority for
Freeway Emergencies*

*Consolidated
Transportation
Service Agency*

*Congestion
Management
Agency*

December 12, 2022

Members of the Board of Directors
Orange County Transportation Authority
550 South Main Street
Orange, CA 92863

We are pleased to present the Annual Comprehensive Financial Report of the Orange County Transportation Authority (OCTA) for the fiscal year (FY) ended June 30, 2022. The financial statements are presented in conformity with generally accepted accounting principles and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Responsibility for complete and fair presentation of financial information, including all disclosures, rests with OCTA's management. A comprehensive framework of internal controls has been designed and implemented to ensure that the assets of OCTA are protected from loss, theft, or misuse, and to ensure that financial information is accurate and complete. Because the cost of internal controls should not outweigh the benefits, OCTA's system of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Crowe, LLP, has audited OCTA's financial statements and issued an unmodified ("clean") opinion thereon for the FY ended June 30, 2022. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of OCTA was also designed to meet the broader, federally mandated single audit of federal grantee agencies. A separately issued single audit report of OCTA provides the results of compliance with these federal requirements.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of OCTA

OCTA was established by state law and began serving the public on June 20, 1991. An 18-member Board of Directors (Board) governs OCTA and consists of five members of the Orange County Board of Supervisors, ten city representatives selected by all of the cities within the County, two public members selected by these 15 Board Members, and a representative appointed by the Governor of California serving in a non-voting capacity. A Chief Executive Officer (CEO) manages OCTA and acts in accordance with the directions, goals, and policies approved by the Board.

OCTA serves Orange County residents and commuters by providing countywide bus and paratransit service, Metrolink commuter rail service, freeway improvements, streets and roads improvements, 91 Express Lanes (91 EL), and motorist aid services. In addition, OCTA is the managing agency for the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency.

Annually, OCTA develops a balanced budget for the upcoming FY. The budget details the expected sources and uses of funds. The Board adopts the budget before the beginning of each FY. On June 13, 2022, the Board approved the FY 2022-23 budget. During the FY, all major budget revisions are presented to the Board for consideration and adoption. On a quarterly basis, financial results are provided to the Board, including all significant variances between actual performance and budget in the areas of revenue, staffing, operating expenditures, and capital expenditures.

Orange County Economy

Unemployment Rates

The unemployment rate in Orange County decreased from June 2021 and was less than the statewide and national rate as of June 2022. The unemployment rate in Orange County was 2.9 percent in June 2022, compared to 6.9 percent in June 2021. Statewide unemployment was 4.2 percent and national unemployment was 3.6 percent as of June 2022.

Between June 2021 and June 2022, the total non-farm employment increased by 78,800 jobs, or 4.9 percent. The most substantial increase in Orange County was in the leisure and hospitality sector adding 37,600 jobs followed by professional and business services sector adding 10,600 jobs. Mining and logging did not have any employment changes over the year.

Residential Sector

After decreasing by 17 percent in FY 2021, total residential permits decreased by 6.5 percent in FY 2022 (single family permits increased by 5.8 percent, and multi-family permits decreased by 17.6 percent). The decrease is due to the high mortgage rates that disqualified many families from getting a mortgage loan, leading to lower demand for housing. Today, a home listed at \$75,000 - \$1 million is expected to be on the market for an average of 66 days, compared to 23 days a year ago. Single family home prices have decreased from a high of \$1,325,000 in April 2022, to \$1,265,000 in June 2022, a decrease of \$60,000 in two months. Demand is expected to remain weak for the rest of the year, and prices are expected to further decrease.

Sales Tax

OCTA made a strong bounce back in sales tax receipts for FY 2021-22. Sales tax revenues for both Measure M2 (M2) and the Local Transportation Fund (LTF) are anticipated to increase in FY 2022-23 as well. Based on the forecast provided by MuniServices, LLC, sales tax revenue is estimated to increase by 3.9 percent for M2 and 3.5 percent for LTF in FY 2022-23. Other major revenue sources are expected to increase as well, such as farebox, State Transit Assistance Funds, and Express Lanes revenues.

Long-Term Financial Planning

In an effort to ensure long-term sustainability of transportation programs and services, OCTA updates the Comprehensive Business Plan (CBP) annually and seeks Board approval every two years. The FY 2020-21 CBP was approved by the Board at the April 26, 2021, meeting. The CBP is a financially constrained business planning tool providing a 20-year cash flow for each of OCTA's transportation programs and serves as the baseline for developing the annual budget. The CBP details a comprehensive, multimodal approach ensuring the financial viability of each of OCTA's major programs and is developed consistent with the goals of OCTA's Strategic Plan, Long-Range Transportation Plan, and Next 10 Delivery Plan (Next 10 Plan). The FY 2022-23 CBP is scheduled to be presented to the Board in December 2022.

Relevant Financial Policies

OCTA utilizes several financial policies in guiding day-to-day operations and ensuring long-term financial sustainability. While there are overriding agency-wide financial policies, some financial policies are program-specific.

A brief description of the major financial policies follows on the next page:

Budget Policy

OCTA's Budget Policy articulates that an annual budget will be prepared in accordance with the CBP, will be subject to a public hearing, and expenses will be controlled at the "Major Object" level. The three Major Objects for expenses at OCTA are: 1) salaries and benefits; 2) services and supplies; and 3) capital expenditures.

Position Control Policy

OCTA's Position Control Policy includes the control, maintenance, and reporting of OCTA's annual allocation of full-time equivalent (FTE) positions as approved by the Board. The Position Control Policy ensures that OCTA does not actively employ more FTEs than approved by the Board.

Reserve Policy

OCTA has a Board-adopted Reserve Policy that formalizes OCTA's reserve policies and practices with the goal of keeping programs and projects funded in times of economic uncertainty. This policy was updated in March 2022 to add a long-term operating reserve for the bus program.

Bus Program

Short-Term Operating Reserve (STOR) Policy

OCTA maintains a 60-day STOR for bus operations. This reserve is in place to accommodate normal fluctuations in revenues and expenditures and protects against significant changes in funding or major expense items.

Long-Term Operating Reserve (LTOR) Policy

The LTOR is to be funded after both the short-term operating reserve and Capital Replacement Fund are fully funded. There is no target for the LTOR, and the funds are to be drawn solely to support bus operations unless needed to fully fund the STOR or Capital Replacement Fund (CRF).

CRF Reserve Policy

OCTA also maintains a CRF for the Bus Program, which is used to fund the rehabilitation and replacement of its capital assets without the need for debt financing. The CRF allows OCTA to avoid debt service expenditures and instead maximize the amount of revenue available for service. Funding for the CRF is determined through OCTA's CBP and executed through the annual budget and ensures OCTD's future capital expenditures are fully funded.

91 Express Lanes

The 91 EL has five reserve accounts which include two reserve accounts internal to OCTA and three reserve accounts required as part of the 91 EL outstanding debt. The two reserve accounts internal to OCTA include a 91 EL CRF and a 91 EL Excess Revenue Fund (ERF). The 91 EL CRF is fully funded and used to fund the rehabilitation and replacement of the 91 EL capital assets without the need for additional debt financing. Similar to the Bus Program, funding for the 91 EL CRF is determined through OCTA's CBP on an annual basis. The 91 EL ERF is to be used to fund future State Route 91 (SR-91) corridor improvements. The 91 EL excess revenues are to be allocated 80 percent for freeway projects and 20 percent for transit projects.

Three reserve accounts are required as part of the 91 EL outstanding debt to protect bondholders. The three reserve accounts are held in trust for the benefit of the repayment of the bonds and include a debt service reserve fund, an operating reserve, and a capital reserve. Each of the reserve accounts is fully funded and will remain so until the debt is retired.

Major Initiatives

Orange County voters originally endorsed Measure M (M1), a one-half cent sales tax for transportation improvements, in 1990 with a sunset in 2011. On November 7, 2006, by a margin of 69.7 percent, voters approved the renewal of M2. With the approval of M2, local tax dollars will continue to be invested in Orange County's transportation infrastructure for another 30 years until 2041.

The OCTA Board has continued to advance implementation of M2 through the adoption of a series of delivery plans. These delivery plans are designed to ensure the delivery of projects and programs through 2041 as promised to the voters, bring transportation improvements earlier to residents and commuters of Orange County, and, as appropriate, address slower growth in sales tax revenue projections through strategic financing, and by successfully capturing and augmenting the program with external revenues. To date, there have been three delivery plans. The most recent is the Next 10 Plan, which was initially approved by the Board in 2016. The most recent 2021 update of the Next 10 Plan was approved in December 2021 and spans the FY 2020-21 through FY 2029-30 timeframe.

In FY 2021-22, OCTA continued to move Orange County forward with M2 projects and other notable accomplishments, including:

- In December 2021, the Board approved the 2021 Next 10 Plan, which incorporated the 2021 M2 sales tax revenue forecast of \$13.2 billion, updated programmed external revenues, revised bonding assumptions, and refined project schedules and costs. The 2021 update confirmed that the Next 10 Plan and the overall 30-year M2 Program remains deliverable.
- The Measure M2 Taxpayer Oversight Committee determined that OCTA is delivering Measure M2 projects and programs as promised to Orange County voters for the 31st consecutive year.
- Following the approval of the final environmental document and project report for the Interstate 5 (I-5) (Interstate 405 [I-405] to State Route 55 [SR-55]) Improvement Project in early 2020, the project was split into two segments at Yale Avenue. Design efforts began for the northerly segment in May 2021, and the southerly segment began in October 2021. Both segments are anticipated to complete design in 2024.
- Construction on all three segments of the I-5 (State Route 73 to El Toro Road) South County Improvement Project continued and is anticipated to be completed by late 2024.
- Major efforts continued on the SR-55 (I-405 to I-5) Improvement Project to prepare the project for construction. The project was advertised in December 2021, bid opening occurred in March 2022, and the construction contract was awarded in May 2022 and approved in June 2022. Despite concerns regarding the bid results in the current market, the approved contract was 0.8 percent below the engineer's estimate.
- The SR-55 (I-5 to SR-91) Improvement Project prepared for the design phase with the approval of the release for request for proposals for the preparation of plans, specifications, and estimates in September 2021 and award of the contract in February 2022.
- The State Route 57 (SR-57) (Orangewood Avenue to Katella Avenue) Improvement Project also prepared for and initiated the design phase. The contract was awarded in July 2021, with efforts underway as of May 2022.
- Design efforts for all three segments of the SR-91 (SR-57 to SR-55) Improvement Project continued and are anticipated to be completed by 2024.
- Construction on the \$2.08 billion I-405 Improvement Project continued. Of the 18 bridges that are being replaced and widened, nine bridges have

been completed and the remaining nine are in various stages of construction.

- Reset the interest rate to 1.95 percent on the \$629 million federal loan for the I-405 Improvement Project. This first-of-its kind reset will help save an additional \$158 million over the life of the loan.
- Issued Bond Anticipation Notes at 0.34 percent in lieu of immediately drawing on the federal loan for the I-405 Improvement Project which will save \$24 million over three years.
- The 2022 Regional Capacity Program call for projects (call) approved funding for nine projects totaling \$10.2 million. Since 2011, OCTA has awarded 173 projects totaling nearly \$350 million, including \$24 million in external funding.
- As part of the 2022 Regional Traffic Signal Synchronization Program call, approved funding for five projects totaling \$16.2 million. To date, OCTA and local agencies have synchronized more than 2,000 intersections (exceeding the M2 target) along more than 858 miles of streets through 96 corridors totaling \$157 million, including \$25.5 million in external funding.
- Improvements to the Anaheim Canyon Metrolink Station are underway. Construction is anticipated to be completed in early 2023.
- Construction on the OC Streetcar continues in the cities of Garden Grove and Santa Ana with rail track being laid on the streets and construction of the maintenance and storage facility. Vehicle manufacturing is underway by Siemens Mobility, Inc.
- In FY 2021-22, OCTA allocated more than \$13.5 million in M2 funds to expand mobility choices for seniors and persons with disabilities under Project U.
- To better support the Community-Based Transit Circulators in a post-pandemic environment, approved changes to the program in January 2021. Key revisions included modifying minimum performance standards and allowing for escalation in the subsidy per boarding and annual FY funding caps. Out of the 35 projects, 17 are currently active, ten have been cancelled (primarily due to low ridership), five are suspended (or not initiated) due to coronavirus, and three have been completed.

- The 91 EL and M2 programs have maintained strong ratings from the credit rating agencies. The ratings reflect consistent revenues and positive long-term prospects for both programs.
- The 91 EL has successfully distributed smaller sticker transponders that streamline the tolling process and completed a new back-office system installation for more transactional efficiency.
- Approved Environmental Cleanup Program allocations of \$2.7 million for ten projects selected through the 2021 Tier 1 call. Since 2011, OCTA has awarded 199 projects totaling approximately \$30 million. It is estimated that over 45.3 million gallons of trash have been captured as a result of the installation of Tier 1 devices.

Awards and Acknowledgments

For the 12th consecutive year, the National Procurement Institute awarded OCTA the Achievement of Excellence in Procurement® award based on outstanding innovation, professionalism, productivity, e-procurement, and leadership attributes.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCTA for its Annual Comprehensive Financial Report for the FY ended June 30, 2021. This was the 39th consecutive year OCTA or its predecessor agency received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized Annual Comprehensive Financial Report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the Annual Comprehensive Financial Report for the FY ended June 30, 2022, continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA, expecting it to be eligible for another certificate.

The preparation of the Annual Comprehensive Financial Report required the dedication of staff in many OCTA departments. We wish to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Special appreciation is extended to the Board for its support for maintaining the highest standards of professionalism in the management of OCTA's finances.

Respectfully submitted,



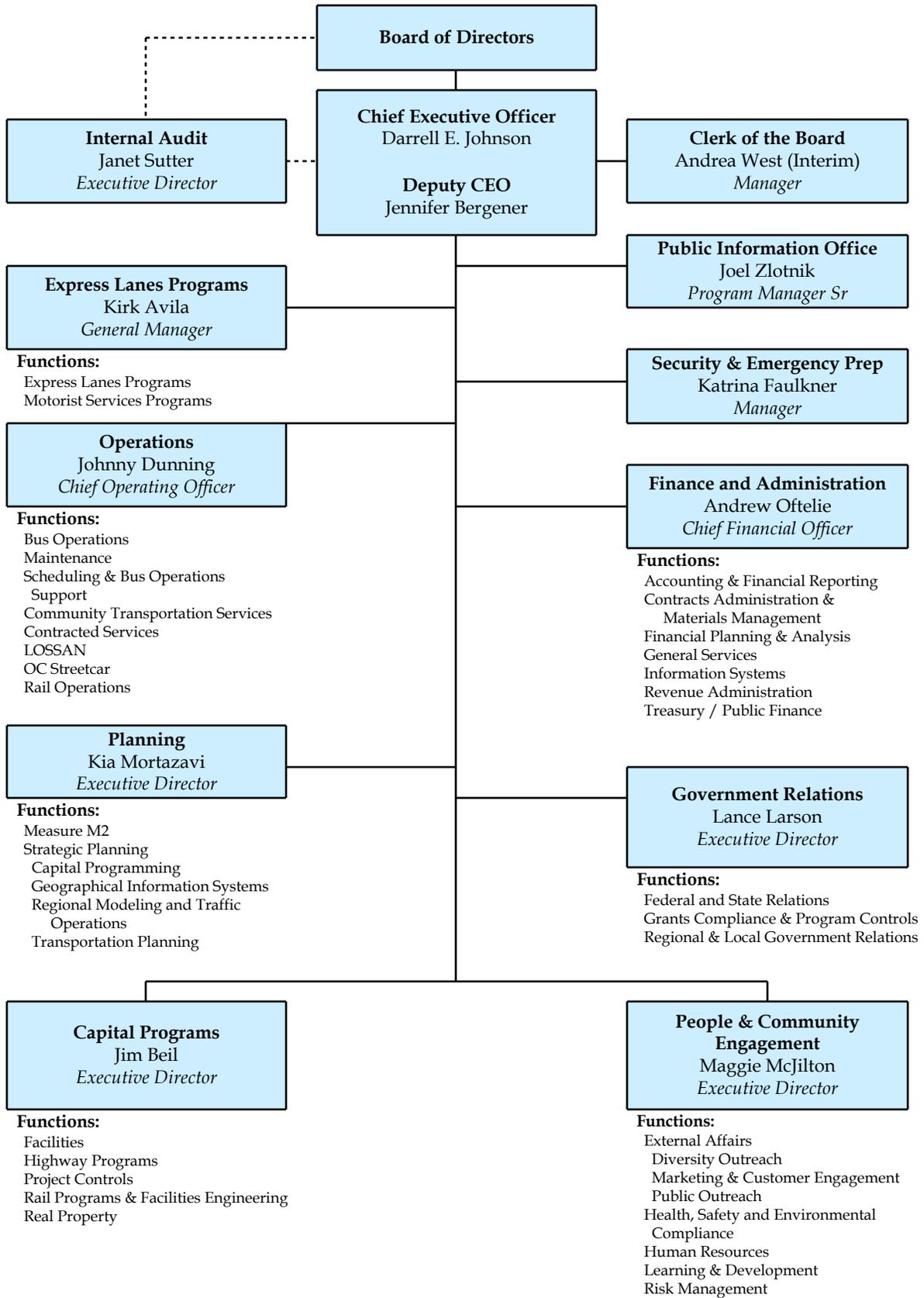
Darrell E. Johnson
Chief Executive Officer



Andrew Oftelie
Chief Financial Officer

ORANGE COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART



2022 BOARD OF DIRECTORS

Mark A. Murphy
Chairman
City Member, 3rd District



Gene Hernandez
Vice Chairman
City Member, 3rd District



Lisa A. Bartlett
Director
Supervisor, 5th District



Doug Chaffee
Director
Supervisor, 4th District



Barbara Delgleize
Director
City Member, 2nd District



Andrew Do
Director
Supervisor, 1st District



Katrina Foley
Director
Supervisor, 2nd District



Brian Goodell
Director
City Member, 5th District



Patrick Harper
Director
City Member, 2nd District



Michael Hennessey
Director
Public Member



Steve Jones
Director
City Member, 1st District



Fred Jung
Director
City Member, 4th District



Joe Muller
Director
City Member, 5th District



Tam Nguyen
Director
Public Member



Vicente Sarmiento
Director
City Member, 1st District



Donald P. Wagner
Director
Supervisor, 3rd District



TBD
Director
City Member, 4th District



Ryan Chamberlain
Governor's Ex-Officio
Member
Caltrans District 12
District Director

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT STAFF

Darrell E. Johnson	Chief Executive Officer
Jennifer Bergener	Deputy Chief Executive Officer
Andrea West	Interim Clerk of the Board
Janet Sutter	Executive Director, Internal Audit
James Donich	General Counsel

Kirk Avila	General Manager, Express Lanes Programs
Jim Beil	Executive Director, Capital Programs
Johnny Dunning	Chief Operating Officer, Operations
Katrina Faulkner	Manager, Security & Emergency Preparedness
Lance Larson	Executive Director, Government Relations
Maggie McJilton	Executive Director, People & Community Engagement
Kia Mortazavi	Executive Director, Planning
Andrew Oftelie	Chief Financial Officer, Finance and Administration
Joel Zlotnik	Program Manager Sr, Public Information Office

Sara Belovsky	Section Manager, General Services
Michael Cardoza	Manager, Cyber Security
Robert Davis	Manager, Treasury and Public Finance
Meena Katakia	Manager, Contracts Administration and Material Management
Sam Kaur	Manager, Revenue Administration
Georgia Martinez	Manager, Contracts Administration and Material Management
Sean Murdock	Director, Finance and Administration
Barry Reynolds	Manager, Information Systems & Operations Management
Lloyd Sullivan	Chief Information Officer, Information Systems
Rima Tan	Manager, Accounting and Financial Reporting
Pia Veepapen	Director, Contracts Administration and Materials Management
Victor Velasquez	Manager, Financial Planning and Analysis
Eden Wang	Manager, Project Management & Business Intelligence



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Orange County Transportation Authority
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

BUS



RAIL



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Audit of the Financial Statements

Opinions

We have audited 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 fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCTA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 8 to the financial statements, during the year ended June 30, 2022 OCTA adopted new accounting guidance, GASB Statement No. 87, *Leases*. The adoption resulted in recording lease receivable and deferred inflows of resources related to leases and a right-to-use lease asset and lease payable. There was no impact to net position as of July 1, 2021, as a result of adoption.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OCTA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OCTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the General Fund, Local Transportation Authority Special Revenue Fund, and Local Transportation Special Revenue Fund, and supplemental pension plan trend data and other postemployment benefit data, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCTA's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022 on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance.



Crowe LLP

Costa Mesa, California
November 16, 2022

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)
For the Fiscal Year Ended June 30, 2022**

As management of the Orange County Transportation Authority (OCTA), we offer readers of OCTA's financial statements this narrative overview and analysis of OCTA's financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages iii-xi and OCTA's financial statements that begin on page 18. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- As of June 30, 2022, OCTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2,073,962 (net position). Of this amount, \$808,045 or 39% represents net investment in capital assets; \$765,031 or 37% is restricted for specific purposes; and the remaining portion represents unrestricted net position of \$500,886 or 24%.
- OCTA's total net position increased \$215,962 during fiscal year 2021-22. The increase in net position from governmental activities of \$299,733 was primarily due to increased sales tax revenue exceeding the overall expenses resulting from Measure M program. The net position from business-type activities decreased by \$83,771 primarily due to increased costs related to continued I-405 Improvement project which was offset by increased user fees and charges revenues from the post-pandemic economic recovery.
- OCTA's governmental funds reported combined ending fund balances of \$1,426,281, a increase of \$184,196 or 15% compared to fiscal year 2020-21. Approximately 70% of the governmental fund balances represent Local Transportation Authority (LTA) amounts available for the Measure M program, including debt service. The increase of governmental fund balances was primarily attributable to increased sales tax revenue due to the economic recovery from COVID-19 pandemic, which offset by decreased interest and investment income.
- Long-term debt increased by \$335,286, compared to the prior fiscal year. The increase is primarily attributable to the issuance of 2021 BANs of \$662,820 as a short-term financing vehicle during the construction of the I-405 Improvement Project coupled with prepayment of TIFIA Loan.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OCTA's basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information and other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of OCTA's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of OCTA's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time,

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

increases or decreases in net position may serve as a useful indicator of whether OCTA's financial position is improving or deteriorating.

The statement of activities presents information showing how OCTA's net position changed during the fiscal year. All changes in net position 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 distinguish functions of OCTA that are principally supported by taxes and intergovernmental revenues, or governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, or business-type activities. The governmental activities of OCTA include general government, the Measure M program, motorist services and commuter rail. The business-type activities of OCTA include fixed route transit services, paratransit services, toll road operations and the OC Streetcar project.

The government-wide financial statements include only OCTA and its blended component units and can be found on pages 18-19 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 finance-related legal requirements. All of OCTA's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds 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 a government'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 government'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.

OCTA maintains nine individual governmental 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 OCTA's major governmental funds comprised of the General fund; LTA and LTF, which are special revenue funds; LTA Debt Service fund; and General Capital Project fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements in the other supplementary information section of this report.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OCTA adopts an annual budget for all funds. Budgetary comparison schedules have been provided for the General fund and the LTA and LTF special revenue funds as required supplementary information to demonstrate compliance with the annual appropriated budgets. The governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds consist of enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. OCTA uses enterprise funds to account for its transit, toll road, and streetcar operations. Internal service funds are an accounting mechanism used to accumulate and allocate costs internally to the departments benefiting from OCTA's risk management activities, which include general liability and workers' compensation. Since these risk management activities predominantly benefit business-type rather than governmental functions, they have been included within business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Orange County Transit District (OCTD), the 91 Express Lanes, and the I-405 Express Lanes which are considered as major enterprise funds of OCTA. Data from the other nonmajor enterprise funds such as OC Streetcar are presented separate. Additionally, data from the General Liability and Workers' Compensation internal service funds are combined into a single, aggregated presentation.

The proprietary fund financial statements can be found on pages 24-30 of this report.

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 31-80 of this report.

Other information is in addition to the basic financial statements and accompanying notes. This report also presents certain required supplementary information concerning OCTA's budgetary results for the General fund and major special revenue funds with appropriated budgets. Additionally, trend data for OCTA's pension plans and other postemployment benefits are included. Required supplementary information can be found on pages 81-87 of this report.

The combining statements of nonmajor governmental funds, nonmajor enterprise fund and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for the LTA Debt Service Fund and nonmajor governmental funds are located in this section. This other supplementary information can be found on pages 88-104 of this report.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2022, OCTA's assets and deferred outflows exceeded liabilities and deferred inflows by \$2,073,962.

Our analysis on the following pages focuses on net position (Table 1) and changes in net position (Table 2) of OCTA's governmental and business-type activities.

OCTA's net investment in capital assets was \$808,045, compared to \$721,357 in fiscal year 2020-21. OCTA's net position reflects its investment in capital assets (i.e., construction in progress; land; buildings and improvements; machinery, equipment and furniture; transit vehicles; intangible assets; and transponders), less any outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transit services to the residents and business community of Orange County. The increase of \$86,688 was primarily due to progress of OC Streetcar construction project.

Restricted net position, representing resources subjected to external restrictions on how they may be used, were 37% and 31% of the total net position at June 30, 2022 and 2021, respectively. In fiscal year 2021-22, the restricted net position increased by \$188,672 primarily due to the combination of the increase in the restricted net position from governmental activities of \$190,689 and the decrease of \$2,017 for business-type activities. The increase for governmental activities was contributed by the increased in funds restricted to Transportation program. The decrease for business-type activities was primarily related to the funds restricted for the State of Good Repair program.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. At the end of fiscal year 2021-22, OCTA's unrestricted net position was \$500,886, a decrease of \$59,398 from the prior fiscal year. The decrease was mainly due to business-type activities related to I-405 Express Lanes construction.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 1
Orange County Transportation Authority
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 1,063,317	\$ 861,227	\$ 1,088,229	\$ 864,920	\$ 2,151,546	\$ 1,726,147
Restricted assets	536,686	539,967	60,031	42,066	596,717	582,033
Prepaid retirement	12,744	12,877	22,357	22,833	35,101	35,710
Assets held for resale	15,965	10,940	—	—	15,965	10,940
Capital assets, net	529,536	433,782	741,928	638,665	1,271,464	1,072,447
Total assets	2,158,248	1,858,793	1,912,545	1,568,484	4,070,793	3,427,277
Deferred outflows of resources	11,784	14,456	23,390	28,587	35,174	43,043
Current liabilities	145,316	148,261	110,729	81,295	256,045	229,556
Long-term liabilities	719,566	744,417	920,885	569,109	1,640,451	1,313,526
Total liabilities	864,882	892,678	1,031,614	650,404	1,896,496	1,543,082
Deferred inflows of resources	50,199	25,353	85,310	43,885	135,509	69,238
Net position:						
Net investment in capital assets	501,053	433,782	306,992	287,575	808,045	721,357
Restricted	735,780	545,091	29,251	31,268	765,031	576,359
Unrestricted	18,118	(23,655)	482,768	583,939	500,886	560,284
Total net position	\$ 1,254,951	\$ 955,218	\$ 819,011	\$ 902,782	\$ 2,073,962	\$ 1,858,000

OCTA's total revenues increased by 16%, while the total costs of all programs increased by 3%. Major contributing factors for the increase of \$162,792 in total revenues are increase of \$87,104 in operating/capital grants and contributions, increase of \$125,612 in tax revenue, and increase of \$37,598 in charge for services resulting from economic recovery, offset by decrease of \$85,743 in unrestricted investment income resulting from unfavorable investment performance.

During fiscal year 2021-22, OCTA's total expenses increased \$31,422, which resulted mainly from costs related to freeway projects including the I-405 Improvement project under Measure M program and Bus program including fixed route and paratransit services. Approximately 54% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment income financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

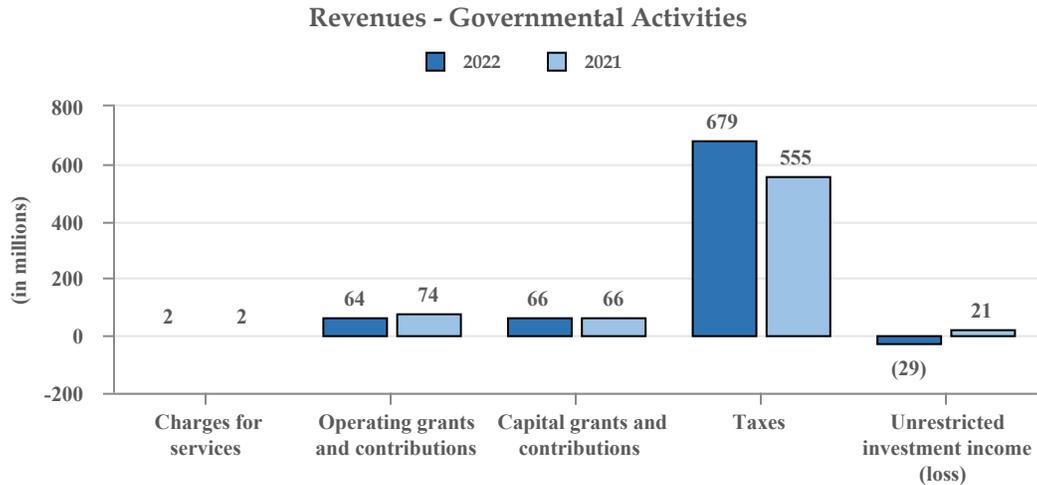
**Table 2
Orange County Transportation Authority
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 2,467	\$ 2,262	\$ 107,319	\$ 69,926	\$ 109,786	\$ 72,188
Operating grants and contributions	63,978	74,365	258,866	164,819	322,844	239,184
Capital grants and contributions	65,949	65,919	10,568	7,154	76,517	73,073
General revenues:						
Taxes	679,399	554,785	19,646	18,648	699,045	573,433
Unrestricted investment income (loss)	(27,383)	21,334	(32,167)	4,859	(59,550)	26,193
Other miscellaneous revenue	1,360	2,028	6,574	7,685	7,934	9,713
Total revenues	785,770	720,693	370,806	273,091	1,156,576	993,784
Expenses:						
General government	89,924	87,346	—	—	89,924	87,346
Measure M program	543,991	534,584	—	—	543,991	534,584
Motorist services	8,284	7,092	—	—	8,284	7,092
Commuter rail	194	47	—	—	194	47
Fixed route	—	—	179,877	174,441	179,877	174,441
Paratransit	—	—	88,131	75,431	88,131	75,431
Toll road	—	—	30,162	30,137	30,162	30,137
Taxicab administration	—	—	—	86	—	86
Fixed guideway	—	—	51	28	51	28
Total expenses	642,393	629,069	298,221	280,123	940,614	909,192
Indirect expense allocation	(52,347)	(48,485)	52,347	48,485	—	—
Increase (decrease) in net position before transfers	195,724	140,109	20,238	(55,517)	215,962	84,592
Transfers	104,009	(117,292)	(104,009)	117,292	—	—
Change in net position	299,733	22,817	(83,771)	61,775	215,962	84,592
Net position – beginning of year	955,218	932,401	902,782	841,007	1,858,000	1,773,408
Net position – end of year	\$ 1,254,951	\$ 955,218	\$ 819,011	\$ 902,782	\$ 2,073,962	\$ 1,858,000

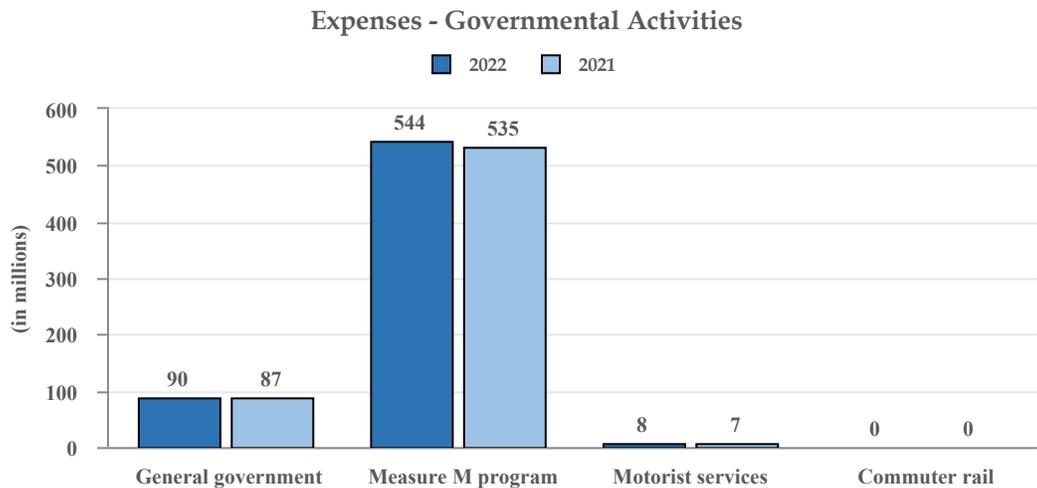
**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

Total revenues for OCTA's governmental activities increased \$65,077 primarily due to an increase in sales tax revenue of \$124,614 resulting from the economic recovery from the slowdown triggered by COVID-19 pandemic, offset by decrease of \$48,717 in unrestricted investment income.



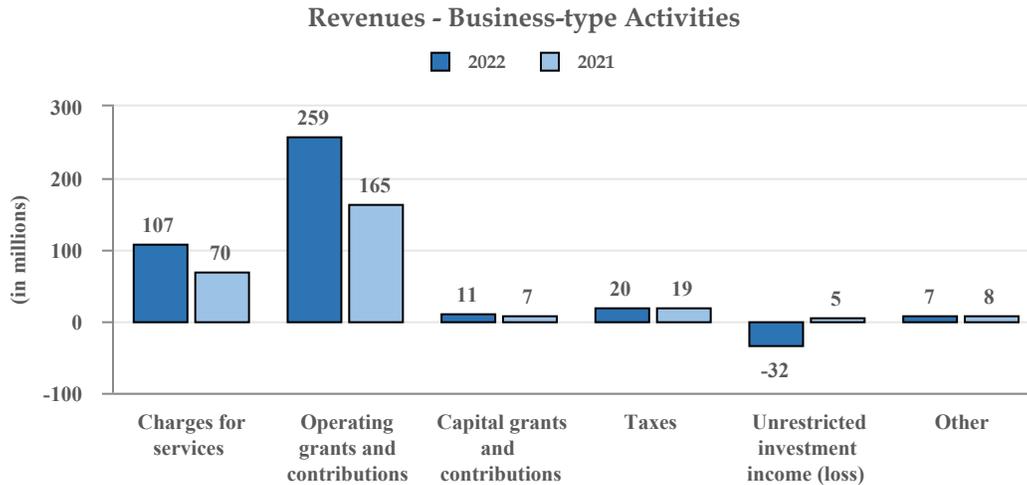
Total expenses for OCTA's governmental activities increased \$13,324 primarily due to an increase of \$9,407 in Measure M program costs related to freeway projects including the I-405 Improvement project.



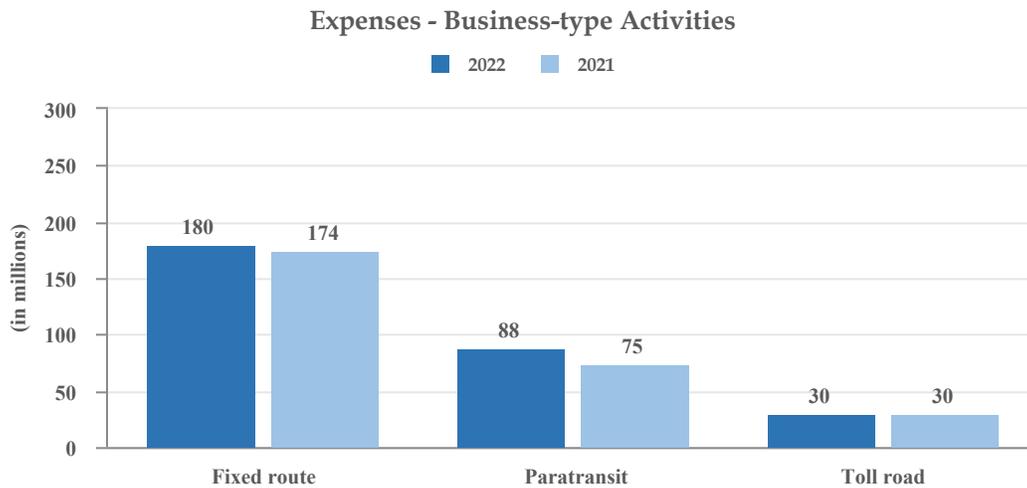
**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type Activities

Revenues of OCTA's business-type activities increased \$97,715 primarily due to an increase of \$97,461 in operating/capital grants and contributions relating to transit operations, along with an increase of \$37,393 in charge for services resulting from economic recovery, which is offset by a decrease of \$37,026 in investment income due to the unfavorable investment performance.



Total expenses related to business-type activities increased \$18,098 or 6%, which resulted from an increase in operating expenses related to bus programs including fixed route and paratransit services.



**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of OCTA's Funds

As noted earlier, OCTA uses fund accounting to ensure and demonstrate compliance with financial and legal requirements.

Governmental funds

The focus of OCTA's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing OCTA's financing requirements.

As of June 30, 2022, OCTA's governmental funds reported combined ending fund balances of \$1,426,281, a increase of \$184,196 compared to the prior fiscal year. Approximately 95% or \$1,355,678 of this amount is restricted, the majority of which relates to the Measure M program. \$52,504 represents the portion of fund balance that is not in a spendable form, such as notes receivable, prepaid retirement and advances for projects. \$25,759 is assigned for rail operations. The remainder of fund balance of \$(7,660) is unassigned.

Significant changes in the fund balances of OCTA's major governmental funds are as follows:

The General fund increased by \$6,780, primarily due to the other financing sources related to the land sale of Anaheim Regional Transportation Intermodal Center (ARTIC) project and the contributed resources from LTF fund to support transit operations, and exceeding expenditures over revenues for general government.

The LTA fund decreased by \$39,279 or 4%. The decrease is a result of increased costs related to continued I-405 Improvement project which was offset by increased sales tax revenue from the post-pandemic economic recovery. The other contributing factors of the decrease are the declined interest and investment income due to unfavorable market condition as well as continued contribution to the Capital Project fund to support the OC Streetcar project.

The LTF fund increased by \$201,042, primarily resulting from the combination of increased sales tax revenue and decreased contribution to OCTD fund for planning, paratransit and operating expenses per provisions of the Transportation Development Act (TDA).

The LTA Debt Service fund increased by \$3,780, which is mainly due to Build America Bonds (BAB) subsidy from the Internal Revenue Service offset by transfers back to LTA fund received from the LTA fund in excess of debt service payments.

Proprietary funds

OCTA's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the enterprise funds totaled \$789,224 at June 30, 2022 compared to \$873,964 at June 30, 2021. Following are the significant changes in net position of OCTA's major proprietary funds:

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The OCTD fund net position at June 30, 2022 was \$736,440. During fiscal year 2021-22, the total net position increased \$39,501, primarily resulting from an increase in operating grants and contributions relating to transit operations, along with an increase in user fees and charge for services resulting from economic recovery.

The 91 Express Lanes fund net position for fiscal year 2021-22 increased \$16,407 or 6%. The increase is due mainly to increased user fees and charges.

General Fund Budgetary Highlights

Revenues

The primary sources of revenues for the general fund are from federal, state, and local sources. Actual revenues were \$986 less than the final budget of \$20,549. This is primarily due to OCTA receiving \$5,265 less in contributions from other agencies resulting from lower than anticipated State operating assistance and reimbursement from LOSSAN offset by receiving \$3,814 higher than the final budget in allocated investment income. In addition, capital assistance grants were \$446 more than the final budget. Most of the grant revenues are associated with active transportation projects such as bikeway and pedestrian facilities projects which were not completed in fiscal year 2021-22 and corresponding grant revenue could not be sought.

Expenditures

Actual expenditures were \$17,428 lower than the final budget of \$43,264. This is primarily due to a lower than anticipated general fund cost allocation which was required \$4,051 less than budgeted based on general fund expenses throughout the fiscal year. This was offset by all the other expenditure categories being lower than budgeted. Salaries and benefits expenses were \$3,189 less than the final budget, primarily due to vacancies. Capital outlay underrun by \$6,118, which resulted mainly from capital project costs relating to Enterprise Asset Management System Replacement project. Primarily due to timing, the majority of this budget has been carried over in fiscal year 2022-23.

Capital Assets

As of June 30, 2022, OCTA had \$1,271,464, net of accumulated depreciation, invested in a broad range of capital assets including: land, buildings, transit vehicles, toll facility franchise, construction in progress, and machinery, equipment and furniture (Table 3).

During fiscal year 2021-22, OCTA's capital assets increased by \$199,017. Capital assets related to governmental activities increased by \$95,754. This increase is due primarily to the on-going construction activities on the OC Streetcar project. Capital assets related to business-type activities increased by \$103,263, which resulted mainly from construction in progress related to the I-405 Express Lanes project.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 3
Orange County Transportation Authority
Capital Assets, net of depreciation**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 172,236	\$ 172,236	\$ 57,106	\$ 57,106	\$ 229,342	\$ 229,342
Right-of-way improvements	7,300	7,300	—	—	7,300	7,300
Buildings and improvements	694	426	57,889	60,667	58,583	61,093
Transit vehicles	—	—	104,047	99,740	104,047	99,740
Machinery, equipment and furniture	2,778	3,163	18,914	21,258	21,692	24,421
Intangible right-to-use (building)	27,786	—	3,318	—	31,104	—
Intangible right-to-use (equipment)	103	—	—	—	103	—
Toll facility franchise	—	—	112,522	115,108	112,522	115,108
Construction in progress	318,639	250,657	388,132	284,786	706,771	535,443
Total	\$ 529,536	\$ 433,782	\$ 741,928	\$ 638,665	\$ 1,271,464	\$ 1,072,447

Major capital asset additions during the fiscal year included:

- \$87,184 for the I-405 Express Lanes project
- \$66,792 for the OC Streetcar project

Major capital asset deletions during the fiscal year included:

- \$13,075 for revenue vehicles retirement
- \$4,992 SR91 transponder write-off

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$389,461 for the I-405 Improvement project, \$128,414 for the OC Street project, \$138,045 for the I-5 freeway widening construction project, \$17,154 for SR91 and I-405 express lane toll collection project, \$10,776 for the Anaheim Canyon Metrolink Improvement project, and \$18,410 for the SR-55 Widening project.

More detailed information about OCTA's capital assets is presented in note 7 to the financial statements.

Long-term Debt Administration

As of June 30, 2022, OCTA had \$1,351,505 in long-term debt outstanding compared to \$1,016,219 on June 30, 2021, as presented in Table 4. The increase of \$335,286 is primarily attributable to the issuance of Bond Anticipation Notes (BAN) of \$662,820 offset by the TIFIA loan pay-off of \$312,329 as a result of the rate reset of 2017 TIFIA Loan (2021 TIFIA Loan), which occurred on September 9, 2021. OCTA prepaid the amount of funds drawn to date on the 2017

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

TIFIA Loan, plus accrued interest, totaling \$314,000 (Prepayment), to the United States Department of Transportation to close the transaction.

**Table 4
Orange County Transportation Authority
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Sales tax revenue bonds	\$ 610,170	\$ 618,625	\$ —	\$ —	\$ 610,170	\$ 618,625
Revenue refunding bonds	—	—	78,515	85,265	78,515	85,265
TIFIA loan	—	—	—	312,329	—	312,329
BAN 2021 Series	—	—	662,820	—	662,820	—
Total	\$ 610,170	\$ 618,625	\$ 741,335	\$ 397,594	\$ 1,351,505	\$ 1,016,219

OCTA's long-term debt is rated by Standard & Poor's, Moody's, and Fitch. As of June 30, 2022, the ratings are as follows:

	Standard & Poor's	Moody's	Fitch
M2 Sales Tax Revenue Bonds	AA+	Aa2	AA+
Toll Road Revenue Refunding Bonds	AA-	A1	A+
TIFIA Loan	n/a	Baa2	n/a
BAN 2021 Series	AA	Aa3	n/a

Additional information on OCTA's long-term debt can be found in note 10 to the financial statements.

Economic and Other Factors

The Board of Directors (Board) adopted the fiscal year 2022-23 budget on June 13, 2022. The \$1.65 billion budget was developed in accordance with the goals of the Board and the Chief Executive Officer. This balanced budget is a result of OCTA's ongoing effort to deliver innovative, equitable, and sustainable transportation solutions to Orange County residents and visitors.

As we continue to emerge from the pandemic, OCTA anticipates growth for both local and State sales taxes in the coming year. In fiscal year 2022-23, the growth rate for the Measure M2 (M2) sales tax is forecasted to be 3.9 percent. The growth rate for the Transportation Development Act sales tax, which supports bus operations, is forecasted to be 3.5 percent.

Under the voter-approved M2 Program, improvements to freeways, streets and roads, and transit programs will continue. Included in the M2 Program budget is \$385 million to fund freeway improvement projects and \$165 million is budgeted to improve streets and roads. The budget also includes \$59 million for M2 Transit programs with \$38 million for ongoing construction of the OC Streetcar, the county's first modern electric streetcar.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

In fiscal year 2022-22, the budget to support the Bus Program is \$677 million. The budget includes bus purchases of up to 134, near zero-mission of 40-foot buses, 131 22-foot buses, and ten 22-foot electric buses. as ridership continues to rebound, the budget has the capacity to support bus service levels of up to 1.6 million service hours.

Federal supplemental revenue will continue to provide OCTA the ability to sustain current Metrolink service levels, which include 55 weekday trips and 16 weekend trips within Orange County. And, with employment and economic activity rebounding, usage of the 91 Express Lanes is expected to increase to 19.7 million trips in fiscal year 2022-23.

The fiscal year 2022-23 budget delivers on the Board's Initiatives and demonstrates OCTA's responsibility to the community in providing a balanced and sustainable multimodal transportation network, which keeps the residents of Orange County moving safely.

Contacting OCTA's Management

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2022

<i>(amounts expressed in thousands)</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 827,971	\$ 949,432	\$ 1,777,403
Receivables:			
Interest	2,004	2,449	4,453
Operating grants	26,793	102,745	129,538
Capital grants	9,143	693	9,836
Other	237	13,334	13,571
Internal balances	(9,209)	9,209	-
Due from other governments	157,112	3,373	160,485
Condemnation deposits	30,853	444	31,297
Lease receivables	481	293	774
Note receivable	9,359	-	9,359
Inventory	-	4,556	4,556
Restricted cash and investments:			
Cash equivalents	-	60,031	60,031
Investments	536,686	-	536,686
Prepaid retirement	12,744	22,357	35,101
Other assets	8,573	1,701	10,274
Assets held for resale	15,965	-	15,965
Capital assets, net:			
Nondepreciable	490,875	445,238	936,113
Depreciable and amortizable	38,661	296,690	335,351
Total Assets	2,158,248	1,912,545	4,070,793
Deferred Outflows of Resources			
Deferred charge on refunding	1,291	5,663	6,954
Deferred outflows - pensions	10,263	17,663	27,926
Deferred outflows - OPEB	230	64	294
Total Deferred Outflows of Resources	11,784	23,390	35,174
Liabilities			
Accounts payable	96,731	72,410	169,141
Accrued payroll and related items	1,967	6,432	8,399
Accrued interest payable	13,033	1,454	14,487
Due to other governments	32,811	3,033	35,844
Unearned revenue	707	27,344	28,051
Other liabilities	67	56	123
Noncurrent liabilities:			
Due within one year	23,845	18,743	42,588
Due in more than one year	687,020	834,911	1,521,931
Total OPEB liability	791	1,717	2,508
Net pension liability	7,910	65,514	73,424
Total Liabilities	864,882	1,031,614	1,896,496
Deferred Inflows of Resources			
Deferred inflows - pensions	49,607	84,755	134,362
Deferred inflows - OPEB	121	280	401
Deferred inflows - leases	471	275	746
Total Deferred Inflows of Resources	50,199	85,310	135,509
Net Position			
Net investment in capital assets	501,053	306,992	808,045
Restricted for:			
Measure M program	309,408	-	309,408
Measure M - Environmental Mitigation Program	19,333	-	19,333
Debt service	24,162	701	24,863
Transportation program	365,524	-	365,524
Pension benefits	17,353	-	17,353
Capital	-	10,648	10,648
Operating reserve	-	3,194	3,194
State of Good Repair Program	-	14,708	14,708
Unrestricted	18,118	482,768	500,886
Total Net Position	\$ 1,254,951	\$ 819,011	\$ 2,073,962

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Program Revenues					Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs								
Primary government								
Governmental activities:								
General government	\$ 89,924	\$ (79,017)	\$ 1,094	\$ 10,788	\$ 65,949	\$ 66,924	\$ —	\$ 66,924
Measure M program	543,991	25,269	1,370	47,180	—	(520,710)	—	(520,710)
Motorist services	8,284	1,378	—	5,968	—	(3,694)	—	(3,694)
Commuter rail	194	23	3	42	—	(172)	—	(172)
Total governmental activities	642,393	(52,347)	2,467	63,978	65,949	(457,652)	—	(457,652)
Business-type activities:								
Fixed route	179,877	47,053	37,647	257,888	10,568	—	79,173	79,173
Paratransit	88,131	—	4,824	—	—	—	(83,307)	(83,307)
Tollroad	30,162	4,429	64,848	978	—	—	31,235	31,235
Fixed guideway	51	865	—	—	—	—	(916)	(916)
Total business-type activities	298,221	52,347	107,319	258,866	10,568	—	26,185	26,185
Total primary government	\$ 940,614	\$ —	\$ 109,786	\$ 322,844	\$ 76,517	(457,652)	26,185	(431,467)
General Revenues:								
Property taxes						—	19,646	19,646
Sales taxes						679,399	—	679,399
Unrestricted investment loss						(27,383)	(32,167)	(59,550)
Other miscellaneous revenue						1,360	6,574	7,934
Transfers						104,009	(104,009)	—
Total general revenues and transfers						757,385	(109,956)	647,429
Change in net position						299,733	(83,771)	215,962
Net position - beginning						955,218	902,782	1,858,000
Net position - ending						\$ 1,254,951	\$ 819,011	\$ 2,073,962

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Funds
June 30, 2022

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	LTA Debt Service	General Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 53,915	\$ 449,105	\$ 268,764	\$ 24,150	\$ 2,410	\$ 33,129	\$ 831,473
Receivables:							
Interest	(88)	1,691	305	12	2	81	2,003
Operating grants	1,349	25,445	—	—	—	—	26,794
Capital grants	—	—	—	—	9,143	—	9,143
Other	10	222	—	—	—	5	237
Due from other funds	711	2,037	—	—	4,411	—	7,159
Due from other governments	1,101	101,069	39,153	2,126	—	13,663	157,112
Condemnation deposits	—	30,853	—	—	—	—	30,853
Note receivable	5,409	2,392	—	—	—	1,558	9,359
Restricted cash and investments:							
Investments	17,353	519,333	—	—	—	—	536,686
Prepaid retirement	12,744	—	—	—	—	—	12,744
Other assets	204	711	—	—	7,658	—	8,573
Total Assets	92,708	1,132,858	308,222	26,288	23,624	48,436	1,632,136
Liabilities and Fund Balances							
Liabilities							
Accounts payable	3,828	73,359	25	—	18,701	818	96,731
Accrued payroll and related items	1,967	—	—	—	—	—	1,967
Compensated absences	61	—	—	—	—	—	61
Due to other funds	—	5,065	378	—	—	12,077	17,520
Due to other governments	22	31,917	234	—	601	37	32,811
Unearned revenue - other	572	135	—	—	—	—	707
Other liabilities	48	17	—	—	—	—	65
Total Liabilities	6,498	110,493	637	—	19,302	12,932	149,862
Deferred Inflows of Resources							
Unavailable revenue - grant reimbursements	527	35,384	—	—	4,322	—	40,233
Unavailable revenue - reimbursements from others and other misc revenue	688	6,778	—	2,126	—	1,093	10,685
Unavailable revenue - ARTIC	5,075	—	—	—	—	—	5,075
Total Deferred Inflows of Resources	6,290	42,162	—	2,126	4,322	1,093	55,993
Fund Balances							
Nonspendable:							
Note receivable	334	—	—	—	—	—	334
Prepaid retirement	12,744	—	—	—	—	—	12,744
Other assets - deposits, inventory, prepaid amounts	204	31,564	—	—	7,658	—	39,426
Restricted for:							
Transportation programs	23,528	948,639	307,585	—	—	31,118	1,310,870
Motorist services	—	—	—	—	—	3,293	3,293
Debt service	—	—	—	24,162	—	—	24,162
Pension benefits	17,353	—	—	—	—	—	17,353
Assigned to:							
Metrolink/rail operations	25,759	—	—	—	—	—	25,759
Unassigned	(2)	—	—	—	(7,658)	—	(7,660)
Total Fund Balances	79,920	980,203	307,585	24,162	—	34,411	1,426,281
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 92,708	\$ 1,132,858	\$ 308,222	\$ 26,288	\$ 23,624	\$ 48,436	\$ 1,632,136

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Net Position (page 18) are different because:

Total fund balances (page 20)	\$ 1,426,281
Lease principal payments made and received are not reported in the funds.	(3,503)
Lease receivables related to leases are not financial resources and, therefore are not reported in the funds.	481
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	501,053
Assets held for resale are not current financial resources and, therefore, are not reported in the funds, unless a sales contract is executed prior to the issuance of the financial statements.	15,965
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.	55,993
Deferred outflows of resources related to deferred charge on refunding are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	1,291
Deferred outflows of resources related to pensions are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	10,263
Deferred outflows of resources related to OPEB are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	230
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.	1,152
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.	(13,033)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(791)
Long-term liabilities related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.	(7,910)
Deferred inflows of resources related to pensions and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.	(49,728)
Deferred inflows of resources related to leases are not due and payable in the current period and, therefore, are not reported in the funds.	(471)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(682,322)
Net position of governmental activities (page 18)	\$ 1,254,951

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	LTA Debt Service	General Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Sales taxes	\$ —	\$ 424,897	\$ 215,741	\$ —	\$ —	\$ 38,761	\$ 679,399
Transportation improvement fee	—	1,239	—	—	—	6,342	7,581
Vehicle registration fees	—	—	—	—	—	2,896	2,896
Fines	182	—	—	—	—	—	182
Contributions from other agencies	9,128	26,288	—	—	12,881	3,306	51,603
Interest and investment income (loss)	1,525	(29,074)	(4,970)	3,598	—	(675)	(29,596)
Capital assistance grants	1,738	—	—	—	45,237	—	46,975
Miscellaneous	810	1,545	—	—	2	8	2,365
Total Revenues	13,383	424,895	210,771	3,598	58,120	50,638	761,405
Expenditures							
Current:							
General government	8,118	80,323	1,849	—	1,957	9,636	101,883
Transportation:							
Contributions to other local agencies	4,315	96,816	2,959	—	—	—	104,090
Capital outlay	1,987	366,242	—	—	67,271	42	435,542
Debt service:							
Principal	—	—	—	8,455	—	—	8,455
Interest	437	—	—	35,371	—	—	35,808
Total Expenditures	14,857	543,381	4,808	43,826	69,228	9,678	685,778
Excess (deficiency) of revenues over (under) expenditures	(1,474)	(118,486)	205,963	(40,228)	(11,108)	40,960	75,627
Other financing sources (uses)							
Transfers in	4,921	152,465	—	49,706	10,904	—	217,996
Transfers out	—	(74,485)	(4,921)	(5,698)	—	(28,883)	(113,987)
Proceeds from sale of capital assets	3,333	1,227	—	—	—	—	4,560
Total other financing sources (uses)	8,254	79,207	(4,921)	44,008	10,904	(28,883)	108,569
Net change in fund balances	6,780	(39,279)	201,042	3,780	(204)	12,077	184,196
Fund balances - beginning	73,140	1,019,482	106,543	20,382	204	22,334	1,242,085
Fund balances - ending	\$ 79,920	\$ 980,203	\$ 307,585	\$ 24,162	\$ —	\$ 34,411	\$ 1,426,281

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 19) are different because:

Net change in fund balances - total governmental funds (page 22)	\$ 184,196
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, or allocated to the appropriate functional expense when the cost does not meet the capitalization criteria based on the ownership of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	63,592
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, and donations) is to increase net position.	2,225
Donations and/or sales related to land held for resale are not reported as revenues in governmental funds, unless a sales contract is executed prior to the issuance of the financial statements. However, they are included in the Statement of Activities.	(200)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds, but are reported as deferred inflows of resources.	23,086
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 has an effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are 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.	11,695
The rent holiday related to the administrative headquarters building does not require the use of current financial resources, and therefore, is not reported as an expenditure in governmental funds.	220
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	14,585
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.	334
Change in net position of governmental activities (page 19)	<u>\$ 299,733</u>

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Position
Proprietary Funds
June 30, 2022

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor- OC Streetcar	Total Enterprise Funds	Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 542,434	\$ 227,302	\$ 130,315	\$ —	\$ 900,051	\$ 49,381
Receivables:						
Interest	1,882	395	—	—	2,277	174
Operating grants	102,745	—	—	—	102,745	—
Capital grants	693	—	—	—	693	—
Violations, net	—	1,967	—	—	1,967	—
Farebox	162	—	—	—	162	—
Other	2,313	1,520	—	—	3,833	471
Due from other funds	12,530	—	—	—	12,530	—
Due from other governments	2,598	775	—	—	3,373	—
Condemnation deposits	—	—	444	—	444	—
Lease receivables	131	—	—	—	131	—
Inventory	4,556	—	—	—	4,556	—
Prepaid retirement	22,357	—	—	—	22,357	—
Other assets	55	336	—	—	391	1,311
Total current assets	692,456	232,295	130,759	—	1,055,510	51,337
Noncurrent assets:						
Restricted cash and investments:						
Cash equivalents	14,708	25,342	19,982	—	60,032	—
Long-term violation receivables, net	—	6,903	—	—	6,903	—
Lease receivables	162	—	—	—	162	—
Capital assets, net:						
Nondepreciable	71,758	9,441	364,039	—	445,238	—
Depreciable and amortizable	178,926	117,761	4	—	296,691	—
Total noncurrent assets	265,554	159,447	384,025	—	809,026	—
Total Assets	958,010	391,742	514,784	—	1,864,536	51,337
Deferred Outflows of Resources						
Deferred charge on refunding	—	5,663	—	—	5,663	—
Deferred outflows - pensions	17,663	—	—	—	17,663	—
Deferred outflows - OPEB	64	—	—	—	64	—
Total Deferred Outflows of Resources	17,727	5,663	—	—	23,390	—

ORANGE COUNTY TRANSPORTATION AUTHORITY

**Statement of Net Position
Proprietary Funds, Continued
June 30, 2022**

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor-OC Streetcar	Total Enterprise Funds	Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	\$ 50,118	\$ 8,919	\$ 12,337	\$ —	\$ 71,374	\$ 1,036
Accrued payroll and related items	6,432	—	—	—	6,432	—
Accrued interest	—	1,454	—	—	1,454	—
Due to other funds	133	2,037	—	—	2,170	—
Claims payable	—	—	—	—	—	3,575
Due to other governments	1,302	994	737	—	3,033	—
Unearned revenue	20,071	7,268	5	—	27,344	—
Other liabilities	2	54	—	—	56	—
Current portion of long-term liabilities	7,592	7,095	—	—	14,687	—
Lease liabilities	—	350	—	—	350	—
Total current liabilities	85,650	28,171	13,079	—	126,900	4,611
Noncurrent liabilities:						
Claims payable	—	—	—	—	—	15,782
Total OPEB liability	1,717	—	—	—	1,717	—
Net pension liability	65,514	—	—	—	65,514	—
Other long-term liabilities	1,106	76,867	738,244	—	816,217	—
Lease liabilities	—	3,044	—	—	3,044	—
Total noncurrent liabilities	68,337	79,911	738,244	—	886,492	15,782
Total Liabilities	153,987	108,082	751,323	—	1,013,392	20,393
Deferred Inflows of Resources						
Deferred inflows - pensions	84,755	—	—	—	84,755	—
Deferred inflows - OPEB	280	—	—	—	280	—
Deferred inflows - leases	275	—	—	—	275	—
Total Deferred Inflows of Resources	85,310	—	—	—	85,310	—
Net Position						
Net investment in capital assets	250,684	56,308	—	—	306,992	—
Restricted for:						
Debt service	—	701	—	—	701	—
Capital	—	10,648	—	—	10,648	—
Operating reserves	—	3,194	—	—	3,194	—
State of Good Repair Program	14,708	—	—	—	14,708	—
Unrestricted	471,048	218,472	(236,539)	—	452,981	30,944
Total Net Position	\$ 736,440	\$ 289,323	\$ (236,539)	\$ —	\$ 789,224	\$ 30,944

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Net Position of Proprietary Funds
to the Statement of Net Position
June 30, 2022

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Net Position (page 18) are different because:

Total net position (page 25)	\$ 789,224
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Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in Business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund is included in this difference.

29,787

Net position of business-type activities (page 18)	<u><u>\$ 819,011</u></u>
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See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor-OC Streetcar	Total Enterprise Funds	Internal Service Funds
Operating revenues:						
User fees and charges	\$ 27,670	\$ 61,135	\$ —	\$ —	\$ 88,805	\$ —
Charges for services	—	—	—	—	—	15,791
Total operating revenues	27,670	61,135	—	—	88,805	15,791
Operating expenses:						
Wages, salaries and benefits	92,784	—	—	—	92,784	—
Maintenance, parts and fuel	22,644	—	—	—	22,644	—
Purchased services	77,397	6,149	—	—	83,546	—
Administrative services	46,778	3,003	1,427	865	52,073	275
Other	9,939	51	1,130	—	11,120	295
Insurance claims and premiums	18	470	—	—	488	10,968
Professional services	21,997	6,807	503	50	29,357	1,461
General and administrative	4,054	288	50	—	4,392	—
Depreciation and amortization	29,736	3,639	6	—	33,381	—
Total operating expenses	305,347	20,407	3,116	915	329,785	12,999
Operating income (loss)	(277,677)	40,728	(3,116)	(915)	(240,980)	2,792
Nonoperating revenues (expenses):						
State transit assistance	960	—	—	—	960	—
Federal operating assistance grants	254,719	—	—	—	254,719	—
Property taxes allocated by the County of Orange	19,646	—	—	—	19,646	—
Investment loss	(21,849)	(7,194)	(1,523)	—	(30,566)	(1,601)
Interest expense	—	(4,012)	(3,344)	—	(7,356)	—
Other	11,293	986	—	—	12,279	112
Total nonoperating revenues (expenses)	264,769	(10,220)	(4,867)	—	249,682	(1,489)
Income (loss) before contributions and transfers	(12,908)	30,508	(7,983)	(915)	8,702	1,303
Capital contributions	10,566	—	—	—	10,566	—
Transfers in	42,225	—	—	915	43,140	—
Transfers out	(382)	(14,101)	(132,665)	—	(147,148)	—
Change in net position	39,501	16,407	(140,648)	—	(84,740)	1,303
Total net position - beginning	696,939	272,916	(95,891)	—	873,964	29,641
Total net position - ending	\$ 736,440	\$ 289,323	\$ (236,539)	\$ —	\$ 789,224	\$ 30,944

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenses and
Changes in Net Position of Proprietary Funds to the Statement of Activities
For the Year Ended June 30, 2022

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Activities (page 19) are different because:

Net change in fund net position - total enterprise funds (page 27) \$ (84,740)

Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of the general liability and workers' compensation internal service funds are included in business-type activities in the Statement of Net Position. Additionally, the effect of allocating the workers' compensation Internal Service Fund loss to the governmental activities is included in this difference.

969

Change in net position of business-type activities (page 19) \$ (83,771)

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor- OC Streetcar	Totals	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 28,571	\$ 62,179	\$ —	\$ —	\$ 90,750	\$ —
Receipts from interfund services provided	—	—	—	—	—	15,748
Payments to suppliers	(104,633)	(14,509)	(1,549)	(50)	(120,741)	(1,067)
Payments to claimants	—	—	—	—	—	(10,491)
Payments to employees	(117,012)	—	—	—	(117,012)	—
Payments for interfund services used	(54,119)	(3,003)	(1,427)	(865)	(59,414)	(275)
Advertising revenue received	2,652	—	—	—	2,652	—
Miscellaneous revenue received	7,634	986	5	—	8,625	115
Net cash provided by (used for) operating activities	(236,907)	45,653	(2,971)	(915)	(195,140)	4,030
Cash flows from noncapital financing activities:						
Operating assistance grants received	161,539	—	—	—	161,539	—
Property taxes received	19,583	—	—	—	19,583	—
Reimbursement to other governments	—	(322)	—	—	(322)	—
State transit assistance funds received	925	—	—	—	925	—
Transfers from other funds	38,474	—	357	915	39,746	—
Transfers to other funds	(375)	(16,073)	(183,515)	—	(199,963)	—
Net cash provided by (used for) noncapital financing activities	220,146	(16,395)	(183,158)	915	21,508	—
Cash flows from capital and related financing activities:						
Capital grants for acquisition and construction of capital assets	22,528	—	—	—	22,528	—
Receipts for condemnation deposits related to capital	—	—	2,562	—	2,562	—
Proceeds from issuance of long term debt	—	—	753,608	—	753,608	—
Principal payment on long-term debt	—	(6,750)	(314,000)	—	(320,750)	—
Interest paid on long-term debt	—	(4,113)	(17,037)	—	(21,150)	—
Acquisition and construction of capital assets	(41,069)	(2,487)	(87,184)	—	(130,740)	—
Net cash provided by (used for) capital and related financing activities	(18,541)	(13,350)	337,949	—	306,058	—
Cash flows from investing activities:						
Investment loss	(22,147)	(7,253)	(1,523)	—	(30,923)	(1,615)
Net cash used by investing activities	(22,147)	(7,253)	(1,523)	—	(30,923)	(1,615)
Net increase (decrease) in cash and cash equivalents	(57,449)	8,655	150,297	—	101,503	2,415
Cash and cash equivalents at beginning of year	614,591	243,989	—	—	858,580	46,966
Cash and cash equivalents at end of year	\$ 557,142	\$ 252,644	\$ 150,297	\$ —	\$ 960,083	\$ 49,381

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds, Continued
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor- OC Streetcar	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (277,677)	\$ 40,728	\$ (3,116)	\$ (915)	\$ (240,980)	\$ 2,792
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	29,737	1,051	6	—	30,794	—
Amortization of franchise agreement	—	2,587	—	—	2,587	—
Advertising revenue	3,231	—	—	—	3,231	—
Miscellaneous	8,043	986	5	—	9,034	—
Insurance recoveries	—	—	—	—	—	113
Change in assets and liabilities:						
Receivables	(1,452)	(624)	—	—	(2,076)	3
Due from other governments	1,243	—	—	—	1,243	2
Inventory	(233)	—	—	—	(233)	—
Prepaid retirement	476	—	—	—	476	—
Other assets	135	(14)	—	—	121	(43)
Deferred outflows of resources related to pensions	4,445	—	—	—	4,445	—
Deferred outflows of resources related to OPEB	82	—	—	—	82	—
Accounts payable	24,292	(1,007)	134	—	23,419	394
Accrued payroll and related items	533	—	—	—	533	—
Compensated absences	(66)	—	—	—	(66)	—
Claims payable	—	—	—	—	—	769
Due to other governments	(4)	278	—	—	274	—
Unearned revenue	—	1,654	—	—	1,654	—
Other liabilities	—	14	—	—	14	—
Total OPEB liability	62	—	—	—	62	—
Net pension liability	(70,904)	—	—	—	(70,904)	—
Deferred inflows of resources related to pensions	41,259	—	—	—	41,259	—
Deferred inflows of resources related to OPEB	(109)	—	—	—	(109)	—
Total adjustments	40,770	4,925	145	—	45,840	1,238
Net cash provided by (used for) operating activities	\$ (236,907)	\$ 45,653	\$ (2,971)	\$ (915)	\$ (195,140)	\$ 4,030
Reconciliation of cash and cash equivalents to statement of net position:						
Cash and investments	\$ 542,434	\$ 227,302	\$ 130,315	\$ —	\$ 900,051	\$ 49,381
Restricted cash and cash equivalents	14,708	25,342	19,982	—	60,032	—
Total cash and cash equivalents	\$ 557,142	\$ 252,644	\$ 150,297	\$ —	\$ 960,083	\$ 49,381
Noncash capital, financing and investing activities:						
Investment loss	\$ 245	\$ 41	\$ —	\$ —	\$ 286	\$ 10
Amortization of bond premium	—	(644)	—	—	(644)	—
Amortization of deferred amount on refunding	—	670	—	—	670	—
Accreted interest on TIFIA loan	—	—	(1,673)	—	(1,673)	—
Capital assets accrued in accounts payable	—	—	11,487	—	11,487	—

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022
(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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 the following agencies and funds:

- Orange County Transportation Commission (OCTC)
- Orange County Transit District (OCTD)
- Orange County Local Transportation Fund (LTF)
- Orange County Unified Transportation Trust (OCUTT)
- Transit Development Reserve
- Orange County Local Transportation Authority (LTA)
- State Transit Assistance Fund (STAF)
- Orange County Service Authority for Freeway Emergencies (SAFE)
- Orange County Consolidated Transportation Services Agency (CTSA)
- Orange County Congestion Management Agency

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility (see note 7).

The OCTA Board of Directors (Board) consists of 18 members. Five members are the Orange County Board of Supervisors, 10 members are city representatives (one per supervisorial district selected by population-weighted voting, and one per supervisorial district selected on a one-city, one-vote method), two public members (neither of whom can be an elected official or have been an elected official during the previous four years), and one is a non-voting ex-officio member appointed by the governor (Caltrans District Director).

The accompanying financial statements present the government and its component units, entities for which OCTA is considered accountable. Blended component units are, in substance, part of the government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

The Orange County Local Transportation Authority (LTA), a blended component unit of OCTA, was created pursuant to the provisions of the Local Transportation Authority and Improvement Act commencing with Section 180000 of the California Public Utilities Code and pursuant to Ordinance No. 2, adopted by the Board of Directors of the LTA on August 2, 1989. The Board also serves as the Board of Directors for the LTA. Management of OCTA is responsible for the operations of LTA. Separate financial statements for the LTA are prepared and available from the OCTA Finance and Administration Division.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

The Orange County Service Authority for Freeway Emergencies (SAFE), a blended component unit of OCTA, was created by Senate Bill 1199 which authorized the County Board of Supervisors, upon approval from a majority of the cities with a majority of the population, to establish SAFE. In 1986, SAFE began the implementation and operation of a freeway system of call boxes to help with motorist emergencies. SAFE is funded by a \$1.00 (absolute dollars) fee paid at the time of vehicle registration. The Board also serves as the Board of Directors for SAFE. Management of OCTA is responsible for the operations of SAFE. Separate financial statements are not issued for SAFE.

The Orange County Transit District (OCTD), a blended component unit of OCTA, was created by an act of the California State Legislature in 1965 and approved by the voters of Orange County in November 1970. OCTD commenced operating a public transportation system in Orange County in August 1972. OCTD is primarily funded by the Local Transportation Fund (LTF), which is derived from a one-quarter cent of the general sales tax collected statewide. The Board also serves as the Board of Directors for OCTD. Management of OCTA is responsible for the operations of OCTD. Separate financial statements are not issued for OCTD.

There are many other governmental agencies, including the County of Orange (County), providing service within the area served by OCTA. These other governmental agencies have independently elected governing boards and are, therefore, not under the direction of OCTA. Financial information for these agencies is not included in the accompanying financial statements.

OCTA is funded primarily by sales taxes, farebox collections, tolls, property taxes, gasoline sales tax and various federal and state grant programs. OCTA oversees most Orange County bus and rail transit and the 91 Express Lanes operations, administers the Measure M program (one-half percent sales tax revenues), coordinates freeway and regional road projects, and serves as the local advocate and facilitator of state and federal transportation funding programs.

Basis of Presentation

OCTA's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements that provide a more detailed level of financial information.

Government-wide Statements: The statement of net position and the statement of activities report information for all of the nonfiduciary activities of OCTA. The effect of interfund activity, except for internal service fund activity provided and used, has been eliminated from these statements. Internal service fund activity predominately serves the OCTD Enterprise Fund and, therefore, the net balances are included in the business-type activities. Indirect costs have been allocated to the functions/programs on the statement of activities in a separate column entitled "Indirect Expense Allocation." Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges and fees for support.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Interest expense related to the sales tax revenue bonds and commercial paper, the taxable bonds, and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and toll road functions, respectively, as it would be misleading to exclude the interest from direct expenses and the borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2022, interest expense of \$32,568 and \$7,356, was included in Measure M and toll road program costs, respectively. Program revenues include: charges to customers or applicants who purchase, use, directly benefit from services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other revenues are not reported as program revenues and instead, are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about OCTA's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

OCTA reports the following major governmental funds:

- **General Fund** – This fund is the general operating fund of OCTA. It is used to account for the financial resources of the general government as well as the transit operations of OCTA, except for those required to be accounted for in another fund. Due to the implementation of GASB Statement No. 84 in fiscal year 2020-21, the Additional Retiree Benefit Account (ARBA) fund and the Scholarship fund are reported as part of the General Fund for fiscal year 2020-21. These two funds were previously reported as fiduciary funds.
- **Local Transportation Authority (LTA) Fund** – This special revenue fund accounts for revenues received and expenditures made and is restricted for the implementation of the Orange County Traffic Improvement and Growth Management Plan (Measure M). Funding 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 more recently was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance, as approved in an election by the voters of Orange County, requires that sales tax revenues only be expended on projects included in the ordinance.
- **Local Transportation Fund (LTF)** – This special revenue fund accounts for revenues received and expenditures made and is restricted for use on certain transit projects within Orange County. Funding is generated from a one-quarter percent state sales and use tax pursuant to the California Transportation Development Act (TDA). Expenditures of these monies must be made in accordance with TDA provisions.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

- *LTA Debt Service Fund* – This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the LTA.
- *General Capital Project Fund* – This fund is used to account for transportation capital projects.

OCTA reports the following major enterprise funds:

- *Orange County Transit District (OCTD) Fund* – This fund accounts for the transit operations of OCTA. The primary sources of funding for transit operations are the TDA one-quarter percent sales tax, farebox collections and federal/state grants.
- *91 Express Lanes Fund* – This fund accounts for the operations of the 91 Express Lanes. The primary source of funding for the operations is toll revenues and related fees.
- *I-405 Express Lanes Fund* – This fund accounts for the construction of the I-405 Express Lanes. The primary sources of funding during the construction phase was the TIFIA Loan, refunded by BAN 2021 Series. After construction, this fund will account for the operations of the I-405 Express Lanes and the primary source of funding for the operations will be toll revenues and related fees.

Additionally, OCTA reports the following fund types:

- *Internal Service Funds* – These funds account for the risk management activities of OCTA, which are managed through a combination of purchased insurance and self-insurance. OCTA's internal services funds are the General Liability fund and the Worker's Compensation fund.

Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund 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. Tolls are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenues are recognized when customers utilize the toll road facility. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Property taxes are recognized as revenues in the year for which they are levied.

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, OCTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest

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expenditures on long-term debt and compensated absences of governmental funds are recorded only when payment is due.

Revenues susceptible to accrual are sales and gas taxes collected and held by the state at year-end on behalf of OCTA, intergovernmental revenues, interest revenue, charges for services, and fines and fees. In applying the susceptible to accrual concept to intergovernmental revenues, there are two types of revenues. For one, monies must be expended for the specific purpose or project before any amounts will be paid to OCTA; therefore, revenues are recognized when the relevant expenditures incurred and availability criteria met. In the other, monies are unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of OCTA's proprietary funds are charges to customers for services. Operating revenues relating to the 91 Express Lanes are presented net of discounts and allowances. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Investments

OCTA maintains cash and investments in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended on July 1, 2022. The Policy complies with, or is more restrictive than, the California Government Code (Code). The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2022, the investment portfolios were held by U.S. Bank as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily account balances.

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs. Most of OCTA's leveled investments are measured using Level 2 inputs.

Investments in U.S. government and U.S. agency securities, medium-term notes, variable and floating rate securities, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted prices of similar assets, except for money market

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investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value. 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 amortized cost.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal agencies, municipal debt, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term notes, money market mutual funds, mortgage or asset-backed securities, supranationals, LAIF, OCIP, investment pools, variable and floating rate securities, bank deposits and derivatives.

Investment of debt proceeds held by trustees are governed by provisions of the indentures for each obligation, rather than the general provisions of the California Government Code or OCTA's investment policy. The investment of these debt proceeds is in accordance with the Permitted Investments section and applicable account restrictions outlined in the indenture of each debt obligation. Under certain indentures, guaranteed investment contracts are allowed.

LAIF is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. Investments in OCIP are limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is conducted 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 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 Policy. Outside portfolio managers must review, on an ongoing basis, the portfolio they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, certificates of deposit, commercial paper, money market funds, and the proprietary funds' share of OCTA's commingled investment pool represent cash and cash equivalents for cash flow purposes.

Receivables

Receivables include an estimate for outstanding unpaid violations of the 91 Express Lanes that OCTA anticipates to collect. For violations less than 90 days old, the receivable is based on a 12-month average of violations collected during that time and is recorded net of an allowance for uncollectible accounts of \$4,927. For those violations in excess of 90 days, the receivable is estimated using a four-year average of violations collected and is recorded net,

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as the majority is not considered probable of collection. Additionally, the 91 Express Lanes records a receivable for amounts owed from customers, net of an allowance of \$211. Approximately \$6,903 of the 91 Express Lanes violations and customer receivables are not expected to be collected within one year.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered. There are also numerous transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances, including internal financing balances, are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2021-22 fiscal year, \$80,693 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers’ compensation. Charges for risk management services are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged \$15,791 to OCTA’s operating funds.

Inventory

All inventory is valued at cost using the average cost method, which approximates market.

Prepaid Retirement

Orange County Employee Retirement System (OCERS) provides a 5.80% discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2022-23 in order to benefit from this discount. Since OCERS records the prepaid retirement as a liability (unearned contributions) and recognizes them over the periods of the related payroll, the prepaid retirement is reported by OCTA as a prepaid asset in the governmental fund financial statements (modified accrual perspective).

Restricted Cash and Investments

Certain proceeds of OCTA’s long-term debt, as well as certain resources set aside for their repayment or capital maintenance, are classified as restricted investments, because they are

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maintained in separate investment accounts and their use is limited by applicable debt covenants.

In addition, OCTA has restricted investments held by the California Community foundation (CCF). The amount invested in the CCF investment pool is a restricted asset as approved for funding by the OCTA Board of Directors in October of 2014. The CCF is headquartered in Los Angeles, California. CCF is a community foundation and holds a 501 (c) 3 status, which meets California State Government Code requirements for community foundations. Legislation providing for OCTA to use a qualified organization to hold and manage the endowment is provided in Government Code §§65965-65968. An investment committee is responsible for oversight of the foundation's investment pools. The Endowment Pool is a diversified pool invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps the pace with inflation over time. The pool includes a mix of asset classes including equities, fixed income, hedge funds, real assets and venture capital. The target asset allocation is approximately 50% public equity, 20% fixed income, 15% hedge funds, 10% real assets and 5% private equity & venture capital.

The purpose of the agreement between CCF and OCTA is to provide for the establishment of a fund within the CCF to receive and hold M2 Environmental Mitigation Program contributions made by OCTA during the endowment funding period for use in establishing the permanent endowment pursuant to the conservation plan. OCTA is the beneficiary of the fund and, therefore, has reported a restricted asset in the financial statements.

The CCF shall hold, administer, invest, and reinvest the fund in accordance with the CCF's proposal and the objectives set forth in the Scope of Work of the Request for Proposal, each of which is incorporated into the agreement by reference, and in compliance with all applicable state and federal laws, including, but not limited to, Sections 65965, 65966, 69667, and 65968 of the California Government Code and the Uniform Prudent Management of Institutional Funds Act, California Probate Code Section 18501 et seq. The agreement shall remain in place in full force and effect through December 31, 2029.

In addition, with the implementation of GASB Statement No. 84, the assets related to Additional Retiree Benefit Account (ARBA) supplemental pension plan through OCERS, previously reported in fiduciary fund, are reported in General Fund starting fiscal year 2020-21. The assets are held in a revocable trust and are classified as restricted investments.

Assets Held for Resale

OCTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCTA. These assets are reported as assets held for resale in the governmental activities column in the government-wide financial statements except in cases in which OCTA has entered into a sales contract prior to the issuance of the financial statements. In these cases, the assets held for resale are reported in the governmental funds financial statements. Proceeds received will be reimbursed to the fund in which the initial expenditure was recorded.

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Capital Assets

Capital assets include land, construction in progress, buildings and improvements, machinery, equipment and furniture, transit vehicles, toll facility franchise, transponders, and intangible right to use lease assets and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by OCTA as assets with an initial, individual cost of more than \$5 and a useful life exceeding one year. OCTA also capitalizes non-sticker transponder purchases, as they are considered a significant class of assets even though individually their cost is less than \$5.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the donation date. OCTA also records the value of intangible right to use assets based on the underlying leased asset in accordance with GASB Statement No. 87, Leases. The right to use intangible asset is amortized each year for the shorter of lease term or useful life of of asset.

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

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.

Buildings, machinery, equipment and furniture, vehicles, transponders, and intangible right-to-use assets are depreciated using the straight line method over the following estimated useful lives:

Asset Type	Useful Life
Buildings and improvements	10-30 years
Machinery, equipment and furniture	3-10 years
Transit vehicles	3-18 years
Transponders	5-7 years
Intangible right-to-use (building)	30 years
Intangible right-to-use (equipment)	3 years

The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2065.

Leases

Lessee: OCTA is a lessee for a noncancellable lease of buildings and equipment. OCTA recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. OCTA recognizes lease liabilities with an initial, individual value of \$5 or more.

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At the commencement of a lease, OCTA initially measures the lease liabilities at the present value of payments expected to be made during the lease term. Subsequently, the lease liabilities are reduced by the principal portion of the lease payments made. The lease assets are initially measured as the initial amount of the lease liabilities, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease assets are amortized on a straight-line basis over its useful life.

Key estimates and judgements related to lease include how OCTA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. OCTA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, OCTA generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liabilities are composed of fixed payments and purchase option price that OCTA is reasonably certain to exercise.

OCTA monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: OCTA is a lessor for a noncancellable lease of land. OCTA recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, OCTA initially measures the lease receivables at the present value of payments expected to be received during the lease term. Subsequently, the lease receivables are reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivables, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how OCTA determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. OCTA uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivables is composed of fixed payments from the lessee.

OCTA monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

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Compensated Absences

Vacation hours accumulated and not taken are accrued at fiscal year-end, and a liability is reported in the government-wide and proprietary fund financial statements.

Sick leave is recorded as an expenditure or expense when taken by the employee. Annually, all administrative, maintenance, and Transportation Communication International Union employees may elect to be paid for sick leave accumulated in excess of 120 hours. Coach operators, on the other hand, may elect to be paid for sick leave accumulated in excess of 80 hours twice a year.

Upon termination, an employee with over 10 years of service is paid any earned but unused sick leave up to a ceiling determined by the employee's applicable union agreement or the personnel and salary resolution. Sick leave is accrued at year-end using the vesting method, and a liability is reported in the government-wide and proprietary fund financial statements.

A liability for vacation and sick leave is reported in the governmental funds as a result of employee terminations.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes include a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. OCTA has three items that qualify for reporting in this category, which are reported in the government-wide statement of net position. The first item is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred outflow related to pensions, which represents OCTA's pension contributions made subsequent to the measurement date, change of assumptions, difference between expected and actual experience, and the net difference between projected and actual earnings on plan investments. The third item is the deferred outflow related to other postemployment benefits (OPEB), which represents the change of assumptions and difference between expected and actual experience.

In addition to liabilities, the financial statements will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. On the modified accrual basis of accounting, OCTA has one type of deferred inflow, unavailable revenue. The governmental funds report unavailable revenues from multiple sources for grant reimbursements and a note receivable with the City of Anaheim for ARTIC. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, OCTA has three deferred inflow of resources reported in the government-wide statement of net position. These items are the deferred

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inflows related to leases, which represent value of the lease receivables plus any payments received at or before the commencement of the lease term that relate to future periods; and pensions and OPEB, which represent the change of assumptions, difference between expected and actual experience, or the net difference between projected and actual earnings on plan investments. Refer to note 8 for information related to amortization of deferred inflows of resources related to leases, note 12 for information related to amortization of the deferred outflows/inflows of resources related to pensions and note 13 for the amortization of the deferred outflows/inflows related to OPEB.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the OCTA's Orange County Employees Retirement System (OCERS) pension plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as it is reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

OPEB expense, deferred outflows/inflows of resources related to OPEB, and an implied subsidy payment were used to measure the total OPEB liability. OCTA does not provide any cash subsidy towards the benefit, and there are no assets accumulated in a trust for the plan.

Long-Term Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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.

Risk Management

OCTA accounts for its risk management activities in internal service funds. Separate internal service funds are used for general liability and workers' compensation. Charges by internal service funds to the general fund, certain special revenue funds, and OCTD enterprise fund

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are based on historical cost information and are adjusted over time, so that internal service fund revenues and expenses are approximately equal. Expenses for the actual or estimated loss from claims are recorded when it is probable that a loss will be incurred and the amount can reasonably be determined. OCTA's risk management activities are a combination of purchased insurance coverage and self-insured risk retention. OCTA's real and personal property, including revenue and non-revenue vehicles, are covered under a commercial property insurance policy. The 91 Express Lanes enterprise fund has purchased commercial property insurance, including business interruption, earthquake and flood coverage related to the toll facility.

Property Taxes

Property taxes are allocated to OCTA from the County based upon a percentage of real property taxes levied by the County. Following is the property tax calendar:

Lien Date	January 1
Levy Date	4th Monday in September
Due Dates	November 1 and February 1
Collection Dates	December 10 and April 10

Contributions to Other Agencies

Contributions to other agencies primarily represent sales tax revenues received by LTA and disbursed to cities for competitive projects, the local fair share, the senior mobility program, and to other outside agencies for projects which are in accordance with the Measure M ordinance. Additionally, contributions are made to Southern California Regional Rail Authority (SCRRA) by LTA.

Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and is classified into three categories.

- *Net investment in capital assets* - This balance reflects the net position of OCTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.
- *Restricted Net Position* - This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net position reports \$765,031 of net position restricted by enabling legislation for Measure M program, debt service, transportation programs, pension benefits, capital, operating reserve, and State of Good Repair Program.

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- *Unrestricted Net Position* – This balance represents net position that is available for general use.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which OCTA is bound to honor constraints on the specific purposes for which amounts can be spent.

The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* – amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board, as the highest level of decision making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Board removes or modifies the use through the adoption of a subsequent resolution.
- *Assigned* – amounts that are constrained by OCTA’s intent to be used for specific purposes and that do not meet the criteria to be classified as restricted or committed. This classification also includes residual amounts in governmental funds, other than the General Fund. The Board establishes and modifies assignments of fund balances through the adoption of the budget and subsequent budget amendments. The Board retains the authority to assign fund balances.
- *Unassigned* – this classification includes the residual fund balances for the General Fund. It also includes the negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is OCTA’s policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, OCTA’s Board approved policy is to use committed amounts first, followed by assigned and then unassigned.

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

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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 position

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

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 \$501,053 difference are as follows:

Capital assets	\$ 542,770
Less accumulated depreciation	(13,234)
Less lease liabilities	<u>(28,483)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 501,053</u>

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 \$(682,322) difference are as follows:

Bonds payable	\$ (610,170)
Plus unamortized bond issuance premium (to be amortized to interest expense)	(58,815)
Administrative headquarters' rent holiday	(4,655)
Compensated absences	<u>(8,682)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (682,322)</u>

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 changes in net position - 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, or

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allocated to the appropriate functional expense when the cost does not meet the capitalization criteria based on the ownership of the assets." The details of this \$31,400 difference are as follows:

Capital outlay	\$ 36,838
Depreciation expense	(5,438)

Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position - governmental activities	\$ 31,400

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities." The details of this \$11,695 difference are as follows:

Principal repayments	\$ 8,455
Change in accrued interest	157
Amortization of premium/deferred charge on refunding	3,083

Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position - governmental activities	\$ 11,695

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3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2022:

Cash:	
Deposits	\$ 115,073
Petty Cash	7
Total Cash	115,080
 Investments:	
With Orange County Treasurer	17,025
With LAIF	20,876
With Trustee	295,014
With Custodian	1,906,793
With CA Community Foundation (CCF)	19,333
Total Investments	2,259,041
Total Cash and Investments	\$ 2,374,121

Total cash and investments are reported in the following funds:

Unrestricted Cash and Investments:	
Governmental Funds	\$ 827,971
Proprietary Funds:	
Enterprise Funds	900,051
Internal Service Funds	49,381
 Restricted Cash and Investments:	
Governmental Funds	536,686
Proprietary Funds:	
Enterprise Funds	60,032
Total Cash and Investments	\$ 2,374,121

Restricted investments represent reserves for debt service, capital and operations.

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As of June 30, 2022, OCTA had the following investments along with weighted average maturity (WAM) information:

Investment	Fair Value	Interest Rate Range (Rounded)	Maturity Range	WAM (Years)
Orange County Investment Pool*	\$ 17,025	0.540% - 0.802%	1 day - 5 years	0.773
Local Agency Investment Fund*	20,876	0.262% - 0.861%	291 - 311 days	0.852
U. S. Treasuries	814,123	0.125% - 3.000%	12/31/22 - 11/15/25	1.937
U. S. Agency Notes	259,437	0.125% - 4.000%	01/19/23 - 02/12/26	1.396
Medium Term Notes	325,380	0.350% - 4.200%	09/26/22 - 03/30/26	1.981
Variable Rate Notes	101,811	0.423% - 4.119%	11/03/23 - 11/04/26	2.529
Mortgage & Asset Backed Securities	258,463	0.260% - 6.000%	07/25/22 - 05/17/27	2.944
Money Market Funds *	281,347	0.990% - 1.370%	06/30/22 - 7/01/22	0.001
Municipal Debt	96,327	0.319% - 4.250%	07/01/22 - 05/01/26	1.314
Commercial Paper *	31,480	0.000%	07/01/22 - 08/11/22	0.044
Negotiable CD*	7,260	0.190% - 0.590%	07/28/22 - 03/17/23	0.343
CCF Investment Fund	19,333	N/A	N/A	N/A
Supranational	26,179	0.125% - 2.500%	04/20/23 - 09/23/24	1.680
Total Investments	\$ 2,259,041			
Portfolio Weighted				1.672

* Money market funds, commercial paper, negotiable CD, OCIP, and LAIF are measured at amortized cost which approximates fair value.

OCTA holds investments that are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are significant unobservable inputs.

As of June 30, 2022, most of OCTA's investments, categorized within the fair value hierarchy, are classified as Level 2. These investments are valued using the market valuation approach based on quoted prices for similar assets with exception of the investment in the CA Community Foundation Investment Fund (CCF) which is valued by the CCF using significant unobservable inputs and, therefore, classified as Level 3. Unobservable inputs used by CCF include the foundations own assumptions, market comparable rates, capitalization and occupancy rates.

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Investments by Fair Value Level	Total	Fair Value Measurement using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasuries	\$ 814,123	\$ —	\$ 814,123	\$ —
U.S. Agency Notes	259,437	—	259,437	—
Medium Term Notes	325,380	—	325,380	—
Mortgage & Asset Backed Securities	258,463	—	258,463	—
Variable Rate Notes	101,811	—	101,811	—
Municipal Debt	96,327	—	96,327	—
CCF Investment Fund	19,333	—	—	19,333
Supranationals	26,179	—	26,179	—
Total Leveled Investments	\$ 1,901,053	\$ —	\$ 1,881,720	\$ 19,333

Investments Not Subject to the Fair Value

Money Market Funds	\$ 281,347
Orange County Investment Pool	17,025
Local Agency Investment Fund	20,876
Commercial Paper	31,480
Negotiable Certificate of Deposit	7,260
Total Investments Not Subject to the Fair Value Hierarchy	357,988
Total Investments	\$ 2,259,041

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 across the portfolio. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of two to 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 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.

As of June 30, 2022, mortgage and asset-backed securities totaled \$258,463. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AA or higher by a nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2022, OCTA had the following variable rate notes:

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Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	\$ 3,194	SOFR + 65 basis points	Quarterly
Analog Devices Inc	425	SOFR + 25 basis points	Quarterly
Bank of America	997	T2 5/8 + 90 basis points	Quarterly
Bank of America	1,976	T1 1/2 + 88 basis points	Quarterly
Bank of America	1,393	T0 1/4 + 130 basis points	Quarterly
Bank of America	4,961	T0 1/8 + 63 basis points	Semi-Annually
Bank of America	2,441	T0 1/4 + 65 basis points	Quarterly
Bank of America	533	T1 3/4 + 123 basis points	Quarterly
Bank of America	3,383	T2 1/2 + 65 basis points	Semi-Annually
Citigroup	4,352	T0 1/8 + 58 basis points	Quarterly
Citigroup	4,844	T0 3/8 + 63 basis points	Semi-Annually
Citizens Bank	623	T2 1/2 + 145 basis points	Quarterly
FHMS	152	LIBOR + 34 basis points	Monthly
FHMS	1,000	SOFR + 20 basis points	Monthly
First Republic Bank	494	T1 1/2 + 48 basis points	Quarterly
Goldman Sachs	3,145	T0 1/8 + 45 basis points	Semi-Annually
Goldman Sachs	2,066	T0 1/8 + 55 basis points	Quarterly
Goldman Sachs	4,829	T0 1/4 + 50 basis points	Semi-Annually
Goldman Sachs	1,058	SOFR + 49 basis points	Quarterly
Huntington National Bank	3,406	T2 1/2 + 130 basis points	Monthly
JP Morgan Chase	4,275	T2 7/8 + 115 basis points	Semi-Annually
JP Morgan Chase	1,535	T0 1/8 + 130 basis points	Quarterly
JP Morgan Chase	1,399	T0 1/8 + 48 basis points	Quarterly
JP Morgan Chase	1,629	T0 1/8 + 37.5 basis points	Quarterly
JP Morgan Chase	2,064	T2 1/4 + 53 basis points	Quarterly
JP Morgan Chase	6,018	T0 2 1/4 + 53 basis points	Quarterly
JP Morgan Chase	1,020	T0 2 1/4 + 50 basis points	Quarterly
JP Morgan Chase	2,443	T1 1/2 + 85 basis points	Quarterly
JP Morgan Chase	988	T2 5/8 + 125 basis points	Quarterly
KeyCorp	238	T2 1/2 + 130 basis points	Quarterly
KeyBank	995	T0 1/8 + 28 basis points	Quarterly
KeyBank	1,984	T0 1/8 + 28 basis points	Quarterly
Morgan Stanley	567	T0 1/4 + 55 basis points	Quarterly
Morgan Stanley	1,147	T0 1/8 + 37.5 basis points	Quarterly
Morgan Stanley	1,804	T0 1/8 + 40 basis points	Quarterly
Morgan Stanley	2,878	T0 1/8 + 57 basis points	Quarterly
Morgan Stanley	2,834	T1 1/2 + 87.5 basis points	Quarterly
Morgan Stanley	926	T0 1/8 + 57 basis points	Quarterly
National Rural Utilities	1,604	SOFR + 33 basis points	Monthly
Nextera Energy	1,227	SOFR + 40 basis points	Monthly
Spire Missouri	4,887	SOFR + 50 basis points	Quarterly
Truist Financial	3,997	T2 5/8 + 87 basis points	Quarterly
Wells Fargo Bank	1,975	T1 1/2 + 82 basis points	Quarterly
Wells Fargo Bank	5,860	T0 1/8 + 145 basis points	Monthly
Wells Fargo Bank	426	T0 3/8 + 47 basis points	Quarterly
Wells Fargo Bank	1,819	T2 5/8 + 125 basis points	Quarterly
Total Variable Rate Notes	\$ 101,811		

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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 in terms of 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. The 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, 2022, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three NRSROs: Standard & Poor's (S&P), Moody's Investor Service (Moody's), and Fitch Rating's (Fitch).

For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by an NSRSO.

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, 2022. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S&P	Moody's	% of Portfolio
CA Community Foundation Fund	NR	NR	0.86%
Orange County Investment Pool	NR	NR	0.75%
Local Agency Investment Fund	NR	NR	0.92%
U.S. Treasuries	NR	NR	36.04%
U.S. Agency Notes			
Notes	AA	Aaa	11.32%
Notes	AA	WR	0.17%
Medium Term Notes			
Corporate Notes	AA	Aaa	1.08%
Corporate Notes	AA	Aa	2.15%
Corporate Notes	AA	A	0.55%
Corporate Notes	A	Aa	0.35%
Corporate Notes	A	A	9.16%
Corporate Notes	A	NA	0.31%
Corporate Notes	BBB	A	0.72%
Corporate Notes	BBB	Baa	0.09%

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Investments	S&P	Moody's	% of Portfolio
Mortgage and Asset-Backed Securities			
Securities	AAA	Aaa	3.05%
Securities	AAA	NR	3.52%
Securities	AA	Aaa	1.89%
Securities	AA	Aa	0.08%
American Credit	AA	NR	0.09%
PacifiCorp	A	A	0.15%
Securities	NR	Aaa	2.59%
Ford	NR	Aa	0.07%
Variable Rate Notes			
Notes	AA	Aaa	0.05%
Notes	A	A	2.86%
Notes	A	Baa	0.05%
Notes	BBB	A	1.49%
Notes	BBB	Baa	0.06%
Money Market Funds	AAA	Aaa	12.45%
Municipal Bonds			
Various Agencies	AAA	Aaa	0.21%
Various Agencies	AAA	Aa	0.10%
LA CA Community College District	AA	Aaa	0.03%
Various Agencies	AA	Aa	1.24%
Various Agencies	AA	A	0.18%
Various Agencies	AA	NR	1.82%
Various Agencies	A	Aa	0.26%
Various Agencies	A	A	0.17%
Rhode Island Bridge Authority	A	NA	0.02%
Various Agencies	NR	Aa	0.03%
San Diego County	NR	A	0.15%
CA Earthquake Authority	NR	NR	0.05%
Commercial Paper			
Santander	A-1	P-1	0.88%
Natixis	A-1	P-1	0.51%
Certificate of Deposit			
Bank of Nova Scotia	A-1	P-1	0.19%
Credit Suisse	A	A1	0.13%
Supranational			
Various	AAA	Aaa	1.16%
Total			100%

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Concentration of Credit Risk

At June 30, 2022, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines for All Securities Except U.S. Treasuries and U.S. Government Agency Securities

- Any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed 5% of the portfolio.

Issuer/Counter-Party Diversification Guidelines for OCTA's Debt

- OCTA can purchase all or a portion of the OCTA's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

The following is a summary of the concentration of credit risk by issuer as a percentage of the OCTA's investment portfolio at June 30, 2022:

Issuer	Amount	% of OCTA's Portfolio
Federal Home Loan Mortgage Corporation	\$ 167,004	7.13 %

Investment in State Investment Pool

OCTA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code. The Investment Advisory Board provides oversight for LAIF, consisting of five members as designated by statute, which includes the Treasurer of the State of California. The value of OCTA's investment in this pool is reported on an amortized cost basis in the accompanying financial statements, based upon OCTA's pro-rata share of the entire LAIF portfolio.

The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Deposits and withdrawals are made on the basis of \$1.00 (absolute dollars) and not fair value.

Investment in Orange County Investment Pool

The TDA guidelines require the California Department of Tax and Fee Administration (CDTFA) to deposit State Transit Assistance and Local Transportation funds with the OCIP until claimed by OCTA. OCIP is monitored by the Treasury Oversight Committee (TOC) established by the County of Orange Board of Supervisors on December 19, 1995 by Resolution No. 95-946. The TOC reviews and monitors the annual investment policy prepared by the Treasurer in accordance with Government Code §27133. The value of

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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OCTA's investment in this pool is reported on an amortized cost basis in the accompanying financial statements, based upon OCTA's pro-rata share of the entire OCIP portfolio, which is adjusted by the application of a fair value factor provided by OCIP. Deposits and withdrawals are made on the basis of \$1.00 (absolute dollars) and not fair value.

Investment in CA Community Foundation Investment Pool

The fair value of 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 CCF for the entire CCF portfolio (in relation to the amortized cost of that portfolio).

4. GRANTS AND STATE ASSISTANCE

Operating Assistance Grants

Under provisions of the Federal Transit Administration (FTA), funds are available to OCTA for Americans with Disabilities Act (ADA) paratransit operating assistance, preventive maintenance, capital cost of contracting, demonstration projects, transportation planning, and related services. The appropriations for fiscal year 2021-22 total \$215,896. A receivable of \$129,538 is outstanding as of June 30, 2022.

Capital Grants

Under the provisions of FTA, appropriations are available for the development and capital investments for a public transportation system including the acquisition and construction of facilities, transit vehicles and related support equipment. The appropriations for fiscal year 2021-22 related to capital investments total \$5,778. A receivable of \$9,836 is outstanding as of June 30, 2022.

Local Transportation Fund

In fiscal year 2021-22, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, revenues are to be made available to OCTD for planning, paratransit, and for operating expenses. In fiscal year 2021-22, OCTA became entitled to \$4,921 in LTF revenues. The remaining revenues received by LTF were contributed to other claimants for administration, planning, and operations.

State Transit Assistance Program

State Transit Assistance (STA) revenue is generated by the state sales tax on diesel fuel as specified under the gas tax swap enacted in March 2010. The Road Repair and Accountability Act of 2017, signed into law April 2017, provided additional funding under the State of Good Repair (SGR) Program. This program is funded from a portion of new Transportation Improvement Fee on vehicle registrations and provides transit operators in California funding for eligible transit maintenance, rehabilitation, and capital projects. OCTA received \$38,761 and \$6,342 in STA and SGR respectively, in fiscal year 2021-22.

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5. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2022 in the fund financial statements are as follows:

Receivables:	Governmental Funds					Enterprise Funds			Total
	General	LTA	LTF	LTA Debt Service	Nonmajor Funds	OCTD	91 EL		
Sales taxes	\$ —	\$ 76,408	\$ 39,153	\$ —	\$ 12,077	\$ —	\$ —	\$ 127,638	
Projects	91	24,494	—	2,126	—	35	—	26,746	
Other	1,010	167	—	—	1,586	2,563	775	6,101	
Total	\$ 1,101	\$ 101,069	\$ 39,153	\$ 2,126	\$ 13,663	\$ 2,598	\$ 775	\$ 160,485	

Amounts due to other governments as of June 30, 2022 are as follows:

Payables:	Governmental Funds					Enterprise Funds				Total
	General	LTA	LTF	LTA Debt Service	General Capital Project	Nonmajor Funds	OCTD	91 EL	I-405 EL	
Projects	\$ —	\$ 31,329	\$ 234	\$ —	\$ 601	\$ 9	\$ 749	\$ 22	\$ 616	\$ 33,560
Use taxes	—	—	—	—	—	—	39	—	—	39
Other	22	588	—	—	—	28	514	972	121	2,245
Total	\$ 22	\$ 31,917	\$ 234	\$ —	\$ 601	\$ 37	\$ 1,302	\$ 994	\$ 737	\$ 35,844

6. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2022 is as follows:

Due to/from other funds:

Payable Funds	Receivable Funds						Total
	General	LTA	General Capital Project	Nonmajor Governmental	OCTD		
LTA	\$ 334	\$ —	\$ 4,278	\$ —	\$ 453	\$ 5,065	
LTF	378	—	—	—	—	378	
Nonmajor Governmental	—	—	—	—	12,077	12,077	
OCTD	—	—	133	—	—	133	
91 EL	—	2,037	—	—	—	2,037	
Total	\$ 712	\$ 2,037	\$ 4,411	\$ —	\$ 12,530	\$ 19,690	

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The due to/from other funds arise due to short-term funding for certain projects, operations, and temporary cash deficit. These projects include ARTIC Station & Placentia Station, OC Streetcar project, OCTD capital and operating cost, OCTD & CTSA operations, SR-91 Improvement Project, and I-405 Improvement Project.

Interfund transfers:

Transfers Out	Transfers In						Total
	General	LTA	LTA Debt Service	General Capital Project	OCTD	Nonmajor Enterprise	
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LTA	-	-	49,706	10,522	13,342	915	74,485
LTF	4,921	-	-	-	-	-	4,921
LTA Debt Service	-	5,699	-	-	-	-	5,699
Nonmajor Governmental	-	-	-	-	28,883	-	28,883
OCTD	-	-	-	382	-	-	382
91 EL	-	14,101	-	-	-	-	14,101
I-405	-	132,665	-	-	-	-	132,665
Total	\$ 4,921	\$ 152,465	\$ 49,706	\$ 10,904	\$ 42,225	\$ 915	\$ 261,136

Interfund transfers reflect a flow of assets between funds and blended component units of the primary governments without an equivalent flow of assets in return. The purpose of these transfers were primarily to: 1) relay cash from LTA fund to LTA Debt Service fund for the retirement of long-term obligations, 2) provide resources to fund various project costs such as SR-91 improvement project, Transportation Security Operations Center (TSOC) construction project, OC Streetcar project, OCTD capital and operating costs 3) contribute resources to finance operating costs for OCTA's bus program, 4) transfer Measure M sales tax revenues to support various services/programs such as fare stabilization program, stationlink services rail feeder, and i-shuttle Project V services.

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7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 172,236	\$ —	\$ —	\$ —	\$ 172,236
Right-of-way improvements	7,300	—	—	—	7,300
Construction in progress	250,657	68,535	—	(553)	318,639
Total capital assets, not being depreciated	430,193	68,535	—	(553)	498,175
Capital assets, being depreciated:					
Building and improvements	1,668	—	—	335	2,003
Machinery, equipment and furniture	11,690	496	(2,004)	218	10,400
Intangible right-to-use (building) *	32,006	—	—	—	32,006
Intangible right-to-use (equipment) *	186	—	—	—	186
Total capital assets, being depreciated	45,550	496	(2,004)	553	44,595
Less accumulated depreciation for:					
Buildings and improvements	(1,242)	(67)	—	—	(1,309)
Machinery, equipment and furniture	(8,527)	(1,068)	1,973	—	(7,622)
Intangible right-to-use (building)	—	(4,220)	—	—	(4,220)
Intangible right-to-use (equipment)	—	(83)	—	—	(83)
Total accumulated depreciation	(9,769)	(5,438)	1,973	—	(13,234)
Total capital assets, being depreciated, net	35,781	(4,942)	(31)	553	31,361
Governmental activities capital assets, net	465,974	63,593	(31)	—	529,536
Business-type activities:					
Capital assets, not being depreciated:					
Land	57,106	—	—	—	57,106
Construction in progress	284,786	108,107	—	(4,761)	388,132
Total capital assets, not being depreciated	341,892	108,107	—	(4,761)	445,238
Capital assets, being depreciated and amortized:					
Building and improvements	155,312	386	—	2,015	157,713
Transit vehicles	342,338	23,345	(13,075)	1,083	353,691
Machinery, equipment and furniture	84,206	1,171	(6,539)	1,663	80,501
Intangible right-to-use (building) *	3,733	—	—	—	3,733
Toll facility franchise	205,264	—	—	—	205,264
Total capital assets, being depreciated and amortized	790,853	24,902	(19,614)	4,761	800,902
Less accumulated depreciation and amortization for:					
Buildings and improvements	(94,645)	(5,179)	—	—	(99,824)
Transit vehicles	(242,598)	(20,022)	12,976	—	(249,644)
Machinery, equipment and furniture	(62,948)	(5,178)	6,539	—	(61,587)
Intangible right-to-use (building)	—	(415)	—	—	(415)
Toll facility franchise	(90,156)	(2,586)	—	—	(92,742)
Total accumulated depreciation and amortization	(490,347)	(33,380)	19,515	—	(504,212)
Total capital assets, being depreciated and amortized, net	300,506	(8,478)	(99)	4,761	296,690
Business-type activities capital assets, net	\$ 642,398	\$ 99,629	\$ (99)	\$ —	\$ 741,928

* Beginning balance of \$32,006, \$186 and \$3,733 are due to the adoption of the provisions of GASB Statement No. 87, Leases.

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Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General Government	\$ 1,091
Motorist services	44
Total	\$ 1,135
Business-type activities:	
Fixed route	\$ 25,687
Paratransit	4,049
Toll road	3,644
Total	\$ 33,380

Toll Facility Franchise

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR-55. The purchase was enabled by State Assembly Bill (AB) 1010 (Correa), passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs until 2030, and eliminated noncompete provisions in the franchise agreement for needed improvements on SR-91. The franchise agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

In September 2008, the Governor of California approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorized OCTA to assign its franchise rights, interests and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange County line to Interstate 15. In addition, the bill authorized the terms of the franchise to expire no later than December 31, 2065. SB 1316 also required OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

In December 2011, the Board approved the assignment of OCTA's franchise rights, interests and obligations in the Riverside County portion of the SR-91 franchise to RCTC. The Board also approved the extension of the expiration date to 2065 and a cooperative agreement between OCTA and RCTC that details the joint operation for the 91 Express Lanes extension.

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8. LEASES

OCTA adopted GASB Statement No. 87, Leases, for the fiscal year ended June 30, 2022. On the implementation date of July 1, 2021, OCTA recorded \$35,925 lease liabilities and corresponding right-to-use assets; and \$1,095 lease receivables and deferred inflow of resources. The implementation had no impact to the beginning net position.

Lease receivables

In fiscal year 2021-22, OCTA recorded lease receivables comprised of four agreements, which OCTA is the lessor related to land. OCTA has recognized \$348 in lease revenue and \$18 in interest revenue during the current fiscal year related to these leases. As of June 30, 2022, OCTA's has lease receivable in the amount of \$774. Also, OCTA has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources is \$746.

The following is a schedule of future minimum lease receivable as of June 30, 2022:

Year ending June 30,	Principal	Interest	Total
2023	\$ 352	\$ 13	\$ 365
2024	218	6	224
2025	83	3	86
2026	71	2	73
2027	37	—	37
2028-2032	4	1	5
2033-2037	5	1	6
2038-2040	4	—	4
Total	\$ 774	\$ 26	\$ 800

Lease payables

In fiscal year 2021-22, OCTA recorded a lease payable comprised of four agreements, which OCTA is a lessee for the use of buildings and equipment. As of June 30, 2022, OCTA has a lease liability in the amount of \$31,877. The value of the right-to-use assets as of the end of the current fiscal year is \$35,925 and has accumulated amortization of \$4,718.

The following is a schedule of future minimum lease liabilities as of June 30, 2022:

Year ending June 30,	Principal	Interest	Total
2023	\$ 4,199	\$ 487	\$ 4,686
2024	4,344	418	4,762
2025	4,531	347	4,878
2026	4,753	272	5,025
2027	4,980	194	5,174
2028-2031	9,070	150	9,220
Total	\$ 31,877	\$ 1,868	\$ 33,745

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9. RISK MANAGEMENT - CLAIMS LIABILITY

OCTA is self-insured for workers' compensation and general liability claims. Workers' compensation claims are self-insured with a maximum amount of \$750,000 per claim with statutory limits. For fiscal year 2020-21 and fiscal year 2021-2022, general liability claims are fully self-insured with an adequate funding reserve as required by the OCTA Board of Directors. Actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards. The process used in computing claims liability may not result in an exact amount but are actuarially determined on a yearly basis. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. There are no claims or settlements exceeded insurance coverage for each of the past three fiscal years. Management is of the opinion that the recorded liabilities for OCTA's self-insured claims are adequate.

OCTA's liability for claims where it has retained the risk of loss, as recorded in the appropriate internal service funds, is as follows:

	2022	2021
General Liability		
Unpaid claims as of July 1	\$ 2,577	\$ 3,422
Incurred claims (including claims incurred but not reported as of 6/30)	854	94
Payments	(4,635)	(674)
Increase (decrease) in provision for prior years' events	4,234	(265)
Unpaid claims at June 30	3,030	2,577
 Workers' Compensation		
Unpaid claims as of July 1	16,011	16,154
Incurred claims (including claims incurred but not reported as of 6/30)	1,811	2,186
Payments	(3,993)	(5,186)
Increase in provision for prior years' events	2,498	2,857
Unpaid claims at June 30	16,327	16,011
Total unpaid claims at June 30	19,357	18,588
 Less current portion of unpaid claims	(3,575)	(3,449)
Total long-term portion of unpaid claims	\$ 15,782	\$ 15,139

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10. LONG-TERM DEBT

Sales Tax Revenue Bonds

On December 9, 2010, LTA issued \$293,540 in M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and \$59,030 in 2010 Series B (Tax-Exempt Bonds), to finance and refinance the costs of certain transportation projects located in Orange County, to restructure the Tax Exempt Commercial Paper (TECP) Program, and to fund capitalized interest and costs of issuance related to the 2010 Series Bonds. A reserve fund is not required in connection with the 2010 Series Bonds per the bond indenture. The transaction closed on December 23, 2010. A total of \$75,000 was used to refund outstanding TECP.

On February 12, 2019, LTA issued \$376,690 in M2 Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2019 (the "Series 2019 Bonds"), i) to finance the costs of certain transportation projects located in Orange County, consisting of the general purpose lanes of I-405 Improvement Project; ii) to refund and defease \$43,540 of the 2010 Series A Bonds, which resulted in gross cumulative cash flow savings of approximately \$2,867 and net present value cumulative savings of approximately \$2,584; and iii) to fund costs of issuance related to the Series 2019 Bonds. A reserve fund is not required in connection with the Series 2019 Bonds per the bond indenture. The transaction closed on February 26, 2019.

The OCTA's outstanding debt obligations related to M2 Sales Tax Revenue Bonds contain a provision that in an event of default, bondholders have the right to sue in order to force the Authority to cure the event of default, which may result in finance related consequences.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2019 Series (Tax-Exempt Bonds)
Issuance date	12/09/10	2/12/19
Original issue amount	\$ 293,540	\$ 376,690
Original issue premium	—	69,342
Net Bond Proceeds	\$ 293,540	\$ 446,032
Issuance costs	\$ 1,905	\$ 970
Interest rates	5.56%-6.91%	3.00%-5.00%
Maturity range	2021-2041	2021-2041
Final maturity	2041	2041
Bonds outstanding	\$ 250,000	\$ 360,170
Plus unamortized premium	—	58,815
Total	\$ 250,000	\$ 418,985

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Annual debt service requirements on the sales tax revenue bonds as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 19,935	\$ 34,949
2024	20,920	33,952
2025	21,950	32,906
2026	23,630	31,722
2027	24,755	30,334
2028-2032	142,650	128,448
2033-2037	179,910	82,650
2038-2041	176,420	26,090
Total	\$ 610,170	\$ 401,051

Toll Road Revenue Refunding Bonds

On July 30, 2013, OCTA issued \$124,415 in Senior Lien Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003 B-1 and Series 2003 B-2. OCTA refunded the outstanding Series 2003-A Bonds to reduce its total debt service payments over the life of the bonds and refunded the Series 2003 B-1 and Series 2003 B-2 Bonds to address the mandatory tender date of August 15, 2013 for the existing private placement with the OCIP. The Series 2013 Bonds were issued as fixed rate bonds. The transaction closed on August 8, 2013.

The OCTA's outstanding debt obligations related to Toll Road Revenue Refunding Bonds contain a provision that in an event of default, bondholders have the right to sue in order to force the Authority to cure the event of default, which may result in finance related consequences.

A summary of the terms of the Toll Road Revenue Refunding Bonds is as follows:

	2013 Series (Toll Road Revenue Bonds)
Issuance date	7/30/13
Closing date	8/8/13
Original issue amount	\$ 124,415
Cash reserve requirements	\$ 20,852
Cash reserve balance	\$ 25,342
Interest rate range	2% - 5%
Maturity	December 2030
Principal payment date	August 15
Current balance	\$ 78,515
Unamortized premium	\$ 5,447
Deferred amount on refunding	\$ (5,663)

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*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the following three reserve funds are required to be maintained: Senior Lien Reserve Fund \$7,852, Major Maintenance Reserve Fund \$10,000, and Operating Reserve Fund \$3,000. At June 30, 2022, all reserve requirements have been satisfied.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 7,095	\$ 3,700
2024	7,460	3,336
2025	7,845	2,953
2026	8,245	2,551
2027	8,670	2,128
2028-2031	39,200	3,986
Total	\$ 78,515	\$ 18,654

TIFIA Loan Agreement

On July 26, 2017, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a TIFIA loan of up to \$628,930 as a direct borrowing per GASB Statement No. 88 for eligible project costs for the I-405 Improvement Project. The Bureau required OCTA to secure a \$900,000 line of credit secured by future M2 debt issuances to be committed at the time of closing on the TIFIA loan. The OCTA Board of Directors selected Bank of America N.A. (BANA) to provide a \$900,000 line of credit to meet the Bureau's requirement.

The line of credit was structured in two commitment tranches, the 2019 Credit Agreement, in an amount of \$400,000 and the 2021 Credit Agreement, in an amount of \$500,000. The 2019 Credit Agreement terminated in 2019. The 2021 Credit Agreement was amended, effective June 29, 2020, changing the expiration to June 28, 2021, and reducing the commitment fee from 36 basis points to 34 basis points. In lieu of maintaining the line of credit, OCTA established and funded accounts under OCTA's Custody Account Agreement with approximately \$500,000 therefore eliminating the requirement to maintain the 2021 Credit Agreement.

During the construction of the I-405 Project, and for a period of up to five years following the substantial completion, interest on the 2021 TIFIA Loan is capitalized/accreted to principal. The loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent that additional funds are available. Annual debt service requirements will be determined once the final draw on the 2021 TIFIA loan is made, which is scheduled to occur in 2024. Debt service payments are expected to commence on December 1, 2028, which is approximately five years after expected substantial completion of the I-405 Improvement Project, through December 1, 2058. The interest rate of the 2021 TIFIA loan is 1.95%. There were no amount drawn on the 2021 TIFIA Loan as of June 30, 2022. The amount available under the 2021 TIFIA loan on June 30, 2022 is \$628,930.

The TIFIA loan is secured solely by toll revenues of the I-405 Express Lanes, which are estimated to open in 2023. The loan is non-recourse debt and is issued on a senior lien basis.

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The credit rating on the TIFIA loan is Baa2 (Moody's). The legal documents for the TIFIA loan contain provisions with finance related consequences, that if an event of default occurs and continues, the trust estate shall be under the control of the trustee. Also, under the TIFIA Loan Agreement interest increases to the Default Rate, and the US Department of Transportation has the option of holding up loan disbursements. The OCTA's legal documents also contain acceleration clauses, whereas the OCTA's obligations shall automatically become due and payable.

In connection with the rate reset of OCTA's TIFIA Loan, which occurred on September 9, 2021, OCTA prepaid the amount of funds drawn to date on the TIFIA Loan, plus accrued interest, totaling \$314,000 (Prepayment), to the United States Department of Transportation to close the transaction. OCTA secured a \$315,000 bridge loan from BANA to fund the Prepayment. The bridge loan was secured by executing the First Amendment to the Amended and Restated 2021 Credit Agreement (Agreement).

The bridge loan was repaid on September 30, 2021, utilizing proceeds from the \$662,820 Bonds Anticipation Notes (BAN 2021 Series) issued on September 29, 2021. OCTA issued BAN 2021 Series as a short-term financing vehicle during the construction of the I-405 Improvement Project to create flexibility by cost-effectively delaying draws on and repayment of the 2021 TIFIA Loan until one year beyond substantial completion. The refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The transaction resulted in a reduction of debt service payments of \$274,577 over three fiscal years and an economic gain (difference between the present values of the debt service payments of the 2021 TIFIA Loan and BAN 2021 Series) of \$240,265. The amount outstanding for the BAN 2021 Series at June 30, 2022 is \$662,820.

Annual debt service requirements on the BAN 2021 Series as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ —	\$ 32,141
2024	—	32,141
2025	662,820	10,714
	\$ 662,820	\$ 74,996

Changes in Long-Term Debt

Long-term debt activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Sales tax revenue bonds	\$ 618,625	\$ —	\$ (8,455)	\$ 610,170	\$ 19,935
Unamortized premium	61,967	—	(3,152)	58,815	—
Total governmental activities	\$ 680,592	\$ —	\$ (11,607)	\$ 668,985	\$ 19,935

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	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Business-type activities:					
Toll Road Revenue bonds	\$ 85,265	\$ —	\$ (6,750)	\$ 78,515	\$ 7,095
Unamortized premium	6,091	—	(644)	5,447	—
Total Toll Road Revenue bonds	91,356	—	(7,394)	83,962	7,095
2021 TIFIA Loan	312,329	—	(312,329)	—	—
BAN 2021 Series	—	662,820	—	662,820	—
Total business-type activities	\$ 403,685	\$ 662,820	\$ (319,723)	\$ 746,782	\$ 7,095

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 the interest paid to bondholders being 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.

Pledged Revenue

OCTA has a number of debt issuances outstanding that are repaid and secured by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the summary of bonds outstanding tables. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions.

Debt service payments as a ratio of the pledged gross revenue, less certain expenditures/expenses as required by the debt agreement, for the year ended June 30, 2022, are indicated in the following table and OCTA is in compliance with the ratio per the debt agreement:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 330,125	\$ 43,826	7.53
91 EL Net Toll Road Revenue	37,145	10,863	3.42

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11. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Compensated absences	\$ 8,585	\$ 7,338	\$ (7,181)	\$ 8,742	\$ 61
Rent holiday	4,875	—	(220)	4,655	—
Lease liabilities*	28,483	—	—	28,483	3,849
Total governmental activities	41,943	7,339	(7,402)	41,880	3,910
Business-type activities:					
Claims payable	18,588	9,397	(8,628)	19,357	3,575
Compensated absences	8,763	11,152	(11,218)	8,697	7,592
Lease liabilities*	3,687	—	—	3,687	481
Total business-type activities	\$ 31,038	\$ 20,549	\$ (19,846)	\$ 31,742	\$ 11,648

* Beginning balance of \$28,483 and \$3,687 are due to the adoption of the provisions of GASB Statement No. 87, Leases.

Compensated absences will be paid from the general fund for governmental activities and from the OCTD enterprise fund for business-type activities.

12. PENSION PLAN

OCTA participates in the Orange County Employees Retirement System (OCERS) and also contributes to 401(a) plan which are subject to GASB Statement No. 68.

A summary of pension amounts for OCTA's plan at June 30, 2022 is presented below:

Deferred outflows of resources – pension	\$ 27,926
Net pension liability	73,424
Deferred inflows of resources – pension	134,362
Pension expense	9,525

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A. Orange County Employees Retirement System

General Information about the Pension Plan

Plan Description: OCTA participates in OCERS Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by OCERS. The County Employees Retirement Law of 1937 and other applicable statutes grant the authority to establish and amend the benefit terms to the OCERS. OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by OCERS. This report is issued for each year ending December 31 and can be obtained online at www.ocers.org, or from its executive office: 2223 Wellington Avenue, Santa Ana, CA 92701.

Benefits Provided: OCERS provides for service retirement, death, disability, survivor benefits and annual cost-of-living benefits to plan members, who must be public employees and beneficiaries. Service retirement benefits are based on Plan Type, years of service, age at retirement and final average salary. The benefit formulas are an annual annuity equal to 2% of the employee's one-year final average salary for each year of service rendered at age 57 for Plan A members who were hired prior to September 21, 1979 and 1.67% of the employee's three year final average salary for each year of service rendered at age 57.5 for Plan B members who were hired after September 21, 1979.

Contributions: Per Government Code sections 31453.5 and 31454, participating employers are required to contribute a percentage of covered salary to the Plan. The contribution requirements of participating active members and employers are established and may be amended by the OCERS' Board of Retirement. Employee contributions are established by the OCERS' Board of Retirement and guided by state statute (Government Code sections 31621, 31621.5, 31621.8, 31639.25 and 31639.5) and vary based upon employee age at the time of entering OCERS membership. Participating employers may pay a portion of the participating active employees' contributions through negotiations and bargaining agreements.

Funding contributions for the OCERS plan are determined annually on an actuarial basis by OCERS. The contribution requirement for the year ended June 30, 2022 was 33.41% of total covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. OCTA's contributions to OCERS were \$30,263 for the year ended June 30, 2022.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, OCTA reported a liability of \$73,424 for its proportionate share of the net pension liability (NPL). The NPL was measured as of December 31, 2021, and determined by rolling forward the total pension liability (TPL) as of December 31, 2020 actuarial valuation date. OCTA's proportionate share of the TPL has been determined by OCERS' actuary based upon employer contributions within each rate group. While OCERS is comprised of many rate groups, and certain rate groups may have multiple employer

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participants, OCTA is the only employer within its own individual rate group. Legally required employer contributions for each year less any amounts of those legally required contributions that are paid by the employees are used as the basis for determining each participating employer's proportion of total contributions. Contributions made by the employer on behalf of employees under Government Code Section 31581.2 are considered employee contributions and are not included in the proportionate share calculation.

At December 31, 2021, OCTA's proportion was 4.20%, which was an decrease of 0.215% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, OCTA recognized pension expense of \$9,525. At June 30, 2022, OCTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,705	\$ —
Net difference between projected and actual earnings on plan investments	—	107,942
Difference between expected and actual experience	2,619	26,420
Changes of assumptions	9,602	—
Total	\$ 27,926	\$ 134,362

Deferred outflows of resources related to contributions subsequent to the measurement date of \$15,705 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows/outflows of resources related to changes of assumptions and difference between expected and actual experience will be recognized as pension expense over the average of the expected remaining service lives of all employees that are provided with pensions through OCERS which is 5.45 years determined as of December 31, 2020. In addition, the net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period on a straight-line basis beginning with the year in which they occur.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Increase (Decrease) in Pension Expense
2023	\$ (25,745)
2024	(43,016)
2025	(30,134)
2026	(21,267)
2027	(1,980)
Total	\$ (122,142)

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Actuarial Assumptions

Following are the key methods and assumptions used for the TPL as of December 31, 2021:

Actuarial Experience Study	Three year period ending December 31, 2019
Actuarial Cost Method	Entry age normal cost
Actuarial Assumptions:	
Investment Rate of Return	7.00% net of plan investment expenses, including inflation
Discount Rate	7.00%
Inflation Rate	2.50%
Cost of Living Adjustment	2.75% of retirement income
Projected Salary Increases	4.00% to 11.00%; vary by service, including inflation

Mortality Assumptions: The underlying mortality assumptions used in the TPL at December 31, 2021 were based on the results of the actuarial experience study for the period January 1, 2017 through December 31, 2019 using the Pub-2010 General Health Employee Amount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2019, with age adjustments, and adjusted separately for healthy and disabled. The underlying mortality assumptions used in the TPL at December 31, 2019 were based on the results of the actuarial experience study for the period January 1, 2014 through December 31, 2016 using the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table as a starting point, projected generationally using the two-dimensional Scale MP-2016, with age adjustments, and adjusted separately for healthy and disabled. In general, using a generational mortality table anticipates increases in the cost of the Plan over time as participants' life expectancies are projected to increase. This is in contrast to updating a static mortality assumption with each experience study as proposed in prior experience studies.

Long-term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses.

The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA - Trend Following	2.50%	2.37%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
Total	100.00%	

Discount Rate: The discount rate used to measure the TPL was 7.00% as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of December 31, 2021.

Sensitivity of the Proportionate Share of the NPL to Changes in the Discount Rate: The following table represents the net pension liability of calculated using the discount rate of 7.00%, as well as what the NPL would be if it was calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease	Current Rate	1% Increase
OCTA's Proportionate Share of the NPL	\$ 225,813	\$ 73,424	\$ (50,787)

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Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial report.

B. OCTA 401(a) Defined Contribution Plan

OCTA contributes to the 401(a) Plan, a defined contribution pension plan, 1) for its full-time administrative employees, 2) for employees represented by the Transportation Communications International Union/International Association of Machinists and Aerospace Workers (TCU/IAM-AW), and 3) for coach operators represented by Teamsters Local 952. The 401(a) Plan is administered by Nationwide Retirement Solutions.

Per provision of Personnel and Salary Resolution adopted by the Board, OCTA provides 401(a) matching contributions to Administrative employees who meet the following criteria:

- 1% of base pay for employees from 0 through 4 years of service
- 2% of base pay for employees with 5 through 9 years of service
- 3% of base pay for employees with 10 years or more of service

In addition, certain administrative employees are eligible, upon hire or promotion, to receive an additional matching contribution of up to 2% of base salary to their 401(a) account, provided employees are making contributions of at least that amount to the OCTA 457(b) plan.

According to provision of Agreement with TCU/IAM-AW, OCTA provides employer-paid contributions to represented employees who meet the following criteria:

- 1% of base pay for employees with 5 years or more of service
- 2% of base pay for employees with 15 years or more of service
- 3% of base pay for employees with 20 years or more of service

Per provision of Coach Operator Agreement, OCTA provides employer-paid contributions to coach operators who meet the following criteria:

- 1% of base pay for employees with 5 years or more of service
- 2% of base pay for employees with 10 years or more of service
- 2% plus matching up to 1% of base pay for employees with 15 years or more of service
- 2% plus matching up to 3% of base pay for employees with 20 years or more of service

The 401(a) Plan is entirely funded by employer contributions. For the year ended June 30, 2022, OCTA contributed \$2,110 to the 401(a) Plan.

13. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: OCTA sponsors and administers a single-employer defined-benefit postemployment healthcare plan (Plan) to provide medical insurance benefits to eligible retired employees. Benefit provisions are established and may be amended by the Board of

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Directors of OCTA. OCTA reports the financial activity of the Plan in its basic financial statements. No separate benefit plan report is issued.

Effective July 1, 2018, Coach Operators became eligible to participate in the Other Postemployment Benefits (OPEB) plan sponsored and administered by OCTA. Previously, only Unrepresented Administrative Employees and Transportation Communications International Union Employees were eligible to continue participating in the group healthcare insurance program after retirement until age 65 for retirees who retire directly from OCTA. Unrepresented Administrative Employees and Transportation Communications International Union Employees in OCERS Plan A and B must be at a minimum of age 50 with at least ten years of OCTA service and OCERS Plan U members must be at a minimum of age 52 with at least five years of OCTA service to meet eligibility requirements. Coach Operators in OCERS Plan A and B must be at a minimum of age 55 with at least ten years of OCTA service and OCERS Plan U members must be at a minimum of age 55 with at least five years of OCTA service for eligibility. The retiree pays the full premium for retiree, spouse and dependents. OCTA does not provide any cash subsidy towards retiree medical benefits.

Funding Policy: Because of the nature of the implied subsidy, OCTA funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

OCTA allows retirees to participate in the same medical plan as active employees at the same premium rates. Because the rate is a “blended rate”, payments for the active employees include an implied subsidy of what would normally be a higher rate for retirees if the retirees were in a stand-alone health plan.

For fiscal year ended June 30, 2022, the implied subsidy was determined as part of the June 30, 2022 actuarial valuation. The estimated implied subsidy at June 30, 2022 was \$182.

GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit.

Employees covered by benefit terms: As of January 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefit	—
Active employees	1,126
Total participants covered by OPEB Plan	<u><u>1,156</u></u>

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Total OPEB liability

OCTA's total OPEB liability (TOL) of \$2,508 was measured as of June 30, 2022 and was determined by an actuarial valuation as of January 1, 2022. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions and other inputs: The TOL of \$2,508 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.69 %
Healthcare Cost Trend Rates:	
2021 - 2022 Current Year Trend	5.50 %
2022 - 2023 Trend	5.50 %
Decrement	0.10 %
Ultimate Trend	4.00 %
Year Ultimate Trend is Reached	2029
Salary Increases	3.25 %
Inflation Rate	2.75 %

Actuarial assumptions used in the January 1, 2022 valuation were based on a review of plan experience during the period January 1, 2020 to December 31, 2021.

The discount rate was based on the index provided by Fidelity General Obligation AA 20 Years Municipal Index based on the 20 year AA municipal bond rate as of June 30, 2022, an increase from the discount rate used for fiscal year ended June 30, 2021 of 1.92%.

Mortality rates were based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Tables as starting point, projected generationally with the two-dimensional MP-2016 projection scale.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance at 6/30/2021	\$ 2,414
Changes for the current year:	
Service cost	192
Interest	48
Changes in assumptions	35
Differences between expected and actual experience	
Benefit payments	(181)
Net changes	94
Balance at 6/30/2022	\$ 2,508

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Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the TOL of OCTA, calculated using the discount rate of 3.69%, as well as what OCTA's TOL would be if it was calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current rate:

	1% Decrease	Current Rate	1% Increase
OCTA's total OPEB liability	\$ 2,578	\$ 2,508	\$ 2,298

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the TOL of OCTA, calculated using an initial trend rate of 5.50%, as well as what OCTA's TOL would be if it was calculated using a trend rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease	Current Rate	1% Increase
OCTA's total OPEB liability	\$ 2,195	\$ 2,508	\$ 2,719

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, OCTA recognized OPEB expense of \$234. At June 30, 2022, OCTA reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 137	\$ 400
Changes of assumptions	157	1
Total	\$ 294	\$ 401

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Increase (Decrease) in OPEB Expense
2023	\$ (6)
2024	(84)
2025	(80)
2026	—
2027	(6)
2028	(1)
Total	\$ (177)

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

14. PURCHASE COMMITMENTS

OCTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues.

Total commitments at June 30, 2022 are as follows:

	Total Purchase Commitments	Reserve for Encumbrances	Unencumbered Purchase Commitments
Governmental Funds:			
General	\$ 102,521	\$ 13,764	\$ 88,757
LTA	953,005	233,044	719,961
LTF	96	-	96
Nonmajor governmental funds	204,056	120,918	83,138
Total Governmental Funds	1,259,678	367,726	891,952
Proprietary Funds:			
OCTD	578,538	129,903	448,634
91 Express Lanes	69,728	7,501	62,227
I-405 Express Lanes	308,230	70,162	238,068
Nonmajor-OC Streetcar	795	-	795
Internal Service Funds	2,016	1,662	354
Total Proprietary Funds	959,307	209,228	750,078
Total	\$ 2,218,985	\$ 576,954	\$ 1,642,030

The majority of the contracts relate to the expansion of Orange County's freeways and road systems, grade separation projects, OC Streetcar project, purchase of up to 117, 22-foot gas powered cutaway buses, ten 40-foot battery electric buses, 165 40-foot CNG buses, paratransit bus services, and services for the operation of the contracted fixed route, stationlink and express buses.

15. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

OCTA is a defendant in various legal actions. To the extent the outcome of such litigation has been determined to result in probable loss to OCTA, such loss has been accrued in the accompanying financial statements. OCTA believes that these accruals are adequate to provide for its estimated future obligations in these matters, and that any amounts in excess of such accruals will not have a significant effect on OCTA's financial position or changes in financial position.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

In April 2020, the OCTA Board approved a settlement for \$1,000 in cash and forgiveness of \$40,000 in toll violations and penalties for the In Re Toll Roads Litigation (Plaintiffs) case. The case initially focused on two basic sets of claims. The first related to due process and negligence claims alleging that the procedures used to assess and collect toll violation penalties when drivers use toll roads without paying the required toll are inadequate. The second original claim is that the penalties assessed against toll violators on the 91 Express Lanes is excessive. Over time, the Plaintiffs alleged that OCTA routinely sells and/or provides personally identifiable information of drivers to a host of other entities as part of the operation of the 91 Express Lanes. The parties have obtained court approval of the settlement and given notice of the settlement to the class members. In FY 2019-20, management recorded a liability of \$1,000 for the cash settlement and wrote off approximately \$3,600 of violations receivable for the forgiveness of toll violations and penalties. In FY 2020-21, OCTA issued a payment of \$217 of the \$1,000 settlement amount. The remaining amount of the settlement was paid in FY 2021-22.

In March 2022, Walsh Construction Company (plaintiff) filed a case arising out of the construction of the OC Streetcar Project. The plaintiff has alleged that due to unforeseen soil conditions, unforeseen utility conflicts, inadequate design and other actions taken by OCTA and its consultants, the plaintiff has suffered construction delays and other damages. The exposure is estimated at \$30,000, and trial has been set for February 2024.

Federal Grants

OCTA 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 OCTA's financial position or results of operations.

16. JOINT VENTURE

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority (JPA) created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino County Transportation Authority (SBCTA) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its pro rata share of rail lines serving Orange County. OCTA did not make any contributions during fiscal year 2021-22 for its share of Metrolink capital and operating costs since SCRRA received awards directly from the FTA for OCTA's share. Separate financial statements are prepared by, and available from, SCRRA, which is located at 900 Wilshire Blvd., Ste. 1500, Los Angeles, CA 90017.

OCTA is one of 11 members of the Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor Agency, a JPA created in 1989 and amended in 2013. The purpose of the JPA is to oversee passenger rail service and improvements in the rail corridor between San Diego,

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

Los Angeles and San Luis Obispo. The LOSSAN's board consists of two members appointed by the LACMTA; two members appointed by OCTA; one member appointed by RCTC; one member appointed by VCTC; one member appointed by the Santa Barbara County Association of Governments; one member appointed by the San Luis Obispo Council of Governments and the following three agencies receive one member appointment but only two votes - the San Diego Metropolitan Transit System, the North County Transit District, and the San Diego Association of Governments. OCTA was selected as the managing agency for LOSSAN and is responsible for the ongoing coordination and service integration efforts. Administrative support is funded by the member agencies. OCTA charged \$4,045 to LOSSAN for administrative support during fiscal year 2021-22. Separate financial statements are prepared by, and available from, LOSSAN at the OCTA offices which is located at 550 South Main Street, Orange, CA 92868.

17. FUND DEFICIT

The I-405 Express Lanes (I-405 EL) fund, an enterprise fund, had a net position deficit of \$236,539. The deficit was primarily due to the fact that the fund is still at construction phase and has not generated operating revenues.

18. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. OCTA implemented this statement for fiscal year ending June 30, 2022. See note 8 for further information on the impact of the adoption of GASB Statement No. 87.

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement was effective for OCTA's fiscal year ending June 30, 2022, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCTA has not determined the effect of this Statement.

GASB Statement No. 92

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 of this Statement are effective immediately. The remaining paragraphs of this Statement were effective for OCTA's fiscal year ending June 30, 2021, but were postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement, except for paragraphs 11b, 13, and 14 were effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The implementation of the remaining paragraphs 11b, 13, and 14 did not have a material effect on the financial statements.

GASB Statement No. 94

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement is effective for OCTA's fiscal year ending June 30, 2023. OCTA has not determined the effect of this Statement.

GASB Statement No. 96

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). This Statement is effective for OCTA's fiscal year ending June 30, 2023. OCTA has not determined the effect of this Statement.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

GASB Statement No. 97

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Paragraphs 4 and 5 of this Statement are effective immediately, and the remaining paragraphs of this Statement are effective for OCTA's fiscal year ending June 30, 2022. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 98

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. OCTA implemented this statement for fiscal year ending June 30, 2022.

GASB Statement No. 99

In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. OCTA has not determined the effect of this Statement.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

GASB Statement No. 100

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. OCTA has not determined the effect of this Statement.

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. OCTA has not determined the effect of this Statement.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines	\$ 212	\$ 212	\$ 179	\$ (33)
Contributions from other agencies	15,021	15,021	9,756	(5,265)
Interest and investment income	936	936	4,750	3,814
Capital assistance grants	4,275	4,275	4,721	446
Miscellaneous	105	105	157	52
Total revenues	20,549	20,549	19,563	(986)
Expenditures				
Current:				
General government:				
Salaries and benefits	67,201	66,523	63,334	3,189
Supplies and services	50,772	47,114	35,154	11,960
Interfund reimbursements	(84,744)	(84,744)	(80,693)	(4,051)
Transportation:				
Contributions to other local agencies	5,018	5,018	4,369	649
Capital outlay	5,209	9,353	3,235	6,118
Debt service:				
Interest	—	—	437	(437)
Total expenditures	43,456	43,264	25,836	17,428
Excess (deficiency) of revenues over (under) expenditures	(22,907)	(22,715)	(6,273)	16,442
Other financing sources (uses)				
Transfers in	8,106	8,106	4,921	(3,185)
Transfers out	—	—	—	—
Total other financing sources (uses)	8,106	8,106	4,921	(3,185)
Net change in fund balance	\$ (14,801)	\$ (14,609)	\$ (1,352)	\$ 13,257
Reconciliation to GAAP:				
Net change in fund balance (budgetary basis)			\$ (1,352)	
Net change in fund balance - from CURE fund			2,033	
Net change in fund balance - from ARBA trust fund			(3,435)	
Net change in fund balance - from Scholarship fund			(2)	
Less: Estimated revenues for encumbrances outstanding at June 30			3,653	
Add: Current year encumbrances outstanding at June 30 - from CURE fund			496	
Add: Current year encumbrances outstanding at June 30			12,693	
Net change in fund balance (GAAP basis)			\$ 6,780	

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Authority Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 312,959	\$ 312,959	\$ 424,897	\$ 111,938
Contributions from other agencies	179,140	179,140	52,022	(127,118)
Interest and investment income	9,569	9,569	(29,074)	(38,643)
Miscellaneous	5,232	5,232	1,545	(3,687)
Total revenues	506,900	506,900	449,390	(57,510)
Expenditures				
Current:				
General government:				
Supplies and services	219,365	219,608	159,681	59,927
Transportation:				
Contributions to other local agencies	156,537	161,982	96,819	65,163
Capital outlay	699,137	699,149	523,504	175,645
Total expenditures	1,075,039	1,080,739	780,004	300,735
Deficiency of revenues under expenditures	(568,139)	(573,839)	(330,614)	243,225
Other financing sources (uses)				
Transfers in	29,317	29,317	152,465	123,148
Transfers out	(90,789)	(90,789)	(74,485)	16,304
Proceeds from sale of capital assets	4,000	—	1,227	1,227
Total other financing sources (uses)	(57,472)	(61,472)	79,207	140,679
Net change in fund balance	\$ (625,611)	\$ (635,311)	\$ (251,407)	\$ 383,904
Reconciliation to GAAP:				
Net change in fund balance (budgetary basis)			\$ (251,407)	
Less: Estimated revenues for encumbrances outstanding at June 30			24,495	
Add: Current year encumbrances outstanding at June 30			236,623	
Net change in fund balance (GAAP basis)			\$ (39,279)	

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 162,624	\$ 162,624	\$ 215,741	\$ 53,117
Interest and investment income	43	43	(4,970)	(5,013)
Total revenues	162,667	162,667	210,771	48,104
Expenditures				
Current:				
General government:				
Supplies and services	1,769	1,769	1,849	(80)
Transportation:				
Contributions to other local agencies	2,248	2,248	2,959	(711)
Total expenditures	4,017	4,017	4,808	(791)
Excess of revenues over expenditures	158,650	158,650	205,963	47,313
Other financing uses				
Transfers out	(158,651)	(158,651)	(4,921)	153,730
Total other financing uses	(158,651)	(158,651)	(4,921)	153,730
Net change in fund balance	\$ (1)	\$ (1)	\$ 201,042	\$ 201,043

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan and OPEB Plan Trend Data
June 30, 2022

(amounts expressed in thousands)

Schedule of OCTA's Proportionate Share of the Net Pension Liability
Orange County Employees Retirement System Pension Plan
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
OCTA's Proportion of the NPL	3.581 %	4.415 %	4.419 %	4.353 %	4.283 %	4.436 %	4.377 %	4.006 %	4.112 %
OCTA's proportionate share of the NPL	\$73,424	\$186,024	\$ 224,285	\$ 230,261	\$ 230,261	\$ 230,261	\$ 250,193	\$ 203,592	\$ 217,569
OCTA's covered payroll	\$97,538	\$102,500	\$ 101,980	\$ 97,230	\$ 94,528	\$ 94,507	\$ 93,110	\$ 95,061	\$ 92,200
OCTA's proportionate share of the NPL as a percentage of its covered payroll	75.28 %	181.49 %	219.93 %	277.48 %	224.40 %	243.64 %	268.71 %	214.17 %	235.98 %
Plan fiduciary net position as a percentage of the total pension liability	91.45 %	81.69 %	76.67 %	70.03 %	74.93 %	71.16 %	67.10 %	69.42 %	67.16 %

Note: The amounts presented for each fiscal year were determined as of December 31.

Schedule of OCTA Contributions
Orange County Employees Retirement System Pension Plan
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 31,794	\$ 29,175	\$ 27,801	\$ 24,690	\$ 24,811	\$ 23,900	\$ 26,347	\$ 24,722	\$ 22,244
Contributions in relation to the actuarially determined contributions	31,794	29,175	27,801	24,690	24,811	23,900	26,347	24,722	22,244
Contribution excess (deficiency)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 95,163	\$ 92,887	\$ 92,496	\$ 87,887	\$ 86,117	\$ 86,925	\$ 97,616	\$ 92,878	\$ 94,244
Contributions as a percentage of covered payroll	33.41%	31.41%	30.06%	28.09%	28.81%	27.50%	26.99%	26.62%	23.60%

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan and OPEB Plan Trend Data
June 30, 2022

(amounts expressed in thousands)

Changes of assumptions

For fiscal year 2021-22, the inflation rate remained unchanged at 2.50% (retiree cost-of-living assumption maintained at 2.75%). Projected salary remained stable at 4.00% to 11.00%. Mortality assumptions were based on the Pub-2010 General Health Employee Amount-Weighted Above-Median Mortality Table.

For fiscal year 2020-21, the inflation rate was reduced from 2.75% to 2.50% (retiree cost-of-living assumption maintained at 2.75%). Projected salary increases of 4.25% to 12.25% changed to 4.00% to 11.00%. Mortality assumptions were based on the Pub-2010 General Health Employee Amount-Weighted Above-Median Mortality Table, rather than the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, which was used to determine amounts reported in the prior fiscal year.

For fiscal year 2017-18, the discount rate used to measure the TPL was decreased from 7.25% to 7.00%. The inflation rate was decreased from 3.00% to 2.75%. Mortality assumptions were based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table.

Schedule of the Changes in OCTA's Total OPEB Liability and Related Ratios
Other Post Employment Benefit Plan
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 2,414	\$ 2,301	\$ 2,927	\$ 1,432	\$ 745
Changes for the year:					
Service cost	192	185	152	112	40
Interest	48	58	104	48	28
Changes in assumption	35	60	172	(4)	40
Difference between actual and expected experience	-	-	(869)	12	651
Plan change		-	-	1,419	-
Benefit payments	(181)	(190)	(185)	(92)	(72)
Total OPEB liability - ending	<u>\$ 2,508</u>	<u>\$ 2,414</u>	<u>\$ 2,301</u>	<u>\$ 2,927</u>	<u>\$ 1,432</u>
Covered employee payroll	\$ 85,148	\$ 82,937	\$ 82,050	\$ 70,204	\$ 42,366
Total OPEB liability as a percentage of covered employee payroll	2.95%	2.91%	2.80%	4.17%	3.38%

* OCTA will be presenting information for those years for which information is available until a full 10-year trend is compiled.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Supplemental Pension Plan and OPEB Plan Trend Data
June 30, 2022

(amounts expressed in thousands)

Notes to the schedule for OPEB Plan

Funding policy: OCTA funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

The amounts presented for fiscal year 2018 were measured as of December 31, 2017, and the amounts for fiscal year 2019 and thereafter were measured as of June 30 of the preceding year.

Plan Change: Effective July 1, 2018 for fiscal year ended June 30, 2019, Coach Operators became eligible to participate in the OPEB plan. Previously, only Unrepresented Administrative and Transportation Communications International Union employees were eligible for OPEB benefits.

Change of assumptions: For fiscal year 2021-22, the discount rate used to measure the TOL was 3.69%, a decrease from the discount rate of 1.92% for fiscal year 2020-21.

For fiscal year 2020-2021, the discount rate used to measure the TOL was 1.92%, a decrease from the discount rate of 2.45% for fiscal year 2019-20. For fiscal year 2020-21, mortality assumptions were based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Tables as starting point, projected generationally with the two-dimensional MP-2016 projection scale used, rather than the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Year 2006), which was used to determine amounts reported in fiscal year 2019-20.

For fiscal year 2019-20, the discount rate used to measure the TOL was 2.45%, an decrease from the discount rate of 3.50% for fiscal year 2018-19. For fiscal year 2018-19, mortality assumptions were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Year 2006) rather than the RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, which was used to determine amounts reported in fiscal year 2017-18.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

(amounts expressed in thousands)

1. BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual budget for all governmental funds. The budget is prepared in a basis consistent 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 subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. 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 2022 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

EXCESS EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations for fiscal year 2021-22 for the General fund and the major special revenue funds, except for the Local Transportation fund. In the Local Transportation fund, contributions to other local agencies exceeded appropriations in the amounts of \$711, due to OCTA receiving more sales tax revenue over the 12-month apportionment period than anticipated and disbursing those funds to other local agencies.

Beginning fiscal year 2014-15, the CURE fund was consolidated with the General fund as it no longer met the definition of a special revenue fund. A separate budgetary schedule for the CURE fund is located in other supplementary information. A reconciliation is included on the General fund budgetary schedule for the consolidation.

Beginning fiscal year 2020-21, the Additional Retiree Benefit Account (ARBA) fund and the Scholarship fund were consolidated with the General fund, as they no longer met the definition of a fiduciary fund upon implementation of GASB Statement No. 84, Fiduciary Activities. A reconciliation is included on the General fund budgetary schedule for the consolidation.

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION
June 30, 2022
(amounts expressed in thousands)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Orange County Unified Transportation Trust (OCUTT) - This fund is used to account for the revenues received and expenditures made for disbursements to OCTA, California Department of Transportation and cities within Orange County for various transportation projects. The source of revenue is the interest earned by the general capital project fund. Expenditures of monies in this fund must be made in accordance with provisions of the California Transportation Development Act (TDA).

Service Authority for Freeway Emergencies (SAFE) - This fund is used to account for revenues received and expenditures made for the implementation and maintenance of the motorist emergency aid system. Funding is provided from a one dollar per vehicle registration fee on vehicles registered in Orange County. Expenditure of monies in this fund must be made in accordance with the provisions of Chapter 14 of the California Streets and Highways Code.

State Transit Assistance Fund (STAF) - This fund is used to account for revenues received and expenditures made for OCTD transit operations and fare assistance for seniors and disabled persons. Funding is provided by sales taxes on gasoline and use taxes on diesel fuel. Expenditure of these funds is governed by the provisions of the TDA.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2022

<i>(amounts expressed in thousands)</i>	Special Revenue			Total Nonmajor Governmental Funds
	OCUTT	SAFE	STAF	
Assets				
Cash and investments	\$ 13,165	\$ 3,616	\$ 16,348	\$ 33,129
Receivables:				
Interest	54	26	1	81
Other	—	5	—	5
Due from other governments	—	1,586	12,077	13,663
Note receivable	1,558	—	—	1,558
Total Assets	14,777	5,233	28,426	48,436
Liabilities and Fund Balances				
Liabilities				
Accounts payable	8	810	—	818
Due to other funds	—	—	12,077	12,077
Due to other governments	—	37	—	37
Total Liabilities	8	847	12,077	12,932
Deferred Inflows of Resources				
Unavailable revenue - reimbursements from others and other misc revenue	—	1,093	—	1,093
Total Deferred Inflows of Resources	—	1,093	—	1,093
Fund Balances				
Restricted for:				
Transportation programs	14,769	—	16,349	31,118
Motorist services	—	3,293	—	3,293
Total Fund Balances	14,769	3,293	16,349	34,411
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,777	\$ 5,233	\$ 28,426	\$ 48,436

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Special Revenue			Total Nonmajor Governmental Funds
	OCUTT	SAFE	STAF	
Revenues				
Sales taxes	\$ —	\$ —	\$ 38,761	\$ 38,761
Transportation improvement fee	—	—	6,342	6,342
Vehicle registration fees	—	2,896	—	2,896
Contributions from other agencies	—	3,306	—	3,306
Interest and investment income (loss)	(537)	(145)	7	(675)
Miscellaneous	—	8	—	8
Total revenues	(537)	6,065	45,110	50,638
Expenditures				
Current:				
General government:				
Supplies and services	17	9,618	1	9,636
Capital outlay	—	42	—	42
Total expenditures	17	9,660	1	9,678
Excess (deficiency) of revenues over (under) expenditures	(554)	(3,595)	45,109	40,960
Other financing uses				
Transfers out	—	—	(28,883)	(28,883)
Total other financing uses	—	—	(28,883)	(28,883)
Net change in fund balances	(554)	(3,595)	16,226	12,077
Fund balances - beginning	15,323	6,888	123	22,334
Fund balances - ending	\$ 14,769	\$ 3,293	\$ 16,349	\$ 34,411

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Commuter and Urban Rail Endowment Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines	\$ —	\$ —	\$ 3	\$ 3
Contributions from other agencies	—	—	42	42
Interest and investment income	—	—	(633)	(633)
Total revenues	—	—	(588)	(588)
Expenditures				
Current:				
General government:				
Supplies and services	221	221	256	(35)
Capital outlay	456	456	456	—
Total expenditures	677	677	712	(35)
Deficiency of revenues under expenditures	(677)	(677)	(1,300)	(623)
Other financing sources				
Proceeds from sale of capital assets	—	—	3,333	3,333
Total other financing sources	—	—	3,333	3,333
Net change in fund balance	\$ (677)	\$ (677)	\$ 2,033	\$ 2,710

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ 2,033
Less: Estimated revenues for encumbrances outstanding at June 30	—
Add: Current year encumbrances outstanding at June 30	496
Net change in fund balance (GAAP basis)	\$ 2,529

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest and investment income	\$ 5,454	\$ 5,454	\$ 3,598	\$ (1,856)
Total revenues	5,454	5,454	3,598	(1,856)
Expenditures				
Debt service:				
Principal payments on long-term debt	8,455	8,455	8,455	—
Interest on long-term debt	35,371	35,371	35,371	—
Total expenditures	43,826	43,826	43,826	—
Deficiency of revenues under expenditures	(38,372)	(38,372)	(40,228)	(1,856)
Other financing sources (uses)				
Transfers in	43,826	43,826	49,706	5,880
Transfers out	(5,454)	(5,454)	(5,698)	(244)
Total other financing sources (uses)	38,372	38,372	44,008	5,636
Net change in fund balance	\$ —	\$ —	\$ 3,780	\$ 3,780

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest and investment income	\$ 100	\$ 100	\$ (537)	\$ (637)
Total revenues	100	100	(537)	(637)
Expenditures				
Current:				
General government:				
Supplies and services	885	885	17	868
Total expenditures	885	885	17	868
Deficiency of revenues under expenditures	(785)	(785)	(554)	231
Net change in fund balance	\$ (785)	\$ (785)	\$ (554)	\$ 231

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Vehicle registration fees	\$ 2,600	\$ 2,600	\$ 2,896	\$ 296
Contributions from other agencies	4,145	4,145	3,306	(839)
Interest and investment income	9	9	(145)	(154)
Miscellaneous	8	8	8	—
Total revenues	6,762	6,762	6,065	(697)
Expenditures				
Current:				
General government:				
Supplies and services	9,591	9,591	9,684	(93)
Capital outlay	50	50	42	8
Total expenditures	9,641	9,641	9,726	(85)
Deficiency of revenues under expenditures	(2,879)	(2,879)	(3,661)	(782)
Other financing sources				
Transfers in	2,840	2,840	—	(2,840)
Total other financing sources	2,840	2,840	—	(2,840)
Net change in fund balance	\$ (39)	\$ (39)	\$ (3,661)	\$ (3,622)
Reconciliation to GAAP:				
Net change in fund balance (budgetary basis)			\$ (3,661)	
Less: Estimated revenues for encumbrances outstanding at June 30			—	
Add: Current year encumbrances outstanding at June 30			66	
Net change in fund balance (GAAP basis)			\$ (3,595)	

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax revenue	\$ 30,000	\$ 30,000	\$ 38,761	\$ 8,761
Transportation improvement fee	6,416	6,416	6,342	(74)
Interest and investment income	24	24	7	(17)
Total revenues	36,440	36,440	45,110	8,670
Expenditures				
Current:				
General government:				
Supplies and services	—	—	1	(1)
Total expenditures	—	—	1	(1)
Excess of revenues over expenditures	36,440	36,440	45,109	8,669
Other financing uses				
Transfers out	(36,441)	(36,441)	(28,883)	7,558
Total other financing uses	(36,441)	(36,441)	(28,883)	7,558
Net change in fund balance	\$ (1)	\$ (1)	16,226	\$ 16,227

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
General Capital Project Fund (Budgetary Basis)
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Contributions from other agencies	\$ —	\$ —	\$ 12,881	\$ 12,881
Interest	2	2	—	(2)
Capital assistance grants	18,369	18,369	74,874	56,505
Miscellaneous	—	—	2	2
Total revenues	18,371	18,371	87,757	69,386
Expenditures				
Current:				
General government:				
Supplies and services	19,571	19,571	4,237	15,334
Transportation:				
Contributions to other local agencies	935	935	63	872
Capital outlay	180,688	180,688	191,585	(10,897)
Total expenditures	201,194	201,194	195,885	5,309
Deficiency of revenues under expenditures	(182,823)	(182,823)	(108,128)	74,695
Other financing sources				
Transfers in	35,370	35,370	10,904	(24,466)
Total other financing sources	35,370	35,370	10,904	(24,466)
Net change in fund balance	\$ (147,453)	\$ (147,453)	\$ (97,224)	\$ 50,229

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (97,224)
Less: Estimated revenues for encumbrances outstanding at June 30	29,637
Add: Current year encumbrances outstanding at June 30	126,657
Net change in fund balance (GAAP basis)	\$ 59,070

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION
June 30, 2022
(amounts expressed in thousands)

NONMAJOR ENTERPRISE FUND

OC Streetcar Fund - This fund is established to account for the operations of the OC Streetcar which is planned to be operative in fiscal year 2024-25. The funding sources for the operation will be Measure M program, Congestion Mitigation and Air Quality (CMAQ) program, fare collections, and local city match.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Net Position - Nonmajor Enterprise Fund
June 30, 2022

<i>(amounts expressed in thousands)</i>	OC Streetcar	Total Nonmajor Enterprise Fund
Assets		
Current assets:		
Due from other funds	\$ —	\$ —
Total current assets	—	—
Total Assets	—	—
Liabilities		
Current liabilities:		
Accounts payable	—	—
Total current liabilities	—	—
Total Liabilities	—	—
Net Position		
Unrestricted	—	—
Total Net Position	\$ —	\$ —

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Charges in Net Position
Nonmajor Enterprise Fund
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	OC Streetcar	Total Nonmajor Enterprise Fund
Operating revenues:		
Permit fees	\$ —	\$ —
Total operating revenues	—	—
Operating expenses:		
Wages, salaries and benefits	—	—
Administrative services	865	865
Professional services	50	50
Total operating expenses	915	915
Operating loss	(915)	(915)
Nonoperating revenues:		
Federal operating assistance grants	—	—
Investment income	—	—
Total nonoperating revenues	—	—
Loss before contributions and transfers	(915)	(915)
Transfers in	915	915
Change in net position	—	—
Total net position - beginning	—	—
Total net position - ending	\$ —	\$ —

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Nonmajor Enterprise Fund
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	OC Streetcar	Total Nonmajor Enterprise Fund
Cash flows from operating activities:		
Receipts from customers and users	\$ —	\$ —
Payments to suppliers	(50)	(50)
Payments to employees	—	—
Payments for interfund services used	(865)	(865)
Net cash used for operating activities	(915)	(915)
Cash flows from noncapital financing activities:		
Operating assistance grants received	—	—
Transfers from other funds	915	915
Net cash provided by noncapital financing activities	915	915
Cash flows from investing activities:		
Investment earnings	—	—
Net cash provided by investing activities	—	—
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of year	\$ —	\$ —
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (915)	\$ (915)
Change in assets and liabilities:		
Prepaid retirement	—	—
Deferred outflows of resources related to pensions	—	—
Deferred outflows of resources related to OPEB	—	—
Accounts payable	—	—
Accrued payroll and related items	—	—
Compensated absences	—	—
Unearned revenue	—	—
Total OPEB liability	—	—
Net pension liability	—	—
Deferred inflows of resources related to pensions	—	—
Deferred inflows of resources related to OPEB	—	—
Total adjustments	—	—
Net cash used for operating activities	\$ (915)	\$ (915)

ORANGE COUNTY TRANSPORTATION AUTHORITY
OTHER SUPPLEMENTARY INFORMATION
June 30, 2022
(amounts expressed in thousands)

INTERNAL SERVICE FUNDS

General liability - This fund is used to account for OCTA's risk management activities related to public liability, property damage and automobile liability.

Workers' compensation - This fund is used to account for OCTA's risk management activities related to workers' compensation.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Net Position - Internal Service Funds
June 30, 2022

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 16,589	\$ 32,792	\$ 49,381
Receivables:			
Interest	78	96	174
Other	170	301	471
Other assets	360	951	1,311
Total current assets	<u>17,197</u>	<u>34,140</u>	<u>51,337</u>
Total Assets	<u>17,197</u>	<u>34,140</u>	<u>51,337</u>
Liabilities			
Current liabilities:			
Accounts payable	505	531	1,036
Claims payable	636	2,939	3,575
Total current liabilities	<u>1,141</u>	<u>3,470</u>	<u>4,611</u>
Noncurrent liabilities:			
Claims payable	2,394	13,388	15,782
Total Liabilities	<u>3,535</u>	<u>16,858</u>	<u>20,393</u>
Net Position			
Unrestricted	13,662	17,282	30,944
Total Net Position	<u>\$ 13,662</u>	<u>\$ 17,282</u>	<u>\$ 30,944</u>

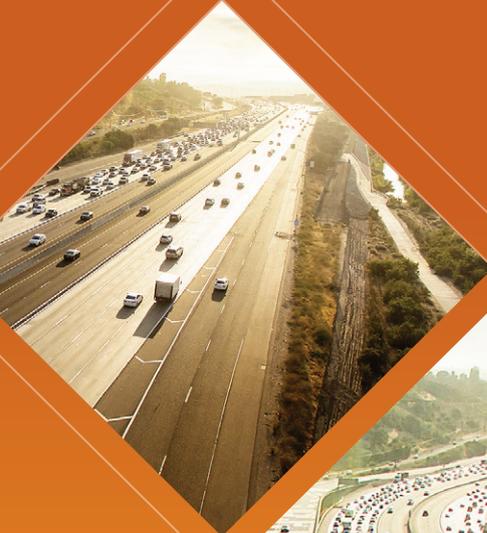
ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 7,341	\$ 8,450	\$ 15,791
Total operating revenues	7,341	8,450	15,791
Operating expenses:			
Administrative services	180	95	275
Other	8	287	295
Insurance claims and premiums	6,197	4,771	10,968
Professional services	966	495	1,461
Total operating expenses	7,351	5,648	12,999
Operating income (loss)	(10)	2,802	2,792
Nonoperating revenues (expenses):			
Investment loss	(555)	(1,046)	(1,601)
Other	75	37	112
Total nonoperating expenses	(480)	(1,009)	(1,489)
Change in net position	(490)	1,793	1,303
Total net position - beginning	14,152	15,489	29,641
Total net position - ending	\$ 13,662	\$ 17,282	\$ 30,944

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 7,313	\$ 8,435	\$ 15,748
Payments to suppliers	(562)	(505)	(1,067)
Payments to claimants	(5,758)	(4,733)	(10,491)
Payments for interfund services used	(180)	(95)	(275)
Miscellaneous revenue received	77	38	115
Net cash provided by operating activities	890	3,140	4,030
Cash flows from investing activities:			
Investment loss	(559)	(1,056)	(1,615)
Net cash used in investing activities	(559)	(1,056)	(1,615)
Net increase in cash and cash equivalents	331	2,084	2,415
Cash and cash equivalents at beginning of year	16,258	30,708	46,966
Cash and cash equivalents at end of year	\$ 16,589	\$ 32,792	\$ 49,381
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (10)	\$ 2,802	\$ 2,792
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Insurance recoveries	75	38	113
Change in assets and liabilities:			
Other receivables	(6)	9	3
Due from other governments	2	—	2
Other assets	(28)	(15)	(43)
Accounts payable	404	(10)	394
Claims payable	453	316	769
Total adjustments	900	338	1,238
Net cash provided by operating activities	\$ 890	\$ 3,140	\$ 4,030
Noncash capital, financing and investing activities:			
Investment loss	\$ 3	\$ 7	\$ 10

91 EXPRESS LANES



VANPOOL



ORANGE COUNTY TRANSPORTATION AUTHORITY
STATISTICAL SECTION (Unaudited)
June 30, 2022

This part of OCTA’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about OCTA’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	106
These schedules contain trend information to help the reader understand how OCTA’s financial performance and well-being have changed over time.	
Revenue Capacity	111
These schedules contain information to help the reader assess OCTA’s most significant local revenue source, the sales tax.	
Debt Capacity	116
These schedules present information to help the reader assess the affordability of OCTA’s current levels of outstanding debt and OCTA’s ability to issue additional debt in the future.	
Demographic and Economic Information	119
These schedules offer demographic and economic indicators to help the reader understand the environment within which OCTA’s financial activities take place.	
Operating Information	122
These schedules contain service and infrastructure data to help the reader understand how the information in OCTA’s financial report relates to the services OCTA provides and the activities it performs.	

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 1
Net Position by Component, Last Ten Fiscal Years (Unaudited)

<i>(accrual basis of accounting - thousands)</i>	As of June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Net investment in capital assets	\$ 159,539	\$ 159,427	\$ 177,195	\$ 185,209	\$ 202,587	\$ 211,433	\$ 262,985	\$ 340,129	\$ 433,782	\$ 501,053
Restricted	314,832	352,878	421,285	545,220	621,580	565,653	677,934	626,302	545,091	735,780
Unrestricted	207,674	181,216	94,641	67,517	29,578	37,947	(14,857)	(49,044)	(23,655)	18,118
Total governmental activities net position	\$ 682,045	\$ 693,521	\$ 693,121	\$ 797,946	\$ 853,745	\$ 815,033	\$ 926,062	\$ 917,387	\$ 955,218	\$ 1,254,951
Business-type activities:										
Net investment in capital assets	\$ 257,439	\$ 265,584	\$ 279,153	\$ 300,737	\$ 389,791	\$ 339,677	\$ 320,212	\$ 303,484	\$ 287,575	\$ 306,992
Restricted	20,383	13,015	13,032	13,075	13,199	16,776	18,229	25,156	31,268	29,251
Unrestricted	317,002	376,340	275,052	305,689	323,682	439,737	487,407	547,164	583,939	482,768
Total business-type activities net position	\$ 594,824	\$ 654,939	\$ 567,237	\$ 619,501	\$ 726,672	\$ 796,190	\$ 825,848	\$ 875,804	\$ 902,782	\$ 819,011
Primary government:										
Net investment in capital assets	\$ 416,978	\$ 425,011	\$ 456,348	\$ 485,946	\$ 592,378	\$ 551,110	\$ 583,197	\$ 643,613	\$ 721,357	\$ 808,045
Restricted	335,215	365,893	434,317	558,295	634,779	582,429	696,163	651,458	576,359	765,031
Unrestricted	524,676	557,556	369,693	373,206	353,260	477,684	472,550	498,120	560,284	500,886
Total primary government net position	\$ 1,276,869	\$ 1,348,460	\$ 1,260,358	\$ 1,417,447	\$ 1,580,417	\$ 1,611,223	\$ 1,751,910	\$ 1,793,191	\$ 1,858,000	\$ 2,073,962

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2014-15, OCTA implemented GASB 68.

In fiscal year 2016-17, the increase in the business-type activities net position is mainly due to a major revenue vehicle purchase.

In fiscal year 2018-19, the increase in the government-type activities net position is mainly due to the Measure M program and the construction of the OC Streetcar project.

In fiscal year 2019-20, the increase in the business-type activities net position is mainly due to a reduction in net pension liabilities.

In fiscal year 2020-21, the increase in the governmental-type activities net position is mainly due to capital grants and contributions and taxes. The increase in business-type activities net position is mainly due to operating grants and contributions.

In fiscal year 2021-22, the increase in the governmental-type activities net position is mainly due to sales tax revenues. The decrease in business-type activities net position is mainly due to the construction of I-405 improvement project.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 2
Changes in Net Position, Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting - thousands)

For the Year Ended June 30,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 96,925	\$ 68,262	\$ 74,852	\$ 95,155	\$ 94,929	\$ 80,877	\$ 88,394	\$ 89,868	\$ 87,346	\$ 89,924
Measure M program	314,669	372,137	301,329	272,627	280,154	439,279	390,253	453,965	534,584	543,991
Motorist services	6,004	5,187	5,281	6,355	5,826	5,725	6,359	7,724	7,092	8,284
Commuter rail	34,586	23,556	29,347	34,004	39,736	414	117	454	47	194
Total governmental activities expenses	452,184	469,142	410,809	408,141	420,645	526,295	485,123	552,011	629,069	642,393
Business-type activities:										
Fixed route	207,363	212,170	201,630	208,851	204,969	208,167	230,256	201,819	174,441	179,877
Paratransit	53,803	51,735	51,392	63,071	64,594	67,883	71,104	88,086	75,431	88,131
Tollroad	20,573	22,996	22,980	25,120	38,455	25,672	26,491	29,239	30,137	30,162
Taxicab administration	456	506	584	567	524	385	348	160	86	—
Fixed guideway	—	—	—	—	—	—	6	7	28	51
Total business-type activities expenses	282,195	287,407	276,586	297,609	308,542	302,107	328,205	319,311	280,123	298,221
Total primary government expenses	\$ 734,379	\$ 756,549	\$ 687,395	\$ 705,750	\$ 729,187	\$ 828,402	\$ 813,328	\$ 871,322	\$ 909,192	\$ 940,614
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 137	\$ 155	\$ 181	\$ 1,180	\$ 730	\$ 842	\$ 855	\$ 872	\$ 1,113	\$ 1,094
Other activities	1,136	1,350	1,644	1,087	1,104	1,544	968	1,197	1,149	1,373
Operating grants and contributions	159,069	146,863	122,282	125,220	92,486	98,233	83,458	78,703	74,365	63,978
Capital grants and contributions	10,923	2,222	586	3,897	17,602	7,679	19,994	37,921	65,919	65,949
Total governmental activities program revenues	171,265	150,590	124,693	131,384	111,922	108,298	105,275	118,693	142,546	132,394
Business-type activities:										
Charges for services:										
Fixed route	53,361	56,784	51,265	50,197	42,753	40,821	41,067	39,747	22,380	37,647
Tollroad	39,289	42,610	46,132	52,240	56,005	57,615	57,417	43,944	45,353	64,848
Other activities	7,893	8,579	8,695	8,650	8,656	8,280	8,727	7,654	2,193	4,824
Operating grants and contributions	83,305	63,099	67,356	65,226	74,966	74,236	87,667	64,917	164,819	258,866
Capital grants and contributions	8,821	23,717	14,139	35,848	89,740	17,849	11,172	4,747	7,154	10,568
Total business-type activities program revenues	192,669	194,789	187,587	212,161	272,120	198,801	206,050	161,009	241,899	376,753
Total primary government program revenues	\$ 363,934	\$ 345,379	\$ 312,280	\$ 343,545	\$ 384,042	\$ 307,099	\$ 311,325	\$ 279,702	\$ 384,445	\$ 509,147

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

In fiscal year 2013-14, the decrease in General government expenses is primarily due to the conclusion of the gasoline tax exchange in June 2013.

In fiscal year 2017-18, the increase in expense of Measure M program under the governmental activities results mainly from costs related to freeway projects including I-405 Improvement Project.

In fiscal years 2019-22, the increase in the government-type activities expenses is mainly due to the construction of the OC Streetcar project under the Measure M program.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 2
Changes in Net Position, Last Ten Fiscal Years, *continued*

(accrual basis of accounting - thousands)

For the Year Ended June 30,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Indirect expenses allocation:										
Governmental activities	\$ (33,654)	\$ (34,089)	\$ (35,996)	\$ (37,748)	\$ (41,045)	\$ (43,163)	\$ (44,411)	\$ (46,890)	\$ (48,485)	\$ (52,347)
Business-type activities	33,654	34,089	35,996	37,748	41,045	43,163	44,411	46,890	48,485	52,347
Net (expense) revenue										
Governmental activities	\$ (247,265)	\$ (284,463)	\$ (250,120)	\$ (239,009)	\$ (267,678)	\$ (374,834)	\$ (335,437)	\$ (386,428)	\$ (438,038)	\$ (457,652)
Business-type activities	(123,180)	(126,707)	(124,995)	(123,196)	(77,467)	(146,469)	(166,566)	(205,192)	(86,709)	26,185
Total primary government net expense	\$ (370,445)	\$ (411,170)	\$ (375,115)	\$ (362,205)	\$ (345,145)	\$ (521,303)	\$ (502,003)	\$ (591,620)	\$ (524,747)	\$ (431,467)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 428,262	\$ 451,153	\$ 466,127	\$ 476,368	\$ 475,863	\$ 515,475	\$ 546,912	\$ 518,933	\$ 554,785	\$ 679,399
Unrestricted investment earnings	11,295	13,776	13,301	19,447	9,807	12,609	48,527	55,593	21,334	(27,383)
Other miscellaneous revenue	125	288	168	918	99	133	233	159	2,028	1,360
Transfers	(155,999)	(169,278)	(169,199)	(152,899)	(162,292)	(191,734)	(149,206)	(196,930)	(117,292)	104,009
Total governmental activities	283,683	295,939	310,397	343,834	323,477	336,483	446,466	377,755	460,855	757,385
Business-type activities:										
Taxes:										
Property taxes	13,560	12,366	13,293	14,098	14,943	15,995	16,971	17,829	18,648	19,646
Unrestricted investment earnings	2,805	4,765	4,531	7,672	2,332	2,892	24,654	29,285	4,859	(32,167)
Other miscellaneous revenue	2,832	413	1,218	791	5,071	5,604	5,393	11,104	7,685	6,574
Transfers	155,999	169,278	169,199	152,899	162,292	191,734	149,206	196,930	117,292	(104,009)
Total business-type activities	175,196	186,822	188,241	175,460	184,638	216,225	196,224	255,148	148,484	(109,956)
Total primary government	\$ 458,879	\$ 482,761	\$ 498,638	\$ 519,294	\$ 508,115	\$ 552,708	\$ 642,690	\$ 632,903	\$ 609,339	\$ 647,429
Change in Net Position										
Governmental activities	\$ 36,418	\$ 11,476	\$ 60,277	\$ 104,825	\$ 55,799	\$ (38,351)	\$ 111,029	\$ (8,673)	\$ 22,817	\$ 299,733
Business-type activities	52,016	60,115	63,246	52,264	107,171	69,756	29,658	49,956	61,775	(83,771)
Total primary government	\$ 88,434	\$ 71,591	\$ 123,523	\$ 157,089	\$ 162,970	\$ 31,405	\$ 140,687	\$ 41,283	\$ 84,592	\$ 215,962

Source: Accounting and Financial Reporting Department

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 3

Fund Balances, Governmental Funds, Last Ten Fiscal Years (Unaudited)

(modified accrual basis of accounting - thousands)

	As of June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	5,637	7,473	11,038	11,862	20,672	11,699	13,717	12,746	13,763	13,282
Restricted	-	-	24,732	23,548	22,992	23,189	23,101	23,517	44,642	40,881
Assigned	-	-	25,173	14,453	-	2,413	8,740	11,562	14,735	25,759
Unassigned	(168)	(210)	22,115	-	(17,135)	-	(2,217)	-	-	(2)
Total general fund	\$ 5,469	\$ 7,263	\$ 83,058	\$ 49,863	\$ 26,529	\$ 37,301	\$ 43,341	\$ 47,825	\$ 73,140	\$ 79,920
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	77,547	56,991	20,575	12,519	7,177	12,144	15,772	12,230	17,507	39,222
Restricted	638,718	707,365	753,071	862,565	953,569	892,703	1,337,025	1,252,083	1,155,000	1,314,797
Committed	-	-	-	-	-	-	-	-	-	-
Assigned, reported in:										
Special revenue funds	69,531	41,273	-	-	-	-	-	-	-	-
Transportation capital projects	9,504	9,495	9,469	8,682	1,158	-	2,521	-	-	-
Unassigned	-	-	-	-	-	(6,917)	(883)	(2,024)	(3,562)	(7,658)
Total all other governmental funds	\$ 795,300	\$ 815,124	\$ 783,115	\$ 883,766	\$ 961,904	\$ 897,930	\$ 1,354,435	\$ 1,262,289	\$ 1,168,945	\$ 1,346,361

Source: Accounting and Financial Reporting Department

Notes:

GASB 54 was implemented during fiscal year 2010-11.

In fiscal year 2014-15, the increase in restricted fund balance of General Fund is due to transfers from LTA as a result of finalizing Measure M1 projects. Additionally, the CURE Fund was consolidated with the General Fund as it no longer met the definition of a special revenue fund, which resulted in an increase of assigned and unassigned fund balance for the General Fund.

In fiscal year 2018-19, the increase in restricted fund balance of All Other Governmental Funds is due to the issuance of sales tax revenue bonds for the Measure M2 program.

In fiscal year 2019-20, the decrease in restricted fund balance of All Other Governmental funds is due to the decrease of sales tax revenue for Measure M2 program.

In fiscal year 2021-22, the increase in restricted fund balance of All Other Governmental funds is due to the increase of sales tax revenue for Measure M2 program.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 4

Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years (Unaudited)

(modified accrual basis of accounting - thousands)

	For the Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Sales taxes	\$ 428,262	\$ 451,153	\$ 466,127	\$ 465,830	\$ 486,401	\$ 507,584	\$ 554,804	\$ 518,933	\$ 554,785	\$ 679,399
Gasoline taxes	22,553	—	—	—	—	—	—	—	—	—
Transportation improvement fee	—	—	—	—	—	5,673	5,603	5,823	6,230	7,581
Vehicle registration fees	2,588	2,669	2,351	3,401	2,960	2,941	2,978	2,773	3,099	2,896
Fines	140	176	197	220	205	201	200	245	125	182
Contributions from other agencies	135,762	146,216	121,341	103,532	87,870	92,239	67,550	96,817	84,483	51,603
Interest and investment income	10,702	13,144	12,732	18,917	11,894	12,253	48,528	53,209	23,840	(29,596)
Capital assistance grants	1,118	11,075	768	3,220	14,552	7,541	14,171	29,102	45,999	46,975
Miscellaneous	1,351	3,899	4,221	5,090	8,060	6,361	3,649	1,425	3,250	2,365
Total revenues	602,476	628,332	607,737	600,210	611,942	634,793	697,483	708,327	721,811	761,405
Expenditures										
Current:										
General government	94,455	83,294	105,995	126,370	116,183	110,973	110,537	106,911	114,120	101,883
Transportation:										
Contributions to other local agencies	166,899	191,698	133,286	124,230	146,199	109,767	114,543	97,116	103,286	104,090
Capital outlay	135,968	135,747	129,312	103,441	106,921	250,292	235,559	354,492	430,188	435,542
Debt service:										
Principal payments on long-term debt	6,410	6,600	6,865	7,210	7,475	7,775	8,165	8,530	8,065	8,455
Interest	22,509	22,264	21,961	21,614	21,343	21,059	20,677	35,615	35,777	35,808
Bond issuance costs	—	—	—	—	—	—	826	—	—	—
Total expenditures	426,241	439,603	397,419	382,865	398,121	499,866	490,307	602,664	691,436	685,778
Excess of revenues over expenditures	176,235	188,729	210,318	217,345	213,821	134,927	207,176	105,663	30,375	75,627
Other financing sources (uses):										
Transfers in	37,909	48,196	65,411	56,722	74,074	46,148	155,033	137,216	99,830	217,996
Transfers out	(193,908)	(217,474)	(234,610)	(209,621)	(236,366)	(237,882)	(304,239)	(334,146)	(217,122)	(113,987)
Proceeds from sale of capital assets	2,662	2,167	2,667	3,010	3,275	3,605	3,605	3,605	3,866	4,560
Bond issuance	—	—	—	—	—	—	376,690	—	—	—
Bond premium	—	—	—	—	—	—	69,342	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—	—	(45,062)	—	—	—
Total other financing sources (uses)	(153,337)	(167,111)	(166,532)	(149,889)	(159,017)	(188,129)	255,369	(193,325)	(113,426)	108,569
Net changes in fund balances	\$ 22,898	\$ 21,618	\$ 43,786	\$ 67,456	\$ 54,804	\$ (53,202)	\$ 462,545	\$ (87,662)	\$ (83,051)	\$ 184,196
Debt service as a percentage of noncapital expenditures	6.8 %	6.6 %	7.6 %	7.7 %	7.6 %	5.9 %	6.6 %	8.4 %	7.2 %	6.8 %

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2013-14, the increase in capital assistance grants is due to Prop 116 funds received for Metrolink Fiber Optic. Gasoline tax exchange was concluded during FY 13-14. In fiscal year 2014-15, the decrease in both Contributions from and to other agencies is due to finalizing Measure M1 projects.

In fiscal year 2017-18, the transportation improvement fee under revenues was added as new revenue source under the Road Repair and Accountability Act of 2017.

Also, the increase in capital outlay is due to I-405 Improvement project under the Measure M Program.

In fiscal year 2018-19, the increases in other financing sources and total revenues is due to the issuance of sales tax revenue bonds for the Measure M program and increase in sales taxes, respectively.

In fiscal years 2019-21, the increases in capital outlay is due to the I-405 Improvement project under Measure M program.

In fiscal years 2021-22, the increases in fund balances is due to the increase of sales tax revenue for Measure M2 program.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 5

Program Revenues by Function/Program, Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting - thousands)

Program Revenues	For the Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function/Program										
Governmental activities:										
General government	\$ 32,585	\$ 5,280	\$ 4,101	\$ 8,963	\$ 22,323	\$ 18,830	\$ 27,932	\$ 46,179	\$ 76,165	\$ 77,831
Measure M program	120,265	136,929	112,056	111,050	76,881	81,902	67,979	63,996	59,115	48,550
Motorist services	5,259	5,274	5,521	5,648	5,575	5,492	8,755	8,516	7,251	5,968
Commuter rail	13,156	3,107	3,015	5,723	7,143	2,074	609	2	15	45
Total governmental activities	171,265	150,590	124,693	131,384	111,922	108,298	105,275	118,693	142,546	132,394
Business-type activities:										
Fixed route	123,467	123,244	112,721	123,504	173,107	105,539	108,244	107,503	193,353	306,103
Paratransit	29,080	28,130	28,059	28,080	40,777	33,882	38,859	7,496	2,192	4,824
Tollroad	39,289	42,610	46,132	60,059	57,816	59,069	58,576	45,835	46,342	65,826
Taxicab administration	833	805	675	518	420	311	371	175	12	—
Total business-type activities	192,669	194,789	187,587	212,161	272,120	198,801	206,050	161,009	241,899	376,753
Total primary government	\$ 363,934	\$ 345,379	\$ 312,280	\$ 343,545	\$ 384,042	\$ 307,099	\$ 311,325	\$ 279,702	\$ 384,445	\$ 509,147

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2011-12, the increase in contributions from other agencies is due to increased funding of Measure M MSEP and grade separation projects.

In fiscal year 2013-14, the decrease in General government is primarily due to the conclusion of the gasoline tax exchange in June 2013.

In fiscal year 2014-15, the decrease in Measure M program is primarily due to finalizing Measure M1 projects.

In fiscal year 2016-17, the decrease in Measure M program is primarily due to decreased funding of RSTP and Proposition 1B as well as closing phase of the grade separation projects.

In fiscal year 2017-18, the decrease in Fixed route is primarily due to capital grants received in the prior year related to the CNG bus purchase project.

In fiscal year 2019-20, the decrease in General government, fixed route, paratransit, and tollroad revenues is primarily due to the COVID-19 pandemic.

In fiscal year 2020-22, the increase in Fixed route is primarily due to operating grants and contributions.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 6

Tax Revenues by Source, Governmental Activities, Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting - thousands)

For the Year Ended June 30,	Sales & Use	Gasoline (a)	Total
2013	\$ 428,262	\$ 22,553	\$ 450,815
2014	451,153	—	451,153
2015	466,127	—	466,127
2016	476,368	—	476,368
2017	475,863	—	475,863
2018	515,475	—	515,475
2019	546,912	—	546,912
2020	518,933	—	518,933
2021	554,785	—	554,785
2022	679,399	—	679,399

Change

2012 - 2021	58.6 %	(100.0)%	50.7 %
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Source: Accounting and Financial Reporting Department

Note:

(a) In 1995, as a result of the Orange County 1994 bankruptcy, the California State Legislature diverted \$38 million to the County from OCTA's TDA sales tax revenue.

In return, \$23 million in annual County gasoline tax revenue was diverted to OCTA until 2013.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 7

Taxable Sales by Category, Last Ten Calendar Years (Unaudited)

	Calendar Year										(a)	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
<i>(amounts expressed in thousands)</i>												
Clothing and Clothing Accessories Stores	\$ 3,764,088	\$ 3,942,629	\$ 4,062,185	\$ 4,173,147	\$ 4,179,348	\$ 4,420,905	\$ 4,501,642	\$ 3,445,233	\$ 5,265,145	\$ 2,570,645		
General Merchandise Stores	5,169,057	5,206,936	5,331,919	5,266,498	5,314,636	5,424,321	5,561,761	5,214,858	6,114,659	3,051,107		
Specialty Stores	1,732,562	1,625,444	—	—	—	—	—	—	—	—		
Food and Beverage Stores	2,111,209	2,177,054	2,249,980	2,315,300	2,399,937	2,460,590	2,483,191	2,630,703	2,705,682	1,327,305		
Food Services and Drink Places	6,186,883	6,637,321	7,174,652	7,561,709	7,953,351	8,195,164	8,559,216	6,232,835	8,795,493	4,944,867		
Home Furnishings and Appliance Stores	3,539,271	3,340,006	2,995,975	3,082,463	3,074,257	3,037,974	2,907,710	2,578,348	3,104,704	1,537,036		
Building Material & Garden Equipment & Supplies Dealers	2,581,968	2,662,657	2,870,940	2,961,129	3,106,396	3,184,381	3,174,208	3,539,541	3,817,836	2,031,012		
Motor Vehicle and Parts Dealers	11,854,186	12,440,522	8,352,815	8,648,763	8,927,827	9,408,045	9,646,527	9,482,960	11,324,257	5,939,197		
Gasoline Stations	—	—	3,979,166	3,489,276	3,745,819	4,203,824	4,142,023	2,670,300	4,110,466	2,621,711		
Other Retail Group	1,210,383	1,219,968	5,130,425	5,318,826	5,562,771	5,742,982	6,158,835	8,462,565	8,412,348	4,048,607		
Business and Personal Services	1,876,321	2,035,999	—	—	—	—	—	—	—	—		
All other outlets	17,565,288	18,808,591	19,768,161	20,241,650	20,883,715	21,390,429	22,553,862	19,576,172	24,603,345	14,358,525		
Total	\$57,591,216	\$60,097,127	\$61,916,218	\$63,058,761	\$65,148,057	\$67,468,615	\$69,688,975	\$63,833,515	\$78,253,935	\$42,430,012		
Measure M Ordinance direct sales tax rate	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %	

Sources: California State Board of Equalization for data prior to 2015; California Department of Tax and Fee Administration for data starting 2015

Note:

Starting 2015, the category was modified by BOE. Data for Gasoline Stations was reported within Automotive category in prior years.

Also, Specialty Stores and Business and Personal Services are recategorized in the Other Retail Group category.

(a) Taxable Sales reported for year 2022 includes first & second quarter data.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 8
Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years (Unaudited)

<u>Calendar Year</u>	<u>Measure M Direct rate</u>	<u>County of Orange</u>	
2013	0.50%	7.50%	(a)
2014	0.50%	7.50%	
2015	0.50%	7.50%	
2016	0.50%	7.50%	
2017	0.50%	7.25%	(b)
2018	0.50%	7.25%	
2019	0.50%	7.25%	
2020	0.50%	7.25%	
2021	0.50%	7.25%	
2022	0.50%	7.25%	

Sources: County of Orange information provided by the California Department of Tax and Fee Administration

Notes:

Measure M information provided by the Measure M Ordinance

- (a) Effective April 1, 2013 the state sales and use tax rate increased by .25%
- (b) Effective January 1, 2017 the state sales and use tax rate decreased by .25%.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 9

Principal Taxable Sales Generation by City, Current Year and Nine Years Ago (Unaudited)

(amounts express in thousands)

City	Calendar Year 2021			Calendar Year 2012		
	Taxable Sales	Rank	Percentage of Total	Taxable Sales	Rank	Percentage of Total
Aliso Viejo	\$ 439,138	28	0.68 %	\$ 407,934	28	0.83 %
Anaheim	7,247,841	1	11.23 %	5,548,091	1	11.26 %
Brea	1,965,574	12	3.04 %	1,635,639	12	3.32 %
Buena Park	2,595,697	9	4.02 %	2,217,943	8	4.50 %
Costa Mesa	5,963,454	3	9.24 %	4,058,400	3	8.24 %
Cypress	1,041,873	19	1.61 %	1,019,521	16	2.07 %
Dana Point	498,243	26	0.77 %	407,753	29	0.83 %
Fountain Valley	1,202,081	16	1.86 %	976,496	18	1.98 %
Fullerton	2,268,724	11	3.51 %	1,670,833	11	3.39 %
Garden Grove	2,290,588	10	3.55 %	1,771,891	10	3.60 %
Huntington Beach	3,964,442	6	6.14 %	3,020,719	6	6.13 %
Irvine	6,268,119	2	9.71 %	4,518,099	2	9.17 %
La Habra	1,144,710	17	1.77 %	802,546	19	1.63 %
La Palma	184,431	32	0.29 %	484,516	24	0.98 %
Laguna Beach	498,067	27	0.77 %	396,858	30	0.81 %
Laguna Hills	535,865	25	0.83 %	473,278	26	0.96 %
Laguna Niguel	1,142,496	18	1.77 %	981,885	17	1.99 %
Laguna Woods	89,441	33	0.14 %	81,372	33	0.17 %
Lake Forest	1,522,967	15	2.36 %	1,172,051	15	2.38 %
Los Alamitos	299,894	31	0.46 %	231,750	32	0.47 %
Mission Viejo	1,614,115	13	2.50 %	1,445,932	13	2.94 %
Newport Beach	3,536,947	7	5.48 %	2,566,623	7	5.21 %
Orange	4,474,065	5	6.93 %	3,119,329	5	6.33 %
Placentia	620,073	24	0.96 %	472,843	27	0.96 %
Rancho Santa Margarita	674,055	23	1.04 %	525,714	22	1.07 %
San Clemente	1,008,685	20	1.56 %	632,268	21	1.28 %
San Juan Capistrano	951,183	21	1.47 %	663,369	20	1.35 %
Santa Ana	4,805,691	4	7.44 %	3,492,395	4	7.09 %
Seal Beach	380,771	30	0.59 %	477,065	25	0.97 %
Stanton	418,233	29	0.65 %	321,040	31	0.65 %
Tustin	2,658,308	8	4.12 %	1,901,061	9	3.86 %
Villa Park	22,526	34	0.03 %	15,223	34	0.03 %
Westminster	1,550,221	14	2.40 %	1,242,341	14	2.52 %
Yorba Linda	675,953	22	1.05 %	508,199	23	1.03 %
Total	<u>64,554,471</u>		<u>100 %</u>	<u>49,260,977</u>		<u>100 %</u>
Unincorporated Cities	<u>13,699,465</u>			<u>5,969,635</u>		
Total Orange County	<u>\$ 78,253,936</u>			<u>\$ 55,230,612</u>		

Source: California Department of Tax and Fee Administration, www.cdfta.ca.gov

Note:

The most current data available is for 2021.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 10
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years (Unaudited)
(amounts expressed in thousands except per capita)

As of June 30,	Governmental Activities		Business-Type Activities			Government	Percentage of Personal Income	Per Capita
	Sales Tax Revenue Bonds	Commercial Paper Notes	Toll Road Revenue Bonds	TIFIA Loan	Capital Leases			
2013	\$ 350,376	\$ 25,000	\$ 159,858	\$ —	\$ 571	\$ 535,805	0.32 %	172.25
2014	343,174	25,000	135,013	—	—	503,187	0.29 %	160.35
2015	335,707	—	129,444	—	—	465,151	0.24 %	147.08
2016	327,894	—	123,725	—	—	451,619	0.23 %	142.06
2017	319,817	—	117,796	—	—	437,613	0.21 %	136.72
2018	311,440	—	111,627	165,988	—	589,055	0.28 %	182.87
2019	704,094	—	105,173	294,762	—	1,104,029	0.50 %	342.60
2020	691,810	—	98,419	303,421	—	1,093,650	0.46 %	342.37
2021	680,592	—	91,356	312,329	—	1,084,277	n/a	343.80
2022	668,985	—	83,962	—	—	752,947	n/a	238.11

Source: Accounting and Financial Reporting Department

Notes:

The fiscal years 2011-13 Sales Tax Revenue Bonds and Toll Road Revenue Bonds columns have been restated to include the unamortized premium amounts. In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

During fiscal year 2017-18, OCTA and DOT Bureau executed the TIFIA loan.

During fiscal year 2018-19, the increase in sales tax revenue bonds of governmental activities is due to issuance of sales tax revenue bonds.

See schedule 13 for personal income and population data.

n/a - data not available

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 11

Legal Debt Margin Information, Last Ten Fiscal Years (Unaudited)

(amounts expressed in thousands)

Measure M Ordinance No. 3 (Measure M2)

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2022

Debt service	\$ 43,826
Debt coverage (130 % of debt service)	<u>56,974</u>
Sales tax revenue	419,531
Less: local fair share & other expenses	<u>(89,481)</u>
Net sales tax revenues	<u>330,050</u>
Legal debt margin	<u><u>\$ 273,076</u></u>

Legal Debt Margin Calculation for Fiscal Year 2022

Debt service	\$ 10,863
Debt coverage (130 % of debt service)	<u>14,122</u>
Toll revenues	57,626
Less: operating expenses	<u>(20,481)</u>
Net toll revenues	<u>37,145</u>
Legal debt margin	<u><u>\$ 23,023</u></u>

For Year Ended June 30,	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2013	\$ 201,022	\$ 21,835	\$ 179,187	10.9 %	23,204	10,226	12,978	44.1 %
2014	212,707	22,386	190,321	10.5 %	25,478	10,742	14,736	42.2 %
2015	227,936	29,039	198,897	12.7 %	30,825	14,035	16,790	45.5 %
2016	237,151	29,021	208,130	12.2 %	35,576	14,035	21,541	39.5 %
2017	239,727	29,244	210,483	12.2 %	25,002	14,039	10,963	56.2 %
2018	249,427	29,080	220,347	11.7 %	42,211	14,034	28,177	33.2 %
2019	258,085	37,434	220,651	14.5 %	49,624	14,035	35,589	28.3 %
2020	252,570	57,360	195,210	22.7 %	37,268	14,037	23,231	37.7 %
2021	262,280	56,992	205,288	21.7 %	31,734	14,034	17,701	44.2 %
2022	330,050	56,974	273,076	17.3 %	37,145	14,122	23,023	38.0 %

Source: Treasury and Accounting and Financial Reporting Departments

Notes:

In fiscal year 2010-11, Measure M2 sales tax revenue bonds were issued and Measure M1 bonds were paid off.

In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 12
Pledged-Revenue Coverage, Last Ten Fiscal Years (Unaudited)
(amounts expressed in thousands)

For the Year Ended June 30,	Measure M2 Sales Tax Revenue Bonds					Toll Road Revenue Bonds				
	Sales Tax Revenue	Less: Fair Share & Other Expenses	Debt Service		Coverage	Toll Road Revenue	Less: Operating Expenses	Debt Service		Coverage
			Principal	Interest				Principal	Interest	
2013	\$ 262,468	\$ (54,895)	\$ 6,410	\$ 15,425	9.51	\$ 39,526	\$ (13,254)	\$ 5,245	\$ 4,981	2.57
2014	277,939	(58,516)	6,600	15,786	9.80	43,857	(15,156)	5,525	5,218	2.67
2015	289,359	(61,423)	6,865	15,473	10.20	47,351	(16,526)	4,925	5,871	2.86
2016	300,602	(63,451)	7,210	15,114	10.62	54,267	(18,691)	5,075	5,721	3.30
2017	305,057	(65,330)	7,475	15,020	10.66	56,835	(31,833)	5,285	5,514	2.32
2018	316,093	(66,666)	7,775	14,594	11.15	58,613	(16,403)	5,525	5,270	3.91
2019	328,892	(70,807)	8,165	20,629	8.96	64,932	(15,308)	5,810	4,986	4.60
2020	322,448	(69,878)	8,530	35,592	0.01	52,313	(15,045)	6,110	4,688	—
2021	332,888	(70,608)	8,065	35,774	0.01	46,463	(14,729)	6,420	4,375	2.94
2022	332,888	(70,608)	8,455	35,371	5.98	46,463	(14,729)	6,750	4,046	2.94

Source: Accounting and Financial Reporting Department

Notes:

In fiscal year 2013-14, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds (Series 2013) to refund the outstanding Series 2003 Bonds.

In fiscal year 2018-19, Measure M2 sales tax revenue bonds were issued.

In fiscal year 2019-20, Measure M2 sales tax revenue decreased due to COVID-19 pandemic and state order to refrain from non-essential travel.

In fiscal year 2019-20, decrease in toll road revenue is primarily due to a decrease in trips due to COVID-19 pandemic and state orders to refrain from non-essential travel.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 13

Demographic and Economic Statistics, Last Ten Calendar Years (Unaudited)

Calendar Year	Population (a)	Personal Income (millions) (b)	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
2013	3,110,678 \$	168,570 \$	54,285	36.40	501,801	6.1 %
2014	3,138,057	176,515	56,457	36.70	500,487	5.2 %
2015	3,162,622	190,100	60,369	37.10	497,116	4.3 %
2016	3,179,122	197,195	62,319	37.30	493,030	4.4 %
2017	3,200,748	205,052	64,601	37.50	490,430	3.8 %
2018	3,221,103	212,902	67,044	38.30	485,835	3.2 %
2019	3,222,498	221,803	69,951	38.60	478,823	3.0 %
2020	3,194,332	236,303	74,618	39.20	473,612	13.7 %
2021	3,153,764	n/a	n/a	n/a	456,572	6.5 %
2022	3,162,245	n/a	n/a	n/a	448,729	2.9 %

Notes:

n/a - data not available

Estimates for personal income and per capita personal income for 2013-2019 were revised for new estimates.

Sources:

- (a) July 1 estimates for 2013-2017 and January 1 estimate for 2018-2022 from California Department of Finance, <http://www.dof.ca.gov/>
- (b) U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/>
- (c) U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/>
- (d) U.S. Census Bureau, <https://dq.cde.ca.gov/dataquest/>
- (e) California Department of Education, <http://www.cde.ca.gov/>
- (f) CA Employment Development Department, <http://www.labormarketinfo.edd.ca.gov/>

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 14
Principal Employers, Current Year and Nine Years Ago (Unaudited)

Employer	Calendar Year 2022			Calendar Year 2013		
	Employees (a)	Rank	Percentage of Total County Employment (b)	Employees (a)	Rank	Percentage of Total County Employment (b)
University of California, Irvine	26,182	1	1.71 %	21,800	2	1.45 %
Walt Disney Co.	25,000	2	1.63 %	25,000	1	1.67 %
County of Orange	18,139	3	1.19 %	17,257	3	1.15 %
Providence	13,079	4	0.86 %			
Kaiser Permanente	8,800	5	0.58 %			
Albertsons Southern CA Division	7,853	6	0.51 %	5,968	8	0.40 %
Hoag Memorial Hospital Presbyterian	7,051	7	0.46 %			
Walmart Inc.	6,300	8	0.41 %			
Target Corp.	6,000	9	0.39 %	5,527	9	0.37 %
Memorial Care	5,490	10	0.36 %	5,545	8	0.37 %
St. Joseph Health System				11,679	4	0.78 %
Boeing Co.				6,873	5	0.46 %
Bank of American Corp.				6,000	7	0.40 %
Cedar Fair LP				5,527	10	0.37 %
Total County Employment	1,529,500			1,498,600		

Sources: (a) Orange County Business Journal Book of Lists - County of Orange
(b) Total County Employment information obtained from California Employment Development Department
<http://www.labormarketinfo.edd.ca.gov>

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 15

Full-Time Equivalent Government Employees by Function/Program for Ten Years (Unaudited)

	Full-Time Equivalent Employees as of June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	224.0	226.0	224.0	238.0	239.0	240.5	247.5	243.0	246.0	250.5
Measure M program	40.0	40.0	40.0	39.5	39.0	39.0	40.5	41.5	39.5	38.0
Motorist services	3.0	3.0	3.0	4.0	4.0	5.0	5.0	5.0	5.0	3.0
Commuter rail	10.0	10.0	9.0	10.5	11.0	8.0	7.0	6.0	7.0	6.0
Fixed route	1,135.0	1,152.0	1,078.0	1,020.0	981.0	906.5	964.0	990.5	972.5	886.0
Paratransit	12.0	12.0	12.0	5.0	7.5	7.5	6.5	8.5	7.5	7.5
Tollroad	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.5	3.5	3.5
Taxicab	4.0	4.0	4.0	4.0	3.0	2.0	2.0	1.0	—	—
LOSSAN	—	—	—	6.0	7.0	8.0	11.0	14.0	14.0	15.0
Total	1,431.0	1,450.0	1,373.0	1,330.0	1,294.5	1,220.0	1,287.0	1,313.0	1,295.0	1,209.5

Source: Financial Planning & Analysis Department

Note:

From fiscal year 2010-11 through 2012-13 there were decreases in the full-time equivalent positions in Fixed Route due to service reductions.

In fiscal year 2013-14, the number of full-time equivalent positions for General government and Fixed route reported for fiscal year 2012-13 were restated.

In fiscal year 2015-16, the LOSSAN Division was created. The number of full-time equivalent positions for General government were increased due to new hires. There were decreases in the full-time equivalent positions in Fixed Route and Paratransit due to service reductions.

In fiscal year 2016-17, the decrease of full-time equivalent positions in Fixed Route is due to service reductions.

In fiscal year 2017-18, the decrease of full-time equivalent positions in Fixed Route is due to service reductions.

In fiscal year 2018-19, the increase of full-time equivalent positions is primarily due to new hires in Fixed Route.

In fiscal year 2020-21, the decrease of full-time equivalent positions in Fixed Route is due to service reductions.

In fiscal year 2021-22, the decrease of full-time equivalent positions in Fixed Route is due to service reductions.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 16
Operating Indicators by Function/Program (Unaudited)

Function/Program	For the Year Ended June 30,										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Measure M1 program (thousands)											
Freeways	\$ 25,107	\$ 11,318	\$ 30,434	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Regional streets and roads	15,017	17,697	25,371	—	—	—	—	—	—	—	
Local streets and roads	8,142	14,614	14,796	—	—	—	—	—	—	—	
Transit	13,256	14,392	128,110	—	—	—	—	—	—	—	
Total program expenses	\$ 61,522	\$ 58,021	\$ 198,711	\$ —							
Measure M2 program (thousands)											
Freeways	\$ 31,986	\$ 32,387	\$ 58,775	\$ 68,486	\$ 100,729	\$ 251,130	\$ 204,726	\$ 295,020	\$ 355,936	\$ 399,043	
Streets and roads	168,895	199,311	161,622	163,699	138,273	106,691	110,412	105,555	92,472	60,180	
Transit	38,884	82,721	47,876	22,464	16,516	20,419	173,782	74,815	68,617	143,009	
Environmental cleanup	1,961	2,398	2,220	9,578	10,189	6,409	7,117	2,656	1,499	1,938	
Total program expenses	\$ 241,726	\$ 316,817	\$ 270,493	\$ 264,227	\$ 265,707	\$ 384,649	\$ 496,037	\$ 478,046	\$ 518,524	\$ 604,170	
Motorist services											
Calls made from call boxes	2,744	4,949	2,011	1,717	1,363	1,246	1,049	845	922	953	
Vehicles removed	1,256	357	—	—	—	—	—	—	—	—	
Vehicles assisted by FSP	64,851	59,014	69,045	68,678	62,527	54,136	52,673	56,374	60,062	67,224	
511 Motorist Assistance Calls	—	—	2,886	4,023	4,120	3,888	4,298	3,838	3,774	4,689	
Commuter rail											
Weekday trips	54	54	54	54	54	54	54	54	41	45	
Annual boardings	4,443,362	4,437,991	4,579,000	4,198,189	4,477,735	5,069,929	5,073,474	3,874,618	797,715	1,592,803	
Fixed route											
Annual boardings	51,418,393	48,963,660	47,021,445	43,202,265	39,903,682	39,272,747	37,846,066	30,800,075	19,880,122	26,680,576	
Vehicle revenue hours	1,556,967	1,603,969	1,613,276	1,618,070	1,629,802	1,602,192	1,626,394	1,443,821	1,210,496	1,378,707	
Miles of fixed route	2,048	2,045	2,047	2,045	1,820	1,801	1,762	1,792	1,562	1,587	
Paratransit											
Annual boardings	1,631,527	1,654,081	1,714,550	1,779,530	1,864,312	1,647,378	1,667,292	1,268,429	485,746	837,644	
Vehicle revenue hours	687,618	718,150	741,291	754,004	780,798	744,746	756,391	603,477	312,776	461,261	
Eligible riders	30,992	31,576	31,602	32,173	32,871	32,735	32,744	31,812	28,851	28,248	
Tollroad											
Annual drivers trips	12,085,552	12,326,874	13,106,882	13,772,971	14,384,133	16,719,371	17,546,304	14,990,602	15,359,785	19,810,256	
Taxicab											
Permits Issued	3,090	3,066	2,513	1,855	1,521	1,214	971	437	—	—	

Source: Various departments within OCTA

Notes:

In fiscal year 2013-14, the decrease in Motorist services vehicles removed is due to the expiration of the related program in April 2012.

In fiscal year 2014-15, the increase in Measure M1 Transit is due to finalizing Measure M1 projects. Additionally, Measure M1 and M2 information for the fiscal years 2012-13 and 2013-14 were revised.

In fiscal year 2017-18, methodology of data collection for annual boardings of commuter rail was changed in order to increase accuracy of ridership data.

In fiscal year 2018-19, the decrease in Fixed Route annual boardings is primarily due to the decrease in vehicle service hours.

In fiscal year 2018-19, the increase in Measure M program is primarily due to transit related to high frequency Metrolink Service.

In fiscal years 2019-21, the decrease in commuter rail, fixed route, paratransit annual boarding, and tollroad annual drivers trips is due to COVID-19 pandemic.

In fiscal year 2021-22, the increase in Measure M program is primarily due to Project R for high frequency Metrolink Service expenditures. The increase in other functions is due to travel and ridership recovery post-pandemic.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 17
Capital Asset Statistics by Function/Program (Unaudited)

	For the Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fixed route										
Bus bases	5	5	5	5	5	5	5	5	5	5
Large revenue vehicles	527	537	537	537	517	492	498	505	495	508
Small revenue vehicles	19	19	19	18	11	35	43	24	38	36
Paratransit										
Paratransit vehicles	248	248	248	248	248	248	248	248	245	245
Tollroad										
Transponders in use	168,507	171,304	176,790	182,522	196,997	213,993	225,621	208,656	163,235	145,393

Source: Various departments within the Orange County Transportation Authority

Note:

- In fiscal year 2017-18, the decreases in Fixed route large vehicles is due to the change in service levels.
- In fiscal year 2017-18, the increase in Fixed route small vehicles resulted from operations of Irvine I-Shuttle.
- In fiscal year 2018-19, the increase in Fixed route small vehicles was a result of increase in I-Shuttle service.
- In fiscal year 2019-20, the decrease in fixed route small revenue vehicles is related to a decrease in service levels due to COVID-19 pandemic.
- In fiscal year 2019-20, the balance was adjusted to reflect only transponders that are considered capital asset, the newly assigned 6C transponders are considered to be inventory.
- In fiscal year 2020-22, the decrease in tollroad transponders is due to the newly assigned 6C transponders.

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

**ANNUAL FINANCIAL
AND
COMPLIANCE REPORT**

Year Ended June 30, 2022

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

Audited Financial Statements
Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Local Transportation Authority
Orange, California

Report on the Audit of the Financial Statements

Opinions

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 (OCTA), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements as listed in the table of contents.

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 OCLTA as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCLTA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OCLTA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OCLTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the Local Transportation Authority Special Revenue Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCLTA's basic financial statements. The budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the Local Transportation Authority Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022 on our consideration of the OCLTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OCLTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OCLTA's internal control over financial reporting and compliance.


Crowe LLP

Costa Mesa, California
November 16, 2022

Orange County Local Transportation Authority
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2022

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 (FY) ended June 30, 2022. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net position of the OCLTA was \$391,201 as of June 30, 2022. The net position of the OCLTA is restricted for transportation projects, debt service, and Environmental Mitigation Program.
- Net position increased by \$3,167 during FY 2021-22. This increase was primarily due to general and program revenues exceeding program expenses. In FY 2021-22, Measure M program expenses increased by \$3,228 mainly related to I-405 Improvement Project. Sales tax revenue increased by \$79,552 compared to FY 2020-21 due to the economic recovery. In FY 2021-22, unrestricted investment earnings decreased by \$40,402 or 236.9 percent resulting from unfavorable investment performance.
- OCLTA's governmental funds reported combined ending fund balances of \$1,004,365 reflecting a decrease of \$35,499 from the prior year. The decrease is primarily due to the increased capital expenditures related to the I-405 Improvement project in the current year.

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 (OCTA), 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 position presents information on all of the OCLTA's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 10-11 of this report.

Orange County Local Transportation Authority Management's Discussion and Analysis

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.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental funds 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 and related reconciliations to governmental activities can be found on pages 12-15 of this report.

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 16-31 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.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2022, the OCLTA's assets and deferred outflows of resources exceeded liabilities by \$391,201, a \$3,167 increase from June 30, 2021. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the OCLTA's governmental activities.

Table 1
Orange County Local Transportation Authority
Net Position

	Governmental Activities	
	2022	2021
Current and other assets	\$ 1,159,627	\$ 1,165,671
Assets held for resale	15,965	10,940
Capital Assets, net	7,300	7,300
Total assets	1,182,892	1,183,911
Deferred outflows of resources		
Deferred charge on refunding	1,291	1,360
Current liabilities	123,526	116,645
Long-term liabilities	668,985	680,592
Total liabilities	792,511	797,237
Deferred Inflows of Resources		
Deferred inflows - leases	471	-
Total net position	\$ 391,201	\$ 388,034

Total assets decreased by \$1,019, or 0.1 percent, from June 30, 2021. This decrease is primarily due to a decrease in receivable from other OCTA funds, offset by increase in receivable from other governments and condemnation deposits.

Total liabilities decreased by \$4,726, or 0.6 percent, from June 30, 2021. This decrease is primarily due to decreased long-term liability resulting from principal payments during the fiscal year.

Total net position from governmental activities increased by \$3,167 or 0.8 percent. This increase results from Measure M general and program revenue exceeding program expense, mainly due to increase in sales tax revenues and offset by unfavorable investment performance.

**Orange County Local Transportation Authority
Management's Discussion and Analysis**

Table 2
Orange County Local Transportation Authority
Changes in Net Position

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 1,370	\$ 1,144
Operating grants and contributions	193,741	74,229
General revenues:		
Sales taxes	424,897	345,345
Unrestricted investment income (loss)	(23,351)	17,051
Other miscellaneous revenue	548	1,250
Total revenues	<u>597,205</u>	<u>439,019</u>
Measure M program expenses	594,038	590,810
Change in net position	3,167	(151,791)
Net position - beginning	388,034	539,825
Net position - end of year	<u>\$ 391,201</u>	<u>\$ 388,034</u>

OCLTA expenses shown on the statement of activities consist of:

	Governmental Activities	
	2022	2021
Supplies and services	\$ 80,323	\$ 92,497
Contributions to other local agencies	96,816	97,544
Infrastructure	359,991	334,648
Interest expense	32,130	32,518
Contributions to other OCTA funds	24,778	33,603
Total expenses	<u>\$ 594,038</u>	<u>\$ 590,810</u>

Total revenues increased by \$158,186, or 36.0 percent, from FY 2020-21. In FY 2021-22, the unrestricted investment earnings decreased by \$40,402 or 236.9 percent resulting from unfavorable investment performance. This is, however, offset by the increase in sales tax revenue, which ultimately financed a significant portion of the OCLTA's net costs, by \$79,552 or 23.0 percent from the prior year.

Program expenses increased by \$3,228 primarily due to an increase in expenses related to the I-405 Improvement Project.

**Orange County Local Transportation Authority
Management’s Discussion and Analysis**

Financial Analysis of the OCLTA’s Funds

As of June 30, 2022, the OCLTA’s governmental funds reported combined ending fund balances of \$1,004,365, a decrease of \$35,499 compared to FY 2020-21. The majority of fund balances, 92.5 percent, are restricted for transportation projects funded by the Measure M Program. The remaining fund balances are restricted for the Environmental Mitigation Program and for debt service on M2 sales tax revenue bonds issued to accelerate funding for transportation projects.

OCLTA’s major governmental funds include the following significant changes:

The LTA fund balance decreased by \$39,279 primarily due to an increase in capital expenditures related to the I-405 Improvement Project.

The LTA Debt Service fund balance increased by \$3,780, due to the excess of interest income and transfers in from LTA fund over the required debt service payments.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the OCLTA had \$7,300 net of accumulated depreciation invested in capital assets, including right-of-way improvements and machinery.

A summary of the OCLTA’s capital assets, net of depreciation is as follows:

	Governmental Activities	
	2022	2021
Right-of-way improvements	\$ 7,300	\$ 7,300
Machinery and equipment	21	21
Total capital assets	7,321	7321
Less accumulated depreciation	(21)	(21)
Total capital assets, net	\$ 7,300	\$ 7,300

More detailed information about the OCLTA’s capital assets is presented in note 5 to the financial statements.

OCLTA has outstanding capital expenditure commitments; the most significant of which are \$215,582 for the I-405 Improvement Project, \$138,045 for the I-5 Freeway Widening Construction Project, \$18,410 for the SR-55 Widening Project, and \$10,776 for the Anaheim Canyon Metrolink Improvement Project.

Debt Administration

As of June 30, 2022, the OCLTA had \$610,170 in sales tax revenue bonds compared to \$618,625 as of the prior fiscal year.

The OCLTA maintains an “AA+” rating from Standard & Poor’s Corporation (S&P), an “AA+” rating from Fitch Ratings (Fitch) and an “Aa2” rating from Moody’s Investors Services (Moody’s) for its 2010

Orange County Local Transportation Authority Management's Discussion and Analysis

M2 Sales Tax Revenue Bonds. The 2019 M2 Sales Tax Revenue Bonds have an "AA+" rating from S&P and an "AA+" from Fitch.

Additional information on the OCLTA's long-term debt can be found in note 6 to the financial statements.

Economic and Other Factors

The OCLTA is responsible for administering Measure M, the half-cent transportation sales tax, which originally passed in 1990 and was delivered as promised to the residents of Orange County, with over \$4 billion invested in improvements to freeways, streets and roads and transit services. Measure M1 (M1) ended in March 2011, and collection of sales tax under Measure M2 (M2) began 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 has allowed for the continuation of transportation improvements through March 31, 2041. Allocation of M2 funds remains the same as the original M1 with 43 percent slated for freeway improvements, 32 percent for streets and roads, and 25 percent for transit projects and programs.

Although revenue collection for M2 projects did not begin until April 2011, OCTA began delivering projects early based on the five-year M2 Early Action Plan (EAP) adopted in 2007 and subsequent M2020 Plan adopted in 2012. Both delivery plans were developed to accelerate M2 freeway, streets and roads, transit, and environmental projects. In response to lower actual sales tax revenue, a new forecasting methodology was adopted in March 2016. This prompted the need to revisit the assumptions built into the M2020 plan. A new program/project delivery framework covering FY 2016-17 through FY 2025-26, called the Next 10 Plan, was adopted by the Board of Directors on November 14, 2016. The Next 10 Plan has been annually reviewed and updated, with the latest version adopted by the Board of Directors in the spring of 2022.

OCLTA anticipates that sales tax revenues for M2 will increase in FY 2022-23. Based on the forecast provided by MuniServices, LLC., sales tax revenue is estimated to increase by 3.9 percent for M2 in FY 2022-23. Sales tax for the M2 Program is estimated to be \$13.2 billion over the life of the measure.

The OCLTA adopted its FY 2022-23 annual budget on June 13, 2022. Approximately \$760.3 million in M2 funds are budgeted to improve transportation within Orange County. These funds will provide improvements to freeways and streets and roads throughout Orange County, as well as support rail and bus transit programs. These funds include \$384.6 million to make improvements along Interstate 405, Interstate 5, State Route 55, State Route 91, and State Route 57. Approximately \$164.6 million is budgeted to improve streets and roads, including \$71.4 million to fund the Local Fair Share Program, \$43.8 million for Regional Traffic Signal Synchronization, and \$49.4 million for the Regional Capacity Program. In addition, the M2 transit budget consists of \$59 million in bus and rail projects, including \$38 million to continue the OC Streetcar project.

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 Position
June 30, 2022

<i>(amounts expressed in thousands)</i>	Governmental Activities
Assets	
Cash and investments	\$ 473,255
Receivables:	
Interest	1,703
Operating grants	25,445
Other	222
Due from other OCTA funds	2,037
Due from other governments	103,195
Condemnation deposits	30,853
Lease receivable	481
Note receivable	2,392
Restricted investments	519,333
Other assets	711
Assets held for resale	15,965
Capital Assets, net:	
Depreciable and amortizable	7,300
Total Assets	1,182,892
 Deferred Outflows of Resources	
Deferred charge on refunding	1,291
Total Deferred Outflows of Resources	1,291
 Liabilities	
Accounts payable	73,359
Accrued interest payable	13,033
Due to other OCTA funds	5,065
Due to other governments	31,917
Unearned revenue	135
Other liabilities	17
Noncurrent liabilities:	
Due within one year	19,935
Due in more than one year	649,050
Total Liabilities	792,511
 Deferred Inflows of Resources	
Deferred inflows - leases	471
Total Deferred Inflows of Resources	471
 Net Position	
Investment in capital assets	7,300
Restricted for:	
Transportation projects	340,406
Debt service	24,162
Environmental Mitigation Program	19,333
Total Net Position	\$ 391,201

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Activities
For Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<i>(amounts expressed in thousands)</i>	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Program revenues				
Governmental activities:				
Measure M program	\$ 594,038	\$ 1,370	\$ 193,741	\$ (398,927)
General revenues:				
Sales taxes				424,897
Unrestricted investment loss				(23,351)
Other miscellaneous revenue				548
Total general revenues				402,094
Change in net position				3,167
Net position - beginning				388,034
Net position - ending				\$ 391,201

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, 2022

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	\$ 449,105	\$ 24,150	\$ 473,255
Receivables:			
Interest	1,691	12	1,703
Operating grants	25,445	—	25,445
Other	222	—	222
Due from other OCTA funds	2,037	—	2,037
Due from other governments	101,069	2,126	103,195
Condemnation deposits	30,853	—	30,853
Note receivable	2,392	—	2,392
Restricted investments	519,333	—	519,333
Other assets	711	—	711
Total Assets	1,132,858	26,288	1,159,146
Liabilities			
Accounts payable	73,359	—	73,359
Due to other OCTA funds	5,065	—	5,065
Due to other governments	31,917	—	31,917
Unearned revenue	135	—	135
Other liabilities	17	—	17
Total Liabilities	110,493	—	110,493
Deferred Inflows of Resources			
Unavailable revenue - grant reimbursements	35,384	—	35,384
Unavailable revenue - reimbursements from others	6,778	2,126	8,904
Total Deferred Inflows of Resources	42,162	2,126	44,288
Fund Balances			
Nonspendable:			
Condemnation deposits	30,853	—	30,853
Other assets - prepaids	711	—	711
Restricted for:			
Transportation projects	929,306	—	929,306
Debt service	—	24,162	24,162
Environmental Mitigation Program	19,333	—	19,333
Total Fund Balances	980,203	24,162	1,004,365
Total Liabilities, Deferred Inflows of Resources			
and Fund Balances	\$ 1,132,858	\$ 26,288	\$ 1,159,146

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 Position
June 30, 2022

(amounts expressed in thousands)

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

Total fund balances (page 12)		\$ 1,004,365
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,300
Lease receivable is not financial resources and, therefore, are not reported in the funds.		481
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		15,965
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.		44,288
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(13,033)
Deferred outflows of resources related to deferred charge on refunding are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,291
Deferred inflows of resources related to leases are not due and payable in the current period and, therefore, are not reported in the funds.		(471)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (610,170)	
Plus unamortized bond issuance premium	<u>(58,815)</u>	<u>(668,985)</u>
Net position of governmental activities (page 10)		<u><u>\$ 391,201</u></u>

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, 2022

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Revenues			
Sales taxes	\$ 424,897	\$ —	\$ 424,897
Contributions from other agencies	27,527	—	27,527
Contributions from other OCTA funds	146,767	—	146,767
Investment income (loss)	(29,074)	3,598	(25,476)
Miscellaneous	1,544	—	1,544
Total Revenues	571,661	3,598	575,259
Expenditures			
Current:			
General government:			
Supplies and services	80,323	—	80,323
Transportation:			
Contributions to other local agencies	96,816	—	96,816
Contributions to other OCTA funds	24,778	—	24,778
Capital outlay	366,242	—	366,242
Debt service:			
Principal payments on long-term debt	—	8,455	8,455
Interest	—	35,371	35,371
Total Expenditures	568,159	43,826	611,985
Deficiency of revenues under expenditures	3,502	(40,228)	(36,726)
Other financing sources (uses)			
Transfers in	5,698	49,706	55,404
Transfers out	(49,706)	(5,698)	(55,404)
Proceeds from sale of capital assets	1,227	—	1,227
Total other financing sources (uses)	(42,781)	44,008	1,227
Net change in fund balances	(39,279)	3,780	(35,499)
Fund balances - beginning	1,019,482	20,382	1,039,864
Fund balances - ending	\$ 980,203	\$ 24,162	\$ 1,004,365

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, 2022

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14) **\$ (35,499)**

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, or allocated to appropriate functional expense when the cost does not meet capitalization criteria based on the ownership of the assets. This is the amount by which capital outlays exceeded depreciation in the current period. 5,872

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (1,227)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 22,325

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	\$ 8,455	
Change in accrued interest	158	
Amortization of premium and deferred charge on refunding	3,083	
	11,696	11,696

Change in net position of governmental activities (page 11) **\$ 3,167**

See accompanying notes to the financial statements.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)
Notes to The Financial Statements
Year Ended June 30, 2022
(in thousands)

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.

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 the OCTA for financial reporting purposes.

The OCTA governing board (Board) consists of 17 voting members and one non-voting member and also serves as the OCLTA governing board. Measure M requires that an 11-member Taxpayer's Oversight Committee (TOC) monitor the use of Measure M funds and ensure that all revenues collected from Measure M are 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 the OCTA.

Basis of Presentation

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

Government-wide Statements: The statement of net position and the statement of activities report information 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 and indirect expenses, which are identifiable with Measure M. Interest expense related to the sales tax revenue bonds 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 fiscal year ended June 30, 2022, interest expense of \$32,131 was included in 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, investment income and other items are not reported as program revenues and instead are reported as general revenues.

Year Ended June 30, 2022
(in thousands)

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 20 years pursuant to Measure M, which became effective April 1, 1991, and was 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 90 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 and availability criteria met. 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.

Cash and Investments

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended July 1, 2022. The Policy complies with, or is more restrictive than, the California Government Code (Code). 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.

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable

Year Ended June 30, 2022
(in thousands)

including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs.

OCLTA participates in the OCTA comingled investment pool which invests in U.S. government and U.S. agency securities, medium term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities, and corporate notes which are carried at fair value based on quoted prices of similar assets. In addition, OCLTA invests in money market and mutual funds and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal agencies, municipal debt, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term notes, money market and mutual funds, mortgage or asset-backed securities, supranationals, Local Agency Investment Fund (LAIF), Orange County Investment Pool (OCIP), investment pools, variable and floating rate securities, bank deposits and derivatives.

Investment of debt proceeds held by trustees are governed by provisions of the indentures for each obligation, rather than the general provisions of the California Government Code or OCTA's investment policy. The investment of these debt proceeds is in accordance with the Permitted Investments section and applicable account restrictions outlined in the indenture of each debt obligation. Under certain indentures, guaranteed investment contracts are allowed.

In addition, OCTA has restricted investments held by the California Community foundation (CCF). The amount invested in the CCF investment pool is a restricted asset as approved for funding by the OCTA Board of Directors in October of 2014. The CCF is headquartered in Los Angeles, California. CCF is a community foundation and holds a 501 (c) 3 status, which meets California State Government Code requirements for community foundations. Legislation providing for OCTA to use a qualified organization to hold and manage the endowment is provided in Government Code §§65965-65968. An investment committee is responsible for oversight of the foundation's investment pools. The Endowment Pool is a diversified pool invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps the pace with inflation over time. The pool includes a mix of asset classes including equities, fixed income, hedge funds and real assets. The target asset allocation is approximately 50% equities, 22% fixed income, 14% hedge funds and 14% real assets.

The purpose of the agreement between CCF and OCTA is to provide for the establishment of a fund within the CCF to receive and hold M2 Environmental Mitigation Program contributions made by OCTA during the endowment funding period for use in establishing the permanent endowment pursuant to the conservation plan. OCTA is the beneficiary of the fund and, therefore, has reported a restricted asset in the financial statements.

The CCF shall hold, administer, invest, and reinvest the fund in accordance with the CCF's proposal and the objectives set forth in the Scope of Work of the Request for Proposal, each of which is incorporated into the agreement by reference, and in compliance with all applicable state and federal laws, including, but not limited to, Sections 65965, 65966, 69667, and 65968 of the California Government Code and the Uniform Prudent Management of Institutional Funds Act, California Probate Code Section 18501 et seq. The agreement shall remain in place in full force and effect through December 31, 2029.

The fair value of 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 the CCF for the entire CCF portfolio (in relation to the amortized cost of that portfolio).

Year Ended June 30, 2022
(in thousands)

Due To/From Other OCTA Funds

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/from other OCTA funds.

Contributions To/From Other OCTA Funds

Transfers between OCLTA and other OCTA funds are reported as program expenses and revenues in the statement of activities and as revenues and expenditures in the statement of revenues, expenditures and changes in fund balances.

Administrative Services Costs

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2021-22, \$25,269 of administrative services were charged to the OCLTA and are reported as general government expenditures in the statement of revenues, expenditures and changes in fund balances and as program expenses in the statement of activities.

Leases

OCLTA adopted GASB Statement No. 87, Leases, for the fiscal year ended June 30, 2022. OCLTA is a lessor for a noncancellable lease of land. OCLTA recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, OCLTA initially measures the lease receivables at the present value of payments expected to be received during the lease term. Subsequently, the lease receivables are reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivables, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how OCLTA determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. OCLTA uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivables is composed of fixed payments from the lessee.

OCLTA monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

On the implementation date of July 1, 2021, OCTLA recorded \$687 lease receivables comprised of three agreements, which OCLTA is the lessor related to land. The implementation had no impact to the beginning net position. On June 30, 2022, OCLTA recorded \$481 lease receivable and associated deferred inflow of resources that will be recognized as revenue over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources was \$471.

Year Ended June 30, 2022
(in thousands)

Remaining receivable associated with these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 221	\$ 9	\$ 230
2024	69	4	73
2025	70	3	73
2026	71	2	73
2027	37	—	37
2028-2032	4	1	5
2033-2037	5	1	6
2038-2040	4	—	4
Total	<u>\$ 481</u>	<u>\$ 20</u>	<u>\$ 501</u>

Assets Held for Resale

OCLTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCLTA. These assets are reported as assets held for resale in the governmental activities column in the government-wide financial statements except in cases in which OCLTA has entered into a sales contract prior to the issuance of the financial statements. In these cases, the assets held for resale are reported in the governmental funds financial statements. Proceeds received will be reimbursed to the fund in which the initial expenditure was recorded.

Capital Assets

Capital assets including land, right-of-way improvements, 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 acquisition value at the acquisition date. 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.

Right-of-way improvements, which consists of a parcel where the OCLTA is the ground lease holder, is not being depreciated. Machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

Asset Type	Useful Life
Machinery and equipment	3-10 years

Year Ended June 30, 2022
(in thousands)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

OCLTA has one item reported as deferred outflow of resources. This item is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This item is reported in the government-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. OCLTA has one type of deferred inflow, unavailable revenue which occurs only under a modified accrual basis of accounting. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for grant reimbursements and reimbursements from others. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts 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 and disbursed to cities for competitive projects, the local fair share program, and the senior mobility program, and to other agencies for projects which are in accordance with the Measure M ordinance.

Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and is classified into three categories:

- *Net investment in capital assets* - This balance reflects the net position of the OCLTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.
- *Restricted net position* - This balance represents net position that is not accessible for general use because use is subject to restrictions enforceable by third parties. The OCLTA government-wide

Year Ended June 30, 2022
(in thousands)

statement of net position reports net position restricted for transportation projects funded by the Measure M Program, debt service, and Environmental Mitigation Program.

- *Unrestricted net position* – This balance represents the net position that is available for general use.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the OCLTA is bound to honor constraints on the specific purposes for which amounts can be spent.

The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. As of June 30, 2022, OCLTA reported nonspendable balance for condemnation deposits and other assets - prepaids.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. As of June 30, 2022, OCLTA reported restricted fund balance for transportation projects, debt service, and Environmental Mitigation Program.
- *Committed* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Board removes or modifies the use through the adoption of a subsequent resolution.
- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This classification also includes residual amounts assigned for specific projects. The Board establishes and modifies assignments of fund balance through the adoption of the budget and subsequent budget amendments. The Board retains the authority to assign fund balance.

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. When using unrestricted fund balance amounts, the OCLTA applies the default established by GASB 54, whereby the committed amounts would be reduced first followed by the assigned amounts.

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.

Year Ended June 30, 2022
(in thousands)

2. Cash and Investments

Cash and investments are comprised of the following at June 30, 2022:

Investments:	
With OCTA Commingled Investment Pool	\$ 789,874
With Trustee	183,381
With CA Community Foundation	19,333
Total Cash and Investments	<u>\$ 992,588</u>

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

Unrestricted Cash and Investments	\$ 473,255
Restricted Cash and Investments	519,333
Total Cash and Investments	<u>\$ 992,588</u>

As of June 30, 2022, OCLTA had the following investments:

Investment	Fair Value	Interest Rate	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment	\$ 789,874	*	*	*
Money Market Funds **	183,381	1.210%-1.370%	7/1/22	.003
CA Community Foundation Investment Fund	<u>19,333</u>	N/A	N/A	N/A
Total Investments	<u>\$ 992,588</u>			

* Refer to the OCTA Annual Comprehensive Financial Report for information related to the OCTA Commingled Investment Pool.

** Money market funds and commercial paper are measured at amortized cost which approximates fair value.

The Portfolio Weighted Average Maturity is 1.790 years.

As of June 30, 2022, OCLTA had \$789,874 invested in the OCTA's Commingled Investment Pool (CIP). Refer to the OCTA's Annual Comprehensive Financial Report for details on valuation techniques and fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk. Deposits and withdrawals in OCTA's CIP are made on the basis of \$1.00 (absolute dollars) and not fair value. Accordingly, the OCLTA's investment in OCTA's CIP at June 30, 2022 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2022, OCLTA had \$19,333 invested in the CA Community Foundation (CCF) investment fund. The amount invested is valued using significant unobservable inputs and, therefore, classified as Level 3. Unobservable inputs used by CCF include the foundations own assumptions, market comparable rates, capitalization and occupancy rates.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three NRSROs: Standard & Poor's (S&P), Moody's Investor Service (Moody's), and Fitch Rating's (Fitch).

Year Ended June 30, 2022
(in thousands)

For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by an NSRSO.

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, 2022. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

S&P	Moody's	% of Portfolio
NR	NR	79.57 %
NR	NR	18.48 %
AAA	Aaa	1.95 %
		<u>100.00 %</u>

3. Due From/To Other Governments

Amounts due from other governments as of June 30, 2022 in the fund financial statements are \$103,195 and are comprised of \$76,409 of sales taxes, \$24,661 of project reimbursements, and \$2,125 representing the interest receivable on Build America Bonds.

Amounts due to other governments as of June 30, 2022 are \$31,917 for transportation projects.

4. Related Party Transactions and Interfund Transfers

Related party transactions

As of June 30, 2022, OCLTA has \$2,037 receivable from other OCTA funds which is related to SR-91 Improvement Project.

As of June 30, 2022, OCLTA owes \$5,065 to other OCTA funds as follows:

	Amount	Explanation
General Fund	\$ 333	Placentia Rail Station and ARTIC
General Capital Project	4,278	OC Streetcar project
OCTD	454	M2 fare stabilization and Stationlink Svcs - Rail Feeder
Total	<u>\$ 5,065</u>	

Contributions from Other OCTA Funds

During fiscal year 2021-22, OCLTA received \$146,767 which is comprised of \$14,101 from the 91 Express Lanes Fund for freeway improvements and \$132,666 from I-405 Express Lanes for I-405 Improvement Project.

Year Ended June 30, 2022
(in thousands)

Contributions to Other OCTA Funds

During fiscal year 2021-22, OCLTA made contributions to the following funds:

- \$10,521 to the General Capital Projects Fund for the OC Streetcar Project
- \$915 to the OC Streetcar Fund for the OC Streetcar Project
- \$13,342 to the OCTD Fund for La Habra service, iShuttle, Commuter Rail, Fare Stabilization and Senior Mobility Program

Interfund Transfers

During fiscal year 2021-22, the LTA Fund transferred \$49,706 to the LTA Debt Service Fund for debt service payments. Additionally, the LTA Debt Service Fund transferred \$5,698 in excess interest earnings to the LTA Fund.

5. Capital Assets

Capital assets activity for the OCLTA governmental activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Right-of-way improvements	\$ 7,300	\$ —	\$ —	\$ 7,300
Total capital assets, not being depreciated	<u>7,300</u>	<u>—</u>	<u>—</u>	<u>7,300</u>
Capital assets, being depreciated:				
Machinery and equipment	21	—	—	21
Total capital assets, being depreciated	<u>21</u>	<u>—</u>	<u>—</u>	<u>21</u>
Less accumulated depreciation for:				
Machinery and equipment	(21)	—	—	(21)
Total accumulated depreciation	<u>(21)</u>	<u>—</u>	<u>—</u>	<u>(21)</u>
Total capital assets, being depreciated, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total governmental activities capital assets, net	<u>\$ 7,300</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,300</u>

Year Ended June 30, 2022
(in thousands)

6. Long-Term Debt

Sales Tax Revenue Bonds

On December 9, 2010, OCLTA issued \$293,540 in Measure M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and \$59,030 in 2010 Series B (Tax-Exempt Bonds), to finance and refinance the costs of certain transportation projects located in Orange County, to restructure the Tax Exempt Commercial Paper (TECP) Program, and to fund capitalized interest and costs of issuance related to the 2010 Series Bonds. A reserve fund is not required in connection with the 2010 Series Bonds per the bond indenture. The transaction closed on December 23, 2010. A total of \$75,000 was used to refund outstanding TECP. The Measure M sales tax is the source of revenue for repaying this debt.

On February 12, 2019, OCLTA issued \$376,690 in Measure M2 Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2019 (the "Series 2019 Bonds"), i) to refinance costs of certain transportation projects located in Orange County, consisting of the general purpose lanes of the I-405 Improvement Project; ii) to refund and defease \$43,540 of the 2010 Series A Bonds, which resulted in gross cumulative cash flow savings of approximately \$2,867 and net present value cumulative savings of approximately \$2,584; and to fund costs of issuance related to the Series 2019 Bonds. A reserve fund is not required in connection with the Series 2019 Bonds per the bond indenture. The transaction closed on February 26, 2019.

The OCLTA's outstanding debt obligations related to M2 Sales Tax Revenue Bonds contain a provision that in the event of default, bondholders have the right to sue in order to force the OCLTA to cure the event of default, which may result in financial related consequences.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2019 Series B (Tax-Exempt Bonds)	Total
Issuance date	12/9/10	2/12/19	
Original issue amount	\$ 293,540	\$ 376,690	\$ 670,230
Original issue premium	—	69,342	69,342
Net Bond Proceeds	\$ 293,540	\$ 446,032	\$ 739,572
Issuance costs	\$ 1,905	\$ 970	\$ 2,875
Interest rates	5.56%-6.91%	3.00%-5.00%	
Maturity range	2021-2041	2021-2041	
Final maturity	2041	2041	
Bonds outstanding	\$ 250,000	\$ 360,170	\$ 610,170
Plus unamortized premium	—	58,815	58,815
Total	\$ 250,000	\$ 418,985	\$ 668,985

Orange County Local Transportation Authority
Notes to The Financial Statements

Year Ended June 30, 2022
(in thousands)

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 19,935	\$ 34,949
2024	20,920	33,952
2025	21,950	32,906
2026	23,630	31,722
2027	24,755	30,334
2028-2032	142,650	128,448
2033-2037	179,910	82,650
2038-2041	176,420	26,090
Total	\$ 610,170	\$ 401,051

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Measure M program activities:					
Sales tax revenue bonds	\$ 618,625	\$ —	\$ (8,455)	\$ 610,170	\$ 19,935
Unamortized premium	61,967	—	(3,152)	58,815	—
Total Measure M program activities long-term liabilities	\$ 680,592	\$ —	\$ (11,607)	\$ 668,985	\$ 19,935

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2022, debt service payments in relation to the pledged gross revenue net of the local fair share program and other expenses as required by the debt agreement, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 330,125	\$ 43,826	7.53

Line of Credit (Direct Borrowing)

On July 26, 2017, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan of up to \$628,930 for eligible project costs for the I-405 Improvement Project. The Bureau required OCTA to secure a \$900,000 line of credit secured by future M2 debt issuances to be committed at the time of closing on the TIFIA loan. The OCTA Board of Directors selected Bank of America N.A. (BANA) to provide a \$900,000 line of credit to meet the Bureau's requirement.

Year Ended June 30, 2022
(in thousands)

The line of credit was structured in two commitment tranches, the 2019 Credit Agreement, in an amount of \$400,000 and the 2021 Credit Agreement, in an amount of \$500,000. The 2019 Credit Agreement terminated in 2019. The 2021 Credit Agreement was amended, effective June 29, 2020, changing the expiration to June 28, 2021, and reducing the commitment fee from 36 basis points to 34 basis points. In lieu of maintaining the line of Credit, OCTA established and funded accounts under OCTA's Custody Account Agreement with approximately \$500,000 therefore eliminating the requirement to maintain the 2021 Credit Agreement.

In connection with the rate reset of OCTA's 2017 TIFIA Loan (2021 TIFIA Loan), which occurred on September 9, 2021, OCTA prepaid the amount of funds drawn to date on the 2017 TIFIA Loan, plus accrued interest, totaling \$314,000 (Prepayment), to the United States Department of Transportation to close the transaction. OCTA secured a \$315,000 bridge loan from BANA to fund the Prepayment. The bridge loan was secured by executing the First Amendment to the Amended and Restated 2021 Credit Agreement (Agreement). The bridge loan was repaid on September 30, 2021, utilizing proceeds from the \$662,820 Bonds Anticipation Notes (BAN 2021 Series) issued on September 29, 2021. OCTA issued the BAN 2021 Series as a short-term financing vehicle during the construction of the I-405 Improvement Project to create flexibility by cost-effectively delaying draws on and repayment of the 2021 TIFIA Loan until one year beyond substantial completion. The refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The transaction resulted in a reduction of debt service payments of \$274,577 over three fiscal years and an economic gain (difference between the present values of the debt service payments of the 2021 TIFIA Loan and BAN 2021 Series) of \$240,265. The amount outstanding under the BAN 2021 Series at June 30, 2022 is \$662,820.

Annual debt service requirements on the BAN 2021 Series as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ —	\$ 32,141
2024	—	32,141
2025	662,820	9,374
	<u>\$ 662,820</u>	<u>\$ 73,656</u>

The payment obligations owed to BANA under the Agreement are payable and secured by a pledge of, lien on, and security interest in the M2 sales tax revenues, including earnings on such amounts, subject only to the provisions of the Master Indenture. The pledge, lien, and security interest shall be junior and subordinate only to the pledge of M2 sales tax revenues in favor of the Senior Lien Debt pursuant to the express terms of the Master Indenture.

7. 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, 2022, were \$953,005, the majority of which relate to the expansion of Orange County's freeways and road systems.

Federal Grants

The OCLTA receives federal grants for transportation 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

Year Ended June 30, 2022
(in thousands)

management's opinion that these audits would not have a material effect on the OCLTA's financial position or changes in financial position.

8. Effect of New Pronouncements

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. OCLTA implemented this statement for fiscal year ending June 30, 2022. See note 1 for further information on the impact of the adoption of GASB Statement No. 87.

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement was effective for OCLTA's fiscal year ending June 30, 2022, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCLTA has not determined the effect of this Statement.

GASB Statement No. 92

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 of this Statement are effective immediately. The remaining paragraphs of this Statement were effective for OCLTA's fiscal year ending June 30, 2021, but were postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for

Year Ended June 30, 2022
(in thousands)

hedging derivative instruments. The requirements of this statement, except for paragraphs 11b, 13, and 14 were effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The implementation of the remaining paragraphs 11b, 13, and 14 did not have a material effect on the financial statements.

GASB Statement No. 94

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement is effective for OCLTA's fiscal year ending June 30, 2023. OCLTA has not determined the effect of this Statement.

GASB Statement No. 96

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). This Statement is effective for OCLTA's fiscal year ending June 30, 2023. OCLTA has not determined the effect of this Statement.

GASB Statement No. 97

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Paragraphs 4 and 5 of this Statement are effective immediately, and the remaining paragraphs of this Statement are effective for OCLTA's fiscal year ending June 30, 2022. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 98

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The implementation of this Statement did not have a material effect on the financial statements.

Year Ended June 30, 2022
(in thousands)

GASB Statement No. 99

In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. OCLTA has not determined the effect of this Statement.

GASB Statement No. 100

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. OCLTA has not determined the effect of this Statement.

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. OCLTA has not determined the effect of this Statement.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Required Supplementary Information
Budgetary Comparison Schedule - LTA Fund (Budgetary Basis)
Year Ended June 30, 2022

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Sales taxes	\$ 312,959	\$ 312,959	\$ 424,897	\$ 111,938
Contributions from other agencies	179,140	179,140	52,022	(127,118)
Contributions from other OCTA funds	23,864	23,864	146,767	122,903
Investment income (loss)	9,569	9,569	(29,074)	(38,643)
Miscellaneous	5,232	5,232	1,544	(3,688)
Total revenues	530,764	530,764	596,156	65,392
Expenditures:				
Current:				
General government - supplies and services	219,365	219,608	159,681	59,927
Transportation:				
Contributions to other local agencies	156,537	161,982	96,819	65,163
Contributions to other OCTA funds	46,962	46,962	182,040	(135,078)
Capital outlay	699,137	699,149	366,242	332,907
Total expenditures	1,122,001	1,127,701	804,782	322,919
Excess (deficiency) of revenues over (under) expenditures	(591,237)	(596,937)	(208,626)	388,311
Other financing sources (uses):				
Transfers in	29,317	29,317	5,698	(23,619)
Transfers out	(43,826)	(43,826)	(49,706)	(5,880)
Proceeds from sale of capital assets	4,000	4,000	1,227	(2,773)
Total other financing sources (uses)	(10,509)	(10,509)	(42,781)	(32,272)
Net change in fund balance	\$ (601,746)	\$ (607,446)	\$ (251,407)	\$ 356,039

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ (251,407)
Less: Estimated revenues for encumbrances outstanding at June 30	24,495
Add: Current year encumbrances outstanding at June 30	236,623
	<hr/>
Net change in fund balance (GAAP basis)	<u>\$ (39,279)</u>

See accompanying notes to the required supplementary information.

Orange County Local Transportation Authority
(A Component Unit of the Orange County Transportation Authority)
Notes to Required Supplementary Information
Year Ended June 30, 2022
(in thousands)

1. Budgetary Data

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA and the debt service governmental funds. The 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 subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. 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 2022 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, 2022

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment income	\$ 5,540	\$ 5,540	\$ 3,598	\$ (1,942)
Total revenues	5,540	5,540	3,598	(1,942)
Expenditures:				
Debt service:				
Principal payments on long-term debt	8,065	8,065	8,455	(390)
Interest on long-term debt	35,775	35,775	35,371	404
Total expenditures	43,840	43,840	43,826	14
Deficiency of revenues under expenditures	(38,300)	(38,300)	(40,228)	(1,928)
Other financing sources:				
Transfers in	43,840	43,840	49,706	5,866
Transfers out	(5,540)	(5,540)	(5,698)	(158)
Total other financing sources	38,300	38,300	44,008	5,708
Net change in fund balance	\$ —	\$ —	\$ 3,780	\$ 3,780

**INDEPENDENT AUDITOR'S 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**

Board of Directors
Orange County Local 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 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, 2022, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated November 16, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCLTA's internal control over financial reporting (internal control) as a basis for designing 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 OCLTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCLTA'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 or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCLTA's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Crowe LLP

Costa Mesa, California
November 16, 2022

**91 EXPRESS LANES FUND
(An Enterprise Fund of the Orange
County Transportation Authority)**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Financial Statements
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the 91 Express Lanes Fund (91 EL), a major enterprise fund of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 91 EL's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the 91 EL, a major enterprise fund of OCTA, as of June 30, 2022, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the 91 EL and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 6 to the financial statements, during the year ended June 30, 2022 OCTA adopted new accounting guidance, GASB Statement No. 87, *Leases*. The adoption resulted in recording a right-to-use lease asset and lease payable. There was no impact to net position as of July 1, 2021, as a result of adoption.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCTA's internal control, as it relates to the 91 EL. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 91 EL's financial statements. The management's discussion and analysis, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022 on our consideration of OCTA's internal control over financial reporting, as it relates to the 91 EL, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCTA's internal control over financial reporting or on compliance, as it relates to the 91 EL. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance, as it relates to the 91 EL.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
November 16, 2022

**INDEPENDENT AUDITOR'S 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**

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 91 Express Lanes Fund (91 EL), a major enterprise fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 91 EL's basic financial statements, and have issued our report thereon dated November 16, 2022. As discussed in Note 1, the financial statements present only the 91 EL and do not purport to, and do not, present fairly the financial position of OCTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting and compliance (internal control), as it relates to the 91 EL, as a basis for designing audit procedures that are appropriate in the circumstances 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, as it relates to the 91 EL. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control, as it relates to the 91 EL.

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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 91 EL's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Crowe LLP

Costa Mesa, California
November 16, 2022

**91 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2022**

As management of the 91 Express Lanes Fund (91 EL), an enterprise fund of the Orange County Transportation Authority, we offer readers of the 91 EL financial statements this narrative overview and analysis of the 91 EL's financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 11.

Financial Highlights

- a. At the end of fiscal year 2021-22, the total net position of the 91 EL was \$289,322,366 and consisted of net investment in capital assets of \$56,308,098; restricted net position of \$14,543,080; and unrestricted net position of \$218,471,188. Net position increased \$16,406,559 during fiscal year 2021-22, which represents an increase of 6.0% from the fiscal year 2020-21 ending net position. The increase is primarily due to operating revenues in excess of operating expenses offset by bond interest expense.
- b. In fiscal year 2021-22, total operating revenues increased by \$16,518,861, which represents a 37.0% increase from the fiscal year 2020-21. The increase in operating revenue is primarily due to increase in trips.
- c. Total operating expenses increased by \$2,198,470, which represents a 12.1% increase from fiscal year 2020-21, primarily due to increase in professional services.
- d. At the end of fiscal year 2021-22, investment earnings decreased by \$8,351,708, which represents a 721.3% decrease compared to fiscal year 2020-21. The decrease in investment earnings is primarily due to an unrealized loss on investment in fiscal year 2021-22 resulting from unfavorable investment performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 91 EL's financial statements. The financial statements are comprised of the fund financial statements and notes to the financial statements.

The statement of net position presents information on all of the 91 EL's assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 91 EL is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the 91 EL's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The 91 EL fund financial statements can be found on pages 11-14 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15-29 of this report.

**91 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2022**

91 Express Lanes Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the 91 EL's financial position. At June 30, 2022, the 91 EL's net position was \$289,322,366, an increase of \$16,406,559 or 6.0% from June 30, 2021. Our analysis below focuses on net position (Table 1) and changes in net position (Table 2) of the 91 EL's financial activities.

Table 1
91 Express Lanes Fund
Net Position

	2022	2021
Current and other assets	\$ 232,293,388	\$ 222,922,295
Restricted assets	25,341,605	25,303,554
Noncurrent receivables, net	6,902,814	6,637,739
Capital assets, net	127,201,946	122,448,166
Total assets	391,739,753	377,311,754
Total deferred outflows of resources	5,663,376	6,332,938
Current liabilities	28,170,123	26,123,313
Long-term liabilities	79,910,640	84,605,572
Total liabilities	108,080,763	110,728,885
Net position:		
Net investment in capital assets	56,308,098	48,224,057
Restricted	14,543,080	14,505,029
Unrestricted	218,471,188	210,186,721
Total net position	\$ 289,322,366	\$ 272,915,807

In fiscal year 2021-22, total assets increased by \$14,427,999 which represents an increase of 3.8% from fiscal year 2020-21, primarily due to an increase of \$8,653,676 in cash and investments and an increase of \$4,753,780 in capital assets. Total liabilities decreased by \$2,648,122 or 2.4% primarily due to principal payments during the fiscal year.

The 91 EL's net investment in capital assets was \$56,308,098 in fiscal year 2021-22 compared to \$48,224,057 in fiscal year 2020-21. The 91 EL's net position reflects its investment in capital assets (i.e., intangible assets; improvements; communications equipment; computer hardware and software; equipment, furniture and fixtures; and transponders), less any related outstanding debt used to acquire these assets. The 91 EL uses these capital assets to provide improved mobility for 91 EL customers and commuters along the SR-91 corridor. The increase of \$8,084,041 in net investment in capital assets was primarily due to investment in ETTM system and back-office system, and recognition of intangible right-

**91 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2022**

to-use lease assets, in accordance with GASB Statement No. 87, Leases.

Restricted net position, representing resources subject to external restrictions on how they may be used, represented 5.0% of the total net position at June 30, 2022. The \$38,051 increase in restricted net position is related to investment activity in bond reserve accounts.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position changed from \$210,186,721 at June 30, 2021 to \$218,471,188 at June 30, 2022. This increase of \$8,284,467 was primarily due to operating revenues in excess of operating expenses.

The analysis in Table 2 focuses on the changes in net position.

Table 2
91 Express Lanes Fund
Changes in Net Position

	2022	2021
Revenues:		
Operating revenues:		
Tolls, fees, and fines	\$ 61,135,354	\$ 44,616,493
Operating expenses:		
Management and operational services	6,149,459	6,779,862
Administrative overhead	3,002,641	2,703,948
Other operating expenses	50,911	13,840
Insurance claims and premiums	469,970	444,076
Professional services	6,807,099	3,442,977
General and administrative	287,917	607,588
Depreciation and amortization	3,639,032	4,216,268
Total operating expenses	20,407,029	18,208,559
Operating income	40,728,325	26,407,934
Nonoperating revenues (expenses):		
Investment income (loss)	(7,193,882)	1,157,826
Interest expense	(4,011,977)	(4,280,325)
Other	985,529	886,654
Total nonoperating expenses	(10,220,330)	(2,235,845)
Income before transfers	30,507,995	24,172,089
Transfers to other OCTA funds	(14,101,436)	(15,577,119)
Changes in net position	16,406,559	8,594,970
Total net position – beginning	272,915,807	264,320,837
Total net position – ending	\$ 289,322,366	\$ 272,915,807

91 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2022

The 91 EL's total operating revenues increased by 37.0%, while total operating expenses increased by 12.1%. Total traffic volume on the 91 EL during fiscal year 2021-22 was 19,810,256 trips reflecting an increase of 29.0% in comparison to fiscal year 2020-21. The increase in operating revenues is due to an increase in toll revenues. Investment income decreased by \$8,351,708 which represents a 721.3% decrease compared to fiscal year 2020-21. The decrease is primarily due to an unrealized loss on investment in fiscal year 2021-22 resulting from unfavorable investment performance.

Capital Assets

As of June 30, 2022, the 91 EL had \$127,201,946 net of accumulated depreciation and amortization, invested in a broad range of capital assets including: the toll facility franchise, construction in progress, improvements, communication equipment, computer hardware and software, transponders, intangible right-to-use asset, and equipment, furniture and fixtures (Table 3). The total increase in the 91 EL's capital assets for fiscal year 2021-22 was \$4,753,780.

Table 3
91 Express Lanes Fund
Capital Assets, net of Depreciation and Amortization

	2022	2021
Toll facility franchise	\$ 112,521,133	\$ 115,107,826
Construction in progress	9,441,400	4,781,599
Improvements	737,655	855,457
Communication equipment	468,302	648,882
Computer hardware and software	19,091	39,442
Transponders	679,259	993,776
Intangible right-to-use asset (building) *	3,318,207	3,733,011
Equipment, furniture, and fixtures	16,899	21,184
Total capital assets, net	\$ 127,201,946	\$ 126,181,177

* Ending balance of \$3,733,011 in 2021 is due to the adoption of the provisions of GASB Statement No. 87, Leases.

The 91 EL has outstanding capital expense commitments, the most significant of which are \$2,821,924 and \$5,623,123 for the electronic toll and traffic management (ETTM) and back-office system, respectively. Major capital asset additions during fiscal year 2021-22 included \$1,728,298 and \$2,931,503 primarily due to the ETTM system and back-office system, respectively. The ETTM and the back-office system are still in the construction in progress stage. More detailed information about the 91 EL's capital assets is presented in note 5 to the financial statements.

Debt Administration

As of June 30, 2022, the 91 EL had \$78,515,000 in tax-exempt bonds outstanding compared to \$85,265,000 at June 30, 2021. The reduction is due to principal payments in fiscal year 2021-22 in the amount of \$6,750,000. Additional information on long-term debt can be found in note 7 to the financial statements.

**91 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2022**

Economic and Other Factors

The 91 EL makes up \$56,785,513 or 3.44% of OCTA's fiscal year 2022-23 adopted revenue budget. In fiscal year 2022-23, budgeted toll revenue is forecasted to increase by 20.3% from the fiscal year 2021-22 budgeted value. This increase is due to a forecasted increase in trips due to travel volumes returning to pre-coronavirus pandemic (COVID-19) levels. The budgeted average long term rate of growth for toll road revenue beyond fiscal year 2022-23 is 3.3%.

The majority of expenses related to the 91 EL within the fiscal year 2022-23 budget are on-going general costs related to day to day operations of the toll facility. Since the 91 EL is a fully electronic toll facility, motorists pay tolls through the convenient use of windshield mounted FasTrak® transponders that automatically deduct toll charges from a prepaid account. At the end of fiscal year 2021-22, there were 162,155 active customer accounts, with 641,110 transponders assigned to those accounts, which represents an increase of 7,686 and 53,065 respectively from fiscal year 2020-21.

OCTA, in concert with Caltrans and RCTC, issued an annual SR-91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 EL toll revenue and other funds. The projects are presented in the following groups: Orange County Projects, Riverside County Projects and Bi-County Projects. The Orange County Projects have a total cost of approximately \$525 million. The projects include improvements to the SR-91 between SR-57 and SR-55, Anaheim Canyon Metrolink station improvements, and Placentia Metrolink rail station. The Riverside County projects have a total cost of approximately \$391 million. The improvements include I-15/91 Express Lanes Connector, the SR-71/SR-91 interchange improvements, and the SR-91 improvements east of I-15. The Bi-County projects benefit both Orange and Riverside Counties, with total projects exceeding \$288 million.

Contacting 91 EL's Management

This financial report is designed to provide a general overview of the 91 EL's finances for all those with an interest in the government's finances and to demonstrate the 91 EL's 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 at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2022

Assets

Current Assets:

Cash and investments	\$	227,301,595
Receivables:		
Interest		393,466
Violations, net		1,967,439
Other, net		1,519,049
Due from other governments		775,354
Other assets		336,485
Total current assets		232,293,388

Noncurrent Assets:

Restricted cash and investments:		
Cash equivalents		25,341,605
Receivable violations, net		6,902,814
Capital assets, net:		
Nondepreciable		9,441,400
Depreciable and amortizable		117,760,546
Total noncurrent assets		159,446,365

Total Assets

391,739,753

Deferred Outflows of Resources

Deferred charge on refunding		5,663,376
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Total Deferred Outflows of Resources

5,663,376

Liabilities

Current Liabilities:

Accounts payable		8,918,727
Accrued interest payable		1,453,903
Due to other funds		2,037,291
Due to other governments		994,165
Unearned revenue		7,268,072
Other liabilities		52,855
Lease liabilities - due within one year		350,110
Bonds payable - due within one year		7,095,000
Total current liabilities		28,170,123

Noncurrent Liabilities:

Lease liabilities - due in more than one year		3,044,005
Bonds payable - due in more than one year		76,866,635
Total noncurrent liabilities		79,910,640

Total Liabilities

108,080,763

Net Position

Net investment in capital assets		56,308,098
Restricted for:		
Debt service		700,661
Capital		10,648,499
Operating reserves		3,193,920
Unrestricted		218,471,188

Total Net Position

\$ 289,322,366

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

Operating revenues:	
Tolls, fees, and fines	\$ 61,135,354
Operating expenses:	
Management and operational services	6,149,459
Administrative overhead	3,002,641
Other operating expenses	50,911
Insurance claims and premiums	469,970
Professional services	6,807,099
General and administrative	287,917
Depreciation and amortization	3,639,032
Total operating expenses	<u>20,407,029</u>
Operating income	<u>40,728,325</u>
Nonoperating revenues (expenses):	
Investment loss	(7,193,882)
Interest expense	(4,011,977)
Other	985,529
Total nonoperating revenues (expenses)	<u>(10,220,330)</u>
Income before transfers	30,507,995
Transfers to other OCTA funds	(14,101,436)
Change in net position	16,406,559
Total net position - beginning	<u>272,915,807</u>
Total net position - ending	<u><u>\$ 289,322,366</u></u>

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Receipts from customers and users	\$ 62,178,837
Payments to suppliers	(14,509,201)
Payments for OCTA interfund services used	(3,002,641)
Other revenue received	985,529
Net cash provided by operating activities	<u>45,652,524</u>
Cash flows from noncapital financing activities:	
Reimbursement to other governments	(321,913)
Transfers to OCTA funds	(16,073,351)
Net cash used for noncapital financing activities	<u>(16,395,264)</u>
Cash flows from capital and related financing activities:	
Principal payment on long-term debt	(6,750,000)
Interest paid on long-term debt	(4,112,915)
Acquisition and construction of capital assets	(2,487,248)
Net cash used for capital and related financing activities	<u>(13,350,163)</u>
Cash flows from investing activities:	
Investment loss	(7,253,421)
Net cash used by investing activities	<u>(7,253,421)</u>
Net increase in cash and cash equivalents	8,653,676
Cash and cash equivalents at beginning of year	243,989,524
Cash and cash equivalents at end of year	<u>\$ 252,643,200</u>
Reconciliation of cash and cash equivalents to statement of net position:	
Cash and investments	\$ 227,301,595
Restricted cash and investments	25,341,605
Total cash and cash equivalents	<u>\$ 252,643,200</u>

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2022

**Reconciliation of operating income to net cash
provided by operating activities:**

Operating income	\$	40,728,325
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization expense		1,052,339
Amortization of toll road franchise agreement		2,586,693
Nonoperating revenue		985,529
Change in assets and liabilities:		
Violations receivables, net		(588,686)
Other receivables, net		(35,739)
Other assets		(484,632)
Amortization of prepaid insurance		469,970
Accounts payable		(1,007,300)
Due to other governments		278,118
Unearned revenue		1,654,375
Other liabilities		13,532
Total adjustments		4,924,199
Net cash provided by operating activities	\$	45,652,524

Noncash capital, financing and investing activities:

Amortization of bond premium	\$	(643,937)
Amortization of bond deferred charges		669,562
Change in fair value of investments		41,027

See accompanying notes to the financial statements.

For the Year Ended June 30, 2022

1. Reporting Entity

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for the 91 Express Lanes. See note 5 for further information on this transaction.

These financial statements include only the activities of the 91 Express Lanes Fund, an enterprise fund of OCTA. These financial statements are not intended to present the activities of OCTA.

2. Summary of Significant Accounting Policies

The accounting policies of the 91 Express Lanes Fund are in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The financial statements of the 91 Express Lanes Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll amounts are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenue is recognized when the customers utilize the toll road facility.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility and are presented net of discounts and allowances. Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the 91 Express Lanes Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

Cash and Investments

The 91 Express Lanes Fund participates in OCTA's Commingled Investment Pool. OCTA maintains cash and investments in accordance with an Investment Policy (Policy) adopted initially by OCTA's Board of Directors (Board) on May 8, 1995, and most recently amended on July 1, 2022. The Policy complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2022 the investment portfolios were maintained at U.S. Bank, N.A. as custodial bank. OCTA's Commingled Investment Pool is managed by four private sector investment managers. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes in the OCTA Commingled Investment Pool, with investment earnings allocated to the different accounts based on average daily account balances.

For the Year Ended June 30, 2022

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs-other than quoted prices included in Level 1-that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs. Refer to the OCTA Annual Comprehensive Financial Report (ACFR) for details on valuation techniques and fair value hierarchy.

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted prices of similar assets, except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal agencies, municipal debt, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term notes, money market and mutual funds, mortgage or asset-backed securities, supranationals, Local Agency Investment Fund (LAIF), Orange County Investment Pool (OCIP), investment pools, variable and floating rate securities, bank deposits and derivatives.

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 Policy.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, commercial paper, money market funds, certificates of deposit, and the 91 Express Lanes Fund's share of the OCTA Commingled Investment Pool represent cash and cash equivalents for cash flow purposes.

Restricted Cash and Investments

Investments set aside in the Senior Lien Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund are pursuant to the terms of the 2013 Indenture for the \$124,415,000 Toll Road Revenue Refunding Bonds and their use is limited by applicable debt covenants.

Permitted investments per the debt covenants include: government obligations, State of California and local agency obligations, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, money market funds, other mutual funds, investment agreements, and variable and floating rate securities.

Receivables

Violations receivables include an estimate for outstanding unpaid violations that the 91 Express Lanes Fund anticipates to collect. For violations less than or equal to 90 days old, the receivable is based on a 12-month average of violations collected, and is recorded net of an allowance for uncollectible accounts of \$4,926,831 at June 30, 2022. For unpaid violations in excess of 90 days, the receivable is estimated using a four-year average of violations collected and is recorded net of uncollectible accounts as the majority is not considered probable of collection.

For the Year Ended June 30, 2022

Other receivables include amounts due from other California toll road agencies related to their customers' use of the 91 Express Lanes, as well as amounts owed from customers, net of an allowance for uncollectible accounts of \$210,519 at June 30, 2022.

An estimated \$6,902,814 of violation and customer receivables are not expected to be collected within one year. The 91 Express Lanes utilizes an outside collection agency to assist in the recovery of unpaid customer balances and violations exceeding 90 days.

Due from other Governments

Due from other governments include receivables due from other government agencies.

Other Assets

Other assets include prepaid expenses and refundable deposits.

Capital Assets

Capital assets are tangible and intangible assets, which include toll facility franchise, construction in progress, improvements, equipment, computer hardware, software, furniture and fixtures, intangible right-to-use assets, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of one year. It is also the 91 Express Lanes Fund's policy to capitalize non-sticker transponder purchases, as they are considered a significant class of assets even though individually under \$5,000. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. The 91 Express Lanes also records the value of intangible right to use assets based on the underlying leased asset in accordance with GASB Statement No. 87, Leases. The intangible right to use intangible asset is amortized each year for the shorter of lease term or useful life of of asset.

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Capital Asset Type</u>	<u>Useful Life</u>
Improvements	10-30 years
Equipment, furniture and fixtures	3-10 years
Computer hardware and software	3-5 years
Transponders	5-7 years
Intangible right-to-use assets	Lease term

OCTA purchased the interest in the Franchise Agreement for the toll facility from CPTC on January 3, 2003. The toll facility franchise is amortized over the remaining life of the Franchise Agreement through December 2065.

Leases

OCTA adopted GASB Statement No. 87 Leases for the fiscal year ended June 30, 2022. The 91 Express Lanes Fund recorded lease liabilities and lease assets at the commencement of the lease term. The lease liabilities are measured at the present value of payments expected to be made during the lease term less any lease incentives. The lease assets are measured at the amount of the initial measurement of the lease liabilities, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. See note 6 for further information on the impact of the adoption of GASB Statement No. 87.

For the Year Ended June 30, 2022

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. As of June 30, 2022, the 91 Express Lanes Fund only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Due to other Governments

Due to other governments include payables due to other government agencies.

Risk Management

The 91 Express Lanes Fund purchases commercial property insurance including fire, flood and earthquake coverage, which also covers business interruption related to the operation of the toll facility. Additionally, the 91 Express Lanes Fund participates in OCTA's self-insurance general liability program. Liability claims are resolved by OCTA and are an expense of the 91 Express Lanes Fund.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and is classified into three categories:

- *Net investment in capital assets* - Reflects net position of the 91 Express Lanes Fund invested in capital assets and the intangible asset net of related debt. This net position is not accessible for other purposes.
- *Restricted net position* - Represents net position not accessible for general use, with the use subject to restrictions enforceable by third parties. The net position has been restricted by the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust for debt service, capital, and operating expenses.
- *Unrestricted net position* - Represents net position available for general use.

Use of Estimates

The preparation of the 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.

Administrative Services Costs

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2021-22, \$3,002,641 of administrative services were charged to the 91 EL and are reported as operating expenses in the statement of revenues, expenditures and changes in net position.

For the Year Ended June 30, 2022

3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2022:

Cash:	
Petty cash	\$ 550
Deposits	17,157,573
Total cash	<u>17,158,123</u>
Investments:	
With OCTA Commingled Investment Pool	223,985,887
With trustee	11,499,190
Total investments	<u>235,485,077</u>
Total cash and investments	<u>\$ 252,643,200</u>

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

Unrestricted cash and investments	\$ 227,301,595
Restricted cash and investments:	
Cash equivalents	25,341,605
Total cash and investments	<u>\$ 252,643,200</u>

As of June 30, 2022, the 91 Express Lanes Fund had the following investments:

Investment	Fair Value	Yield	Interest Rate	Maturity	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$ 223,985,887	Refer to the OCTA Annual Comprehensive Financial Report for information related to the OCTA Commingled Investment Pool.*			
Held by trustee:					
*Money Market	684	0.990%	0.990%	7/01/2022	0.003
*Commercial Paper	<u>11,498,506</u>	1.954%	0.000%	8/11/2022	0.115
Total investments	<u>\$ 235,485,077</u>				
Portfolio Weighted Average					1.969

*Money market funds and commercial paper are measured at amortized cost which approximates fair value.

As of June 30, 2022, the 91 Express Lanes Fund had \$223,985,887 invested in the OCTA's Commingled Investment Pool (CIP). OCTA's CIP investments are carried at fair value except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date carried at amortized cost which approximates fair value.

Deposits and withdrawals in the OCTA's CIP are made on the basis of \$1.00 (cost basis) and not fair value. Accordingly, the 91 Express Lanes Fund's investment in the OCTA's CIP at June 30, 2022 is uncategorized, not defined as a Level 1, Level 2, or Level 3 input.

For the Year Ended June 30, 2022

Refer to the OCTA Annual Comprehensive Financial Report for fiscal year 2021-22 for details on valuation techniques, fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk related to the OCTA's CIP underlying investments.

Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services: Standard & Poor's Corporation (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt must be rated no less than an "A" by two of the three rating services. OCTA's CIP is not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of fair value of the 91 Express Lanes Fund's portfolio at June 30, 2022. (NR means Not Rated):

Investments	S&P	Moody's	% of 91 Express
OCTA Commingled Investment Pool	NR	NR	95.117 %
Held by trustee:			
Money Market Funds	AAA	Aaa	0.000 %
Commercial Paper:			
Natixis	A-1	P-1	4.883 %
Total			<u>100.000 %</u>

Concentration of Credit Risk

At June 30, 2022, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines for All Securities Except U.S. Treasuries and U.S. Government Agency Securities

- Any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed 5% of the portfolio.

Issuer/Counter-Party Diversification Guidelines for OCTA's Debt

- OCTA can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

There is no issuer exceeding 5% of the fair value of the 91 Express Lanes Fund's portfolio at June 30, 2022.

For the Year Ended June 30, 2022

4. Interfund Activities

Due To Other Funds:

As of June 30, 2022, the 91 EL owes \$2,037,291 to the Orange County Local Transportation Authority (OCLTA) for SR-91 Improvement Project.

Interfund Transfers:

During fiscal year 2021-22, the 91 EL transferred \$14,101,436 to the OCLTA for SR-91 Improvement Project.

5. Capital Assets

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 4,781,599	\$ 4,659,801	\$ —	\$ 9,441,400
Capital assets, being depreciated				
Improvements	2,469,220	—	—	2,469,220
Communications equipment	5,074,955	—	(2,213,780)	2,861,175
Computer hardware and software	2,762,277	—	(2,411,517)	350,760
Transponders	4,028,247	—	(312,571)	3,715,676
Intangible right-to-use (building) *	3,733,011	—	—	3,733,011
Equipment, furniture and fixtures	118,255	—	(54,388)	63,867
Toll facility franchise	205,263,668	—	—	205,263,668
Total capital assets, being depreciated and amortized	223,449,633	—	(4,992,256)	218,457,377
Less accumulated depreciation and amortization for:				
Improvements	(1,613,763)	(117,802)	—	(1,731,565)
Communications equipment	(4,426,073)	(180,580)	2,213,780	(2,392,873)
Computer hardware and software	(2,722,835)	(20,349)	2,411,515	(331,669)
Transponders	(3,034,471)	(314,518)	312,572	(3,036,417)
Intangible right-to-use (building)	—	(414,804)	—	(414,804)
Equipment, furniture and fixtures	(97,071)	(4,286)	54,389	(46,968)
Toll facility franchise	(90,155,842)	(2,586,693)	—	(92,742,535)
Total accumulated depreciation and amortization	(102,050,055)	(3,639,032)	4,992,256	(100,696,831)
Total capital assets, being depreciated and amortized, net	121,399,578	(3,639,032)	—	117,760,546
Total capital assets, net	\$ 126,181,177	\$ 1,020,769	\$ —	\$ 127,201,946

* Beginning balance of \$3,733,011 is due to the adoption of the provisions of GASB Statement No. 87, Leases.

For the Year Ended June 30, 2022

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR-55. The purchase was enabled by State Assembly Bill (AB) 1010 (Correa), passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs until 2030, and eliminated non-compete provisions in the Franchise Agreement for needed improvements on the SR-91. The Franchise Agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

In September 2008, the Governor of California approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorized OCTA to assign its franchise rights, interests and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange County line to Interstate 15. In addition, the bill authorized the terms of the franchise to expire no later than December 31, 2065. SB 1316 also required OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

In December 2011, the Board approved the assignment of OCTA's franchise rights, interests and obligations in the Riverside County portion of the SR-91 franchise to RCTC. The Board also approved the extension of the expiration date to 2065 and a cooperative agreement between OCTA and RCTC that details the joint operation for the 91 Express Lanes extension.

6. Leases

OCTA adopted GASB Statement No. 87, Leases, for the fiscal year ended June 30, 2022. On the implementation date of July 1, 2021, OCTA recorded \$3,733,018 lease liability and corresponding right-to-use assets. The implementation had no impact to the beginning net position. The 91 express lanes has several leasing arrangements, summarized below:

Lessee:

The 91 express lanes entered into a lease agreement to lease office space for 180-months, beginning September 2015. The lease terminates August 2030. At June 30, 2022, the 91 Express Lanes has recognized an intangible right to use asset of \$2,987,790 and a lease liability of \$3,058,924 related to this agreement. During the fiscal year, the 91 Express Lanes recorded \$365,856 in amortization expense and \$62,276 in interest expense for the right to use the office space. The 91 Express Lanes used an incremental discount rate of 2.12%, based on an estimated incremental borrowing rate.

The 91 express lanes entered into a lease agreement to lease office space for 120-months, beginning April 2019. The lease terminates March 2029. At June 30, 2022, the 91 Express Lanes has recognized an intangible right-to-use asset of \$330,417 and a lease liability of \$335,191 related to this agreement. During fiscal year 2022, the 91 Express Lanes recorded \$48,948 in amortization expense and \$4,814 in interest expense for the intangible right-to-use the office space. The 91 Express Lanes used an incremental discount rate of 1.80%, based on an estimated increment borrowing rate.

For the Year Ended June 30, 2022

Remaining obligations associated with these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 350,110	\$ 67,640	\$ 417,750
2024	369,354	60,181	429,535
2025	389,801	52,304	442,105
2026	411,015	43,997	455,012
2027	432,878	35,235	468,113
2028-2031	1,440,957	49,283	1,490,240
Total	<u>\$ 3,394,115</u>	<u>\$ 308,640</u>	<u>\$ 3,702,755</u>

The amortized right-to-use assets activity for the year ended June 30, 2022, are as follows:

Lessee activities	Beginning Balance	Additions	Deletions	Ending Balance
Intangible right-to-use assets:				
Office space	\$ 3,733,011	\$	(414,804)	\$ 3,318,207
Total	<u>\$ 3,733,011</u>	<u>\$ -</u>	<u>\$ (414,804)</u>	<u>\$ 3,318,207</u>

7. Bonds Payable

Taxable Senior Secured Bonds

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed \$135,000,000 of taxable 7.63% Senior Secured Bonds. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the tax-exempt bond indenture, OCTA paid a \$26,428,197 Yield Maintenance Premium in connection with the defeasance of the Senior Secured Bonds, which is amortized over the life of the Series 2003 tax-exempt bonds on the straight line basis.

Toll Road Revenue Refunding Bonds

On November 12, 2003, OCTA issued \$195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refund the \$135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The \$95,265,000 Series 2003-A Bonds were issued as fixed rate bonds. The \$75,000,000 Series 2003-B-1 Bonds and the \$25,000,000 Series 2003-B-2 Bonds (collectively the "Series 2003-B Bonds") were issued as adjustable rate bonds.

On November 24, 2008, OCTA remarketed the \$100,000,000 Series 2003-B Bonds, which were purchased by the Orange County Investment Pool (OCIP). In connection with the mandatory tender of the Series 2003-B Bonds required by the Indenture, the interest rate was converted to a Long Term Interest Rate equal to the OCIP Rate. On December 20, 2010, OCTA entered into a new transaction with OCIP for the Series 2003-B Bonds at a 1.55% rate. The Series 2003-B Bonds had a mandatory tender date of August 15, 2013.

For the Year Ended June 30, 2022

On July 30, 2013, OCTA issued \$124,415,000 in Senior Lien Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2. OCTA refunded the outstanding Series 2003-A Bonds to reduce its total debt service payments over the life of the bonds and refunded the Series 2003-B-1 and Series 2003-B-2 Bonds to address the mandatory tender date of August 15, 2013 for the existing private placement with the OCIP. The Series 2013 Bonds were issued as fixed rate bonds. The transaction closed on August 8, 2013.

The OCTA's outstanding debt obligations related to Toll Road Revenue Refunding Bonds contain a provision that in an event of default, bondholders have the right to sue in order to force OCTA to cure the event of default, which may result in finance related consequences.

A summary of the terms of the Toll Road Revenue Refunding Bonds is as follows:

Issuance date		07/30/2013
Closing date		08/08/2013
Original issue amount	\$	124,415,000
Cash reserve requirements	\$	20,851,500 *
Cash reserve balance	\$	25,341,605
Interest rate		2%-5%
Maturity		December 2030
Principal payment date		August 15
Balance as of 06/30/22	\$	78,515,000
Unamortized premium	\$	5,446,635
Deferred amount on refunding	\$	(5,663,376)

*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, three reserve funds are maintained with required balances as follows: Senior Lien Reserve Fund \$7,851,500; Major Maintenance Reserve Fund \$10,000,000; and Operating Reserve Fund \$3,000,000. At June 30, 2022, all reserve requirements have been satisfied.

The Toll Road Revenue Refunding Bonds have ratings of "A1" by Moody's, "A+" from Fitch, and "AA-" by Standard & Poor's.

Annual debt service requirements on the tax-exempt bonds to maturity are as follows:

Year ending June 30,	Principal		Interest		Total
2023	\$	7,095,000	\$	3,699,700	\$ 10,794,700
2024		7,460,000		3,335,825	10,795,825
2025		7,845,000		2,953,200	10,798,200
2026		8,245,000		2,550,950	10,795,950
2027		8,670,000		2,128,075	10,798,075
2028-2031		39,200,000		3,986,663	43,186,663
Total	\$	78,515,000	\$	18,654,413	\$ 97,169,413

For the Year Ended June 30, 2022

Changes in Long-Term Obligations

Long-term liabilities activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Tax-exempt bonds	\$ 85,265,000	\$ —	\$ (6,750,000)	\$ 78,515,000	\$ 7,095,000
Unamortized premium	6,090,572	—	(643,937)	5,446,635	-
Total long-term debt	<u>\$ 91,355,572</u>	<u>\$ —</u>	<u>\$ (7,393,937)</u>	<u>\$ 83,961,635</u>	<u>\$ 7,095,000</u>

Pledged Revenue

The 91 Express Lanes debt issuance outstanding is repaid and secured by the pledging of certain revenues, as defined in the debt agreement. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table. The purpose for which the proceeds of the debt issuance were utilized is disclosed in the debt description. Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the 91 Express Lanes Fund will covenant to fix and prescribe toll rates for each type of vehicle and each time of day sufficient to produce adjusted net toll revenues for each fiscal year at least equal to 1.3 times annual debt service on Senior Lien Bonds and Parity Obligations and at least equal to 1.0 times annual debt service on all bonds. Adjusted net toll revenues includes tolls and investment earnings on specified reserve accounts minus operating expenses, excluding interest expense, depreciation, and amortization of the toll facility franchise.

Pledged revenue for the year ended June 30, 2022, is as follows:

Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage	Required Debt Coverage
91 Express Lanes Net Toll Road Revenue	\$37,145,025	\$10,862,915	3.42	1.30

8. Commitments and Contingencies

Operator Agreement

In connection with the purchase of the toll facility interest, OCTA entered into an operating agreement with Cofiroute Global Mobility, subsequently Cofiroute USA, LLC (Cofiroute), to provide operating services in the annual amount of \$4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. The agreement was in effect from January 3, 2003 through January 2, 2006. On January 6, 2006, OCTA entered into a second operating agreement with Cofiroute, effective January 3, 2006 through January 2, 2011. The annual amount of the base contract is \$5,448,768 plus inflation adjustments after the first year. The agreement carried two two-year extension options through January 2, 2015. On June 27, 2011, the OCTA Board of Directors approved a subsequent amendment to the operating agreement with Cofiroute, which authorized the addition of two five-year extension options beginning July 1, 2011 through June 30, 2016 for the first extension term and beginning July 1, 2016 through June 30, 2021 as the second extension term. The second extension term was approved on May 9, 2016. Cofiroute is responsible for the day-to-day operations of the toll facility.

For the Year Ended June 30, 2022

On May 24, 2013 OCTA completed a three-party agreement expiring on June 30, 2021, with Riverside County Transportation Commission (RCTC) and Cofiroute for operations of the 91 Express Lanes. This helps in ensuring a streamlined consistent inter-county travel for motorists on the original 10-mile span of the 91 Express Lanes and the eight miles extension into Riverside County. In fiscal year 2018-19, OCTA and RCTC began procurement for a new operating agreement, which includes the development of a new back-office system for both segments of the 91 Express Lanes. The OCTA Board of Directors and RCTC Commission subsequently approved the re-selection of Cofiroute as the operator with the agreement executing in January 2020. The new agreement expires on January 31, 2027, and carries two three-year extension options.

Purchase Commitments

The 91 Express Lanes has various outstanding contracts. Total purchase commitments at June 30, 2022 were \$69,728,094, the most significant are with Cofiroute and RCTC for the operations of the 91 Express Lanes, Kapsch TrafficCom for toll lanes integrator services and California Highway Patrol (CHP) for patrol services.

Litigation

In April 2020, the OCTA Board approved a settlement for \$1 million in cash and forgiveness of \$40 million in toll violations and penalties for the In Re Toll Roads Litigation (Plaintiffs) case. The case initially focused on two basic sets of claims. The first related to due process and negligence claims alleging that the procedures used to assess and collect toll violation penalties when drivers use toll roads without paying the required toll are inadequate. The second original claim is that the penalties assessed against toll violators on the 91 Express Lanes is excessive. Over time, the Plaintiffs alleged that OCTA

routinely sells and/or provides personally identifiable information of drivers to a host of other entities as part of the operation of the 91 Express Lanes. The parties have obtained court approval of the settlement and given notice of the settlement to the class members. In FY 2019-20, Management recorded a liability of \$1,000,000 for the cash settlement and wrote off approximately \$3,600,000 of violations receivables for the forgiveness of toll violations and penalties. In FY 2020-21, 91 Express Lanes issued a payment of \$217,000 of the \$1,000,000 settlement amount. The remaining amount of the settlement was paid in FY 2021-22.

9. Effect of New Pronouncements:

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. OCTA implemented this statement for fiscal year ending June 30, 2022. See note 6 for further information on the impact of the adoption of GASB Statement No. 87.

For the Year Ended June 30, 2022

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement was effective for OCTA's fiscal year ending June 30, 2022, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. OCTA has not determined the effect of this Statement.

GASB Statement No. 92

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 of this Statement are effective immediately. The remaining paragraphs of this Statement were effective for OCTA's fiscal year ending June 30, 2021, but were postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement, except for paragraphs 11b, 13, and 14 were effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The implementation of the remaining paragraphs 11b, 13, and 14 did not have a material effect on the financial statements.

GASB Statement No. 94

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement is effective for OCTA's fiscal year ending June 30, 2023. OCTA has not determined the effect of this Statement.

GASB Statement No. 96

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). This Statement is effective for OCTA's fiscal year ending June 30, 2023. OCTA has not determined the effect of this Statement.

For the Year Ended June 30, 2022

GASB Statement No. 97

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Paragraphs 4 and 5 of this Statement are effective immediately, and the remaining paragraphs of this Statement are effective for OCTA's fiscal year ending June 30, 2022. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 98

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in

generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. OCTA implemented this statement for fiscal year ending June 30, 2022.

GASB Statement No. 99

In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. OCTA has not determined the effect of this Statement.

GASB Statement No. 100

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this

For the Year Ended June 30, 2022

Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. OCTA has not determined the effect of this Statement.

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. OCTA has not determined the effect of this Statement.

**ORANGE COUNTY
TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND**

FINANCIAL STATEMENTS
Year ended June 30, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND

FINANCIAL STATEMENTS
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Local Transportation Fund (LTF), a special revenue fund of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the LTF, of OCTA, as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the LTF and do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2022, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCTA's internal control, as it relates to the LTF. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the LTF's basic financial statements. The Schedule of Allocations for Disbursement is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Allocations for Disbursement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022 on our consideration of OCTA's internal control over financial reporting, as it relates to LTF and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LTF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance, as it relates to LTF.



Crowe LLP

Costa Mesa, California
November 16, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
BALANCE SHEET
June 30, 2022

ASSETS

Cash and investments	\$ 268,764,336
Interest receivable	304,929
Due from other governments (Note 3)	<u>39,152,658</u>

Total assets \$ 308,221,923

LIABILITIES

Accounts payable	\$ 24,620
Due to other governments (Note 4)	234,191
Due to other OCTA funds (Note 5)	<u>377,730</u>
Total liabilities	636,541

FUND BALANCE

Restricted for transportation programs 307,585,382

Total liabilities and fund balance \$ 308,221,923

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the year ended June 30, 2022

REVENUES

Local transportation sales tax allocations	\$ 215,741,037
Investment income (loss)	<u>(4,968,846)</u>
Total revenues	210,772,191

EXPENDITURES

Current:	
Supplies and services	1,849,015
Contributions to other agencies	<u>2,959,379</u>
Total expenditures	<u>4,808,394</u>

Excess of revenues over expenditures 205,963,797

OTHER FINANCING USES

Transfers to other OCTA funds (Note 6)	<u>(4,920,677)</u>
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Net change in fund balance 201,043,120

Fund balance, beginning of year 106,542,262

Fund balance, end of year \$ 307,585,382

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – REPORTING ENTITY

The Local Transportation Fund (LTF) is a special revenue fund of the Orange County Transportation Authority (OCTA). The LTF financial statements do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2022, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. This fund is used to account for revenues received and expenditures made for certain transit projects within Orange County.

The LTF was created by the Transportation Development Act (TDA) for specific transportation purposes. Revenues to the LTF are derived from a ¼ cent state sales and use tax. The ¼ cent is returned by the California Department of Tax and Fee Administration (CDTFA) to each county according to the amount of tax collected in that county.

The Orange County Transit District (OCTD) of OCTA is a transit operator and OCTA is the regional Transportation Planning Agency (TPA) for the County of Orange, California (County). Annually, the TPA determines each area's apportionment of LTF revenues. Generally, County LTF revenues are apportioned by population. Where there is a transit operator, separate apportionments are made to areas within and outside the district. Once funds are apportioned, they are only available for allocation to claimants in that area. Payments from the LTF are made by the County Auditor-Controller in accordance with allocation instructions issued by OCTA.

Article 3 of the TDA stipulates that, based on the County's population of more than 500,000, OCTA is eligible to receive LTF revenues solely for claims for the following, which are allocated in specific priority order: administration, planning and programming; Section 99234 of Article 3, which are claims for pedestrian and bicycle facilities; Article 4, which are for general transit operations and services; and Article 4.5, which are claims for community transit services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the LTF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental units.

Fund Accounting: The LTF activities and transactions are recorded and accounted for in a special revenue fund of OCTA. Special revenue funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds. The LTF accounts for revenues received and expenditures made for certain transit projects within Orange County. Financing is generated from a ¼ cent state sales and use tax pursuant to the TDA. Expenditures of these monies must be made in accordance with TDA provisions. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: The LTF financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Revenues are considered available if they are collected within 90 days of year end. Amounts not collected within the availability period are classified as deferred inflows of resources – unavailable revenue. Expenditures are recorded when the liability is incurred. Liabilities are considered current when they are expected to be liquidated with available financial resources.

Cash and Investments: The LTF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is performed by the Orange County Treasury Oversight Committee. The fair value of the LTF's investment in this pool is reported in the accompanying financial statements at amounts based upon the LTF's pro-rata share of the fair value provided by OCIP for the entire OCIP portfolio (in relation to the amortized cost of that portfolio). Deposits and withdrawals are made on the basis of \$1.00 (absolute dollars) and not fair value. Investment income earned by the pooled cash and investments in the OCIP is allocated based on average cash and investment balance. The OCIP is not rated.

For information on cash and investment disclosures relating to LTF's deposits in the OCIP, please see OCTA's Annual Comprehensive Financial Report.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fund Balance: The LTF classifies fund balance based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Fund balance for the year ended June 30, 2022 consists of the following:

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation. For the LTF, amounts are restricted pursuant to the TDA.

When funds of different classifications are available for the same purpose, the spending priority is to spend restricted resources before unrestricted resources, and within the unrestricted category, committed followed by assigned fund balance.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments of \$39,152,658 represents a TDA receivable due from the State of California.

NOTE 4 – DUE TO OTHER GOVERNMENTS

Due to other governments of \$234,191 represents amounts due to other agencies for use in transit projects.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 – DUE TO OTHER OCTA FUNDS

Due to other OCTA funds as of June 30, 2022 consisted of the following:

OCTA for planning and administration	<u>\$ 377,730</u>
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NOTE 6 – TRANSFERS

Transfers to other OCTA funds during the fiscal year ended June 30, 2022 consisted of the following:

OCTA for planning and administration	<u>\$ 4,290,677</u>
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REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY TRANSPORTATION AUTHORITY
LOCAL TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS)
For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local transportation sales				
tax allocations	\$ 162,624,184	\$ 162,624,184	\$ 215,741,037	\$ 53,116,853
Investment income (loss)	<u>43,845</u>	<u>43,845</u>	<u>(4,968,846)</u>	<u>(5,012,691)</u>
Total revenues	162,668,029	162,668,029	210,772,191	48,104,162
EXPENDITURES				
Current:				
Supplies and services	1,769,403	1,769,403	1,849,015	(79,612)
Contributions to other local agencies	<u>2,247,744</u>	<u>2,247,744</u>	<u>2,959,379</u>	<u>(711,635)</u>
Total expenditures	4,017,147	4,017,147	4,808,394	(791,247)
Excess of revenues over expenditures	158,650,882	158,650,882	205,963,797	47,312,915
OTHER FINANCING USES				
Transfers to other OCTA funds	<u>(158,650,882)</u>	<u>(158,650,882)</u>	<u>(4,920,677)</u>	<u>153,730,205</u>
Net change in fund balance	-	-	201,043,120	201,043,120
Fund balance, beginning of year	<u>106,542,262</u>	<u>106,542,262</u>	<u>106,542,262</u>	-
Fund balance, end of year	<u>\$ 106,542,262</u>	<u>\$ 106,542,262</u>	<u>\$ 307,585,382</u>	<u>\$ 201,043,120</u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2022

NOTE 1 – BUDGETARY DATA

The LTF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States, 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 may be amended by the OCTA Board of Directors (Board) to increase 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. OCTA division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as: Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services include Contributions to Other Local Agencies, Debt Service and Transfers. 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, is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end.

Expenditures exceeded appropriations for supplies and services in the amount of \$79,612 and contributions to other local agencies in the amount of \$711,635. This was a result of investment expenses and OCTA receiving more sales tax revenue over the 12-month apportionment period than anticipated and contributed to other agencies based on monthly sales tax receipts, respectively.

ORANGE COUNTY TRANSPORTATION AUTHORITY
 LOCAL TRANSPORTATION FUND
 SCHEDULE OF ALLOCATIONS FOR DISBURSEMENT
 For the year ended June 30, 2022

<u>Claimant</u>	<u>Article 3 Administration</u>	<u>Article 3 Planning</u>	<u>Article 4 Operating and Capital</u>	<u>Article 4.5 Paratransit Operating and Capital</u>	<u>Total Allocations</u>	<u>Total Disbursements</u>
City of Laguna Beach	\$ -	\$ -	\$ 1,364,646	\$ -	\$ 1,364,646	\$ 1,364,646
County of Orange	5,600	-	-	-	5,600	5,600
Orange County Transit District	-	-	193,735,936	10,268,452	204,004,388	-
Orange County Transportation Authority	153,277	4,767,400	-	-	4,920,677	4,920,677
Southern California Association of Governments	-	1,589,133	-	-	1,589,133	1,589,133
 Total disbursements	 <u>\$ 158,877</u>	 <u>\$ 6,356,533</u>	 <u>\$ 195,100,582</u>	 <u>\$ 10,268,452</u>	 <u>\$ 211,884,444</u>	 <u>\$ 7,880,056</u>

**INDEPENDENT AUDITOR'S 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**

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 Local Transportation Fund (LTF), a special revenue fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the LTF's basic financial statements, and have issued our report thereon dated November 16, 2022. As discussed in Note 1, the financial statements present only the LTF and do not purport to, and do not, present fairly the financial position of OCTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Report on 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), as it relates to the LTF, as a basis for designing audit procedures that are appropriate in the circumstances 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, as it relates to LTF. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control, as it relates to LTF.

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 or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LTFs financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
November 16, 2022

**ORANGE COUNTY
TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND**

FINANCIAL STATEMENTS
Year ended June 30, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND

FINANCIAL STATEMENTS
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

*Board of Directors
Orange County Transportation Authority
Orange, California*

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the State Transit Assistance Fund (STAF), a special revenue fund of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the STAF, of OCTA, as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the STAF and do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2022, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control, as it relates to the STAF. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022 on our consideration of OCTA's internal control over financial reporting, as it relates to STAF and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the STAF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance, as it relates to STAF.



Crowe LLP
Crowe LLP

Costa Mesa, California
November 16, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
BALANCE SHEET
June 30, 2022

ASSETS

Cash and investments	\$16,347,395
Interest receivable	1,229
Due from other governments (Note 3)	<u>12,077,287</u>

Total assets	<u><u>\$28,425,911</u></u>
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LIABILITIES

Due to other OCTA funds (Note 4)	\$12,077,287
Due to other governments	<u>2</u>
Total liabilities	12,077,289

FUND BALANCE

Restricted for transportation programs	<u>16,348,622</u>
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Total liabilities and fund balance	<u><u>\$28,425,911</u></u>
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See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the year ended June 30, 2022

REVENUES

State transit assistance sales tax allocations	\$ 38,761,258
Transportation improvement fee	6,341,672
Interest and investment income	<u>7,498</u>
Total revenues	45,110,428

EXPENDITURES

Current:	
Supplies and services	<u>987</u>
Excess of revenues over expenditures	45,109,441

OTHER FINANCING USES

Transfers to other OCTA funds (Note 5)	<u>(28,883,049)</u>
Net change in fund balance	16,226,392
Fund balance, beginning of year	<u>122,230</u>
Fund balance, end of year	<u><u>\$ 16,348,622</u></u>

See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – REPORTING ENTITY

The State Transit Assistance Fund (STAF) is a special revenue fund of the Orange County Transportation Authority (OCTA). The STAF financial statements do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2022, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. This fund is used to account for State Transit Assistance (STA) funds transferred to the Orange County Transit District (OCTD) for operations and fare assistance for seniors and disabled persons.

The STA funds provide a second source of Transportation Development Act (TDA) funding for transportation planning and mass transportation purposes as specified by the State of California Legislature. Funds for the program are derived from sales taxes on gasoline and use taxes on diesel fuel. The Road Repair and Accountability Act of 2017 signed into law April 2017, provided additional funding to existing programs as well as created new programs. STA revenues are then distributed based on several demographic factors.

The STA funds are allocated through an appropriation to the State Controller by the Legislature for allocation by formula to each Transportation Planning Agency (TPA). OCTA serves as the regional TPA for the County of Orange, California (County). The formula allocates 50 percent of the funds according to population and the remaining 50 percent according to operator revenues from the prior fiscal year. The allocations are based on the operator's share of revenues compared to all of the other operators in the State. The STA allocations are deposited in the OCTA's STAF, which is maintained by the Auditor-Controller of the County. The allocation to OCTA's STA funds must be made in a resolution adopted by OCTA's governing board. Payments from the STAF are made by the County Auditor-Controller in accordance with the allocation instructions in the allocation resolution.

The STA funds may not be allocated to fund administration or streets and roads projects. Operators receiving the STA funds must meet qualifying criteria based on the subsidy per revenue vehicle hour received in the previous year, taking into consideration the change in the Consumer Price Index within the operator's region.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the STAF are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental units.

Fund Accounting: The STAF activities and transactions are recorded and accounted for in a special revenue fund of the OCTA. This fund is used to account for funds transferred to OCTD transit for operations and fare assistance for senior and disabled persons. Funding is provided by sales taxes on gasoline and use taxes on diesel fuel. Expenditure of these funds is governed by the provisions of the TDA. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: The STAF financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are accrued when they become both measurable and available. Measurable means that amounts can be estimated or otherwise determined. Available means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Revenues are considered available if they are collected by the County Auditor-Controller within 90 days of year end. Amounts not collected within the availability period are classified as deferred inflows of resources – unavailable revenue. Expenditures are recorded when the liability is incurred. Liabilities are considered current when they are expected to be liquidated with available financial resources.

Cash and Investments: The STAF maintains its deposits in the Orange County Investment Pool (OCIP), as required by State statute. Oversight of the OCIP is performed by the Orange County Treasury Oversight Committee. The fair value of the STAF's investment in this pool is reported in the accompanying financial statements at amounts based upon the STAF's pro-rata share of the fair value provided by OCIP for the entire OCIP portfolio (in relation to the amortized cost of that portfolio). Deposits and withdrawals are made on the basis of \$1.00 (absolute dollars) and not fair value. Investment income earned by the pooled cash and investments in the OCIP is allocated based on average cash and investment balance. The OCIP is not rated.

For information on cash and investment disclosures relating to STAF's deposits in the OCIP, please see OCTA's Annual Comprehensive Financial Report.

Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Fund Balance: The STAF classifies fund balance based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Fund balance for the year ended June 30, 2022 consists of the following:

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation. For the STAF, amounts are restricted pursuant to the TDA.

When funds of different classifications are available for the same purpose, the spending priority is to spend restricted resources before unrestricted resources, and within the unrestricted category, committed followed by assigned fund balance.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments of \$12,077,287 represents a TDA receivable due from the State of California.

NOTE 4 – DUE TO OTHER OCTA FUNDS

Due to other OCTA funds of \$12,077,287 represents a TDA payable due to OCTD.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 – TRANSFERS TO OTHER OCTA FUNDS

Transfers to OCTD of \$28,883,049 for the year ended June 30, 2022 were for the purpose of funding transit operations.

SUPPLEMENTARY INFORMATION

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS)
For the year ended June 30, 2022

	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
State transit assistance sales				
tax allocations	\$ 29,999,803	\$ 29,999,803	\$ 38,761,258	\$ 8,761,455
Transportation improvement fee	6,416,264	6,416,264	6,341,672	(74,592)
Interest and investment income	24,457	24,457	7,498	(16,959)
Total revenues	<u>36,440,524</u>	<u>36,440,524</u>	<u>45,110,428</u>	<u>8,669,904</u>
EXPENDITURES				
Supplies and services	<u>-</u>	<u>-</u>	<u>987</u>	<u>(987)</u>
Excess of revenues over expenditures	36,440,524	36,440,524	45,109,441	8,668,917
OTHER FINANCING USES				
Transfers to other OCTA funds	<u>(36,440,524)</u>	<u>(36,440,524)</u>	<u>(28,883,049)</u>	<u>7,557,475</u>
Net change in fund balance	-	-	16,226,392	16,226,392
Fund balance, beginning of year	<u>110,509</u>	<u>110,509</u>	<u>122,230</u>	<u>11,721</u>
Fund balance, end of year	<u><u>\$ 110,509</u></u>	<u><u>\$ 110,509</u></u>	<u><u>\$ 16,348,622</u></u>	<u><u>\$ 16,238,113</u></u>

ORANGE COUNTY TRANSPORTATION AUTHORITY
STATE TRANSIT ASSISTANCE FUND
NOTES TO SUPPLEMENTARY INFORMATION
For the year ended June 30, 2022

NOTE 1 – BUDGETARY DATA

The STAF maintains accounting control through formal adoption of an annual operating budget. The operating budget is prepared in conformity with accounting principles generally accepted in the United States, 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 may be amended by the OCTA Board of Directors (Board) to increase 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. OCTA division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as: Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services include Contributions to Other Local Agencies, Debt Service and Transfers. 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, is at the major object level. With the exception of amounts that have been encumbered, appropriations lapse at year end.

Expenditures exceeded appropriations for Supplies and Services in the amount of \$987. This was a result of investment services.

**INDEPENDENT AUDITOR'S 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**

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 State Transit Assistance Fund (STAF), a special revenue fund of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the STAF's basic financial statements, and have issued our report thereon dated November 16, 2022. As discussed in Note 1, the financial statements present only the STAF and do not purport to, and do not, present fairly the financial position of OCTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles accepted in the United States of America.

Report on 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), as it relates to the STAF, as a basis for designing audit procedures that are appropriate in the circumstances 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, as it relates to STAF. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control, as it relates to STAF.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether STAF's financial statements are free from 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 financial statements. 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*.

OCTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the OCTA's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. OCTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Crowe LLP

Costa Mesa, California
November 16, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2022

Finding 2022-001 – Financial Accounting and Reporting for State Transit Assistance Fund (Material Weakness)

Criteria

State Transit Assistance Funds (STAF) and Local Transportation Funds (LTF) are subject to compliance with the Transportation Development Act (TDA) requirements which includes Title 21 section 6634 of the California Code of Regulations(CCR). Section 6634 (a) indicates no operator or transit service claimant shall be eligible to receive moneys during the fiscal year from the local transportation fund and the state transit assistance fund for operating costs in an amount that exceeds its actual operating cost less fare revenues, local support, federal operating assistance, and other amounts as described in CCR Section 6634.

Condition

OCTA functions as both the transportation planning agency and claimant (operator) for the County of Orange. As such, OCTA receives LTF and STAF monies into the respective special revenue funds. These monies are then transferred in accordance with TDA requirements to the Orange County Transit District (OCTD), as the claimant, to be used in operations or capital activities. The OCTD fund received excess allocation of operating monies resulting in a transfer back to STAF in the amount of \$16,219,881.

Cause

OCTA performs a quarterly review of transfers of TDA monies from the LTF fund and STAF fund to the OCTD fund in order to evaluate compliance with TDA laws and regulations. The calculation review process included a review of LTF allocations in compliance with 21 CCR 6634 but this review did not encompass STAF allocations. This gave rise to STAF allocations in excess of eligible amounts.

Effect

The OCTD fund was required to return excess STAF allocations in the amount of \$16,219,881 to the STAF fund.

Recommendation

Crowe recommends that OCTA amend their quarterly review of TDA allocations to include a review of both LTF and STAF allocations for compliance with Title 21 CCR 6634.

Management's Response

Management agrees with the recommendation and has implemented a control to discontinue systematic transfers from the STAF fund to OCTD fund. It was anticipated there would be sufficient expenditures to claim the entire STAF allocation this fiscal year, however expenditures for OCTD underran the budget by \$20 million for the year, which led to a shortfall of expenditures to claim. Going forward, staff will perform a quarterly review of TDA allocations to include both LTF and STAF allocations to ensure all transfers have corresponding eligible expenditures. Separately, in March 2022, the Board approved a new reserve policy that would reserve excess revenues in a long-term operating reserve. Staff has been working with the State to allow for the establishment of reserve funds to be eligible for purposes of claiming funds consistent with this new OCTA policy. The State has indicated that this would be acceptable so staff will continue to work with the State on updating the guidelines to specifically allow transfers for this purpose.



Crowe LLP
Independent Member Crowe Global

**INDEPENDENT AUDITOR'S 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**

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, 2022, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated November 16, 2022.

Report on 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) as a basis for designing 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a significant deficiency.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of the State of California Transportation Development Act (TDA), Title 21 of the California Code of Regulations, Public Utilities Code Section 99245, and California Government Code §8879.50 (collectively "Transportation Development Act"), noncompliance with which could have a direct and material effect on the financial statements. 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*, including the Transportation Development Act.

OCTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on OCTA's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. OCTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Crowe LLP

Costa Mesa, California
November 16, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2022

**Finding 2022-001 – Financial Accounting and Reporting for State Transit Assistance Fund
(Material Weakness)**

Criteria

State Transit Assistance Funds (STAF) and Local Transportation Funds (LTF) are subject to compliance with the Transportation Development Act (TDA) requirements which includes Title 21 section 6634 of the California Code of Regulations (CCR). Section 6634 (a) indicates no operator or transit service claimant shall be eligible to receive moneys during the fiscal year from the local transportation fund and the state transit assistance fund for operating costs in an amount that exceeds its actual operating cost less fare revenues, local support, federal operating assistance, and other amounts as described in CCR Section 6634.

Condition

OCTA functions as both the transportation planning agency and claimant (operator) for the County of Orange. As such, OCTA receives LTF and STAF monies into the respective special revenue funds. These monies are then transferred in accordance with TDA requirements to the Orange County Transit District (OCTD), as the claimant, to be used in operations or capital activities. The OCTD fund received excess allocation of operating monies resulting in a transfer back to STAF in the amount of \$16,219,881.

Cause

OCTA performs a quarterly review of transfers of TDA monies from the LTF fund and STAF fund to the OCTD fund in order to evaluate compliance with TDA laws and regulations. The calculation review process included a review of LTF allocations in compliance with 21 CCR 6634 but this review did not encompass STAF allocations. This gave rise to STAF allocations in excess of eligible amounts.

Effect

The OCTD fund was required to return excess STAF allocations in the amount of \$16,219,881 to the STAF fund.

Recommendation

Crowe recommends that OCTA amend their quarterly review of TDA allocations to include a review of both LTF and STAF allocations for compliance with Title 21 CCR 6634.

Management's Response

Management agrees with the recommendation and has implemented a control to discontinue systematic transfers from the STAF fund to OCTD fund. It was anticipated there would be sufficient expenditures to claim the entire STAF allocation this fiscal year, however expenditures for OCTD under the budget by \$20 million for the year, which led to a shortfall of expenditures to claim. Going forward, staff will perform a quarterly review of TDA allocations to include both LTF and STAF allocations to ensure all transfers have corresponding eligible expenditures. Separately, in March 2022, the Board approved a new reserve policy that would reserve excess revenues in a long-term operating reserve. Staff has been working with the State to allow for the establishment of reserve funds to be eligible for purposes of claiming funds consistent with this new OCTA policy. The State has indicated that this would be acceptable so staff will continue to work with the State on updating the guidelines to specifically allow transfers for this purpose.

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2022

Finding 2022-002 – Preparation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)

Criteria

2 CFR 200.510 (b) requires "...the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements which must include the total federal awards expended. At a minimum, the schedule must (3) provide total federal awards expended for each individual federal program and the [related] Assistance Listings Number... (4) include the total amount provided to subrecipients from each Federal Program." In addition, the auditee should ensure they have proper internal controls to ensure that the SEFA is fairly stated in relation to the financial statements.

Condition

During our review of the SEFA provided by management it was noted that the SEFA did not include presentation of expenditures passed through to subrecipients. There were approximately \$3.5 million in expenditures to subrecipients for the Federal Transit Cluster that were excluded. Additionally, the SEFA overstated expenditures for the Federal Transit Cluster by approximately \$1 million as a result of accruing expenditures which had already been recognized during the year and \$4.5 million as a result of missing an accrual and recognizing in the prior year.

Cause

Management's review of the SEFA did not include timely review of subrecipient activity. Additionally, management's review of expenditures included on the SEFA was not conducted at a precision sufficient to identify duplicate expenditures or amounts requiring accrual.

Effect

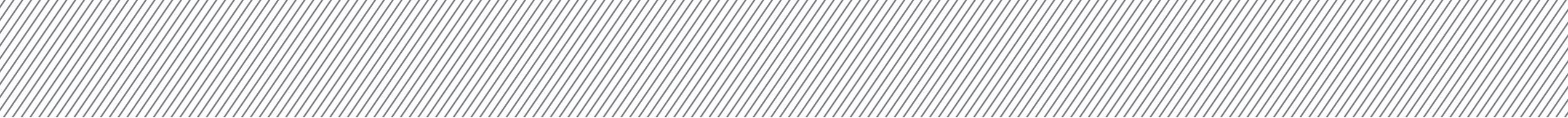
As a result, the expenditures presented as passed through to subrecipients on the SEFA for the Federal Transit Cluster were understated by approximately \$3.5 million. Additionally, the total expenditures on the SEFA for the Federal Transit Cluster were overstated by approximately \$5.5 million.

Recommendation

We recommend that management strengthen their review process over the SEFA to ensure that all expenditures are appropriately and accurately reflected and that all minimum requirements as noted in 2 CFR 200.510 (b) are met.

Management's Response

Management agrees with the recommendation and management will strengthen the review process for the SEFA. There are multiple departments that provide input to the SEFA but going forward the responsibility for developing the SEFA will be centralized within the Accounting Department. The Accounting Department will coordinate with all other OCTA departments to ensure the accuracy and completeness of the SEFA and will implement an appropriate level of review. In addition, the Accounting Department will add a secondary review of grant revenue accruals provided by the Revenue Department to ensure timeliness and accuracy of the accrual information.



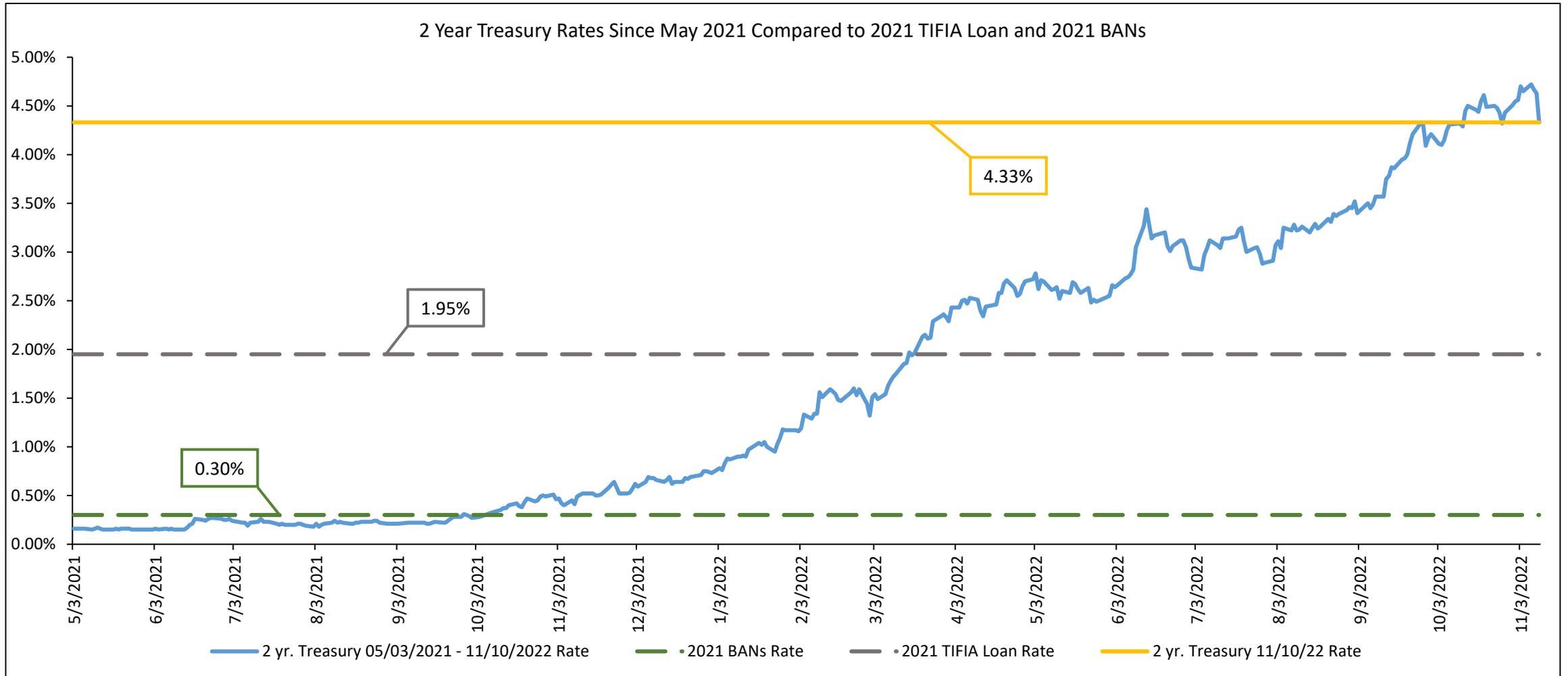
Accelerated Transportation Infrastructure Finance and Innovation Act Loan Disbursement

Overview

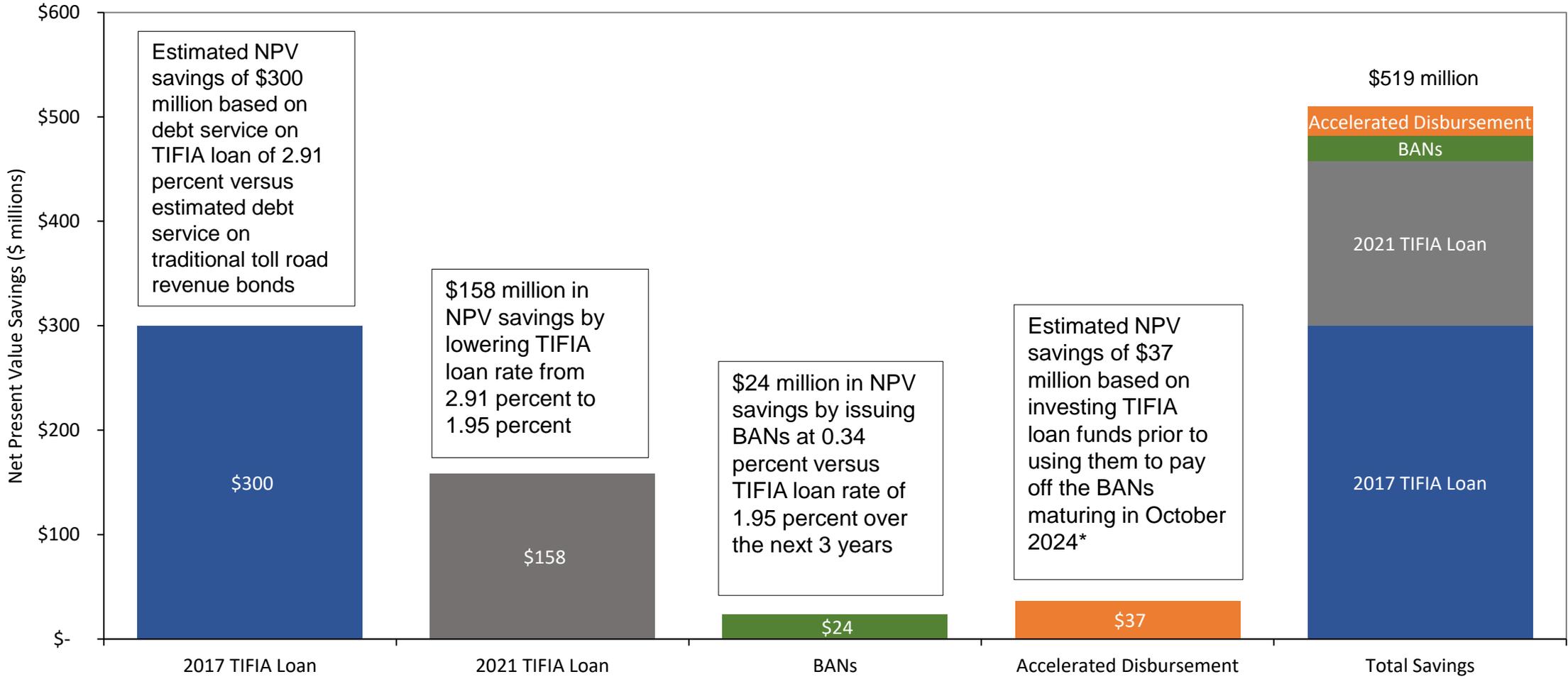
- The Orange County Transportation Authority (OCTA) has a \$628.93 million Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan with an interest rate of 1.95 percent
- OCTA has utilized Bond Anticipation Notes (BAN) with an interest rate of 0.30 percent in lieu of drawing on the TIFIA loan to reduce financing costs
 - BANs net present value (NPV) savings is \$24 million
 - BANs mature in October 2024
- The significant increase in short-term treasury yields has provided the opportunity for an additional reduction in financing costs
 - OCTA can revise its TIFIA disbursement schedule taking a disbursement in December 2022
 - OCTA can invest the disbursement proceeds in a BANs defeasance escrow that will mature prior to October 2024 to repay the BANs
 - The escrowed funds would be invested in short-term treasuries which are yielding approximately 4.33 percent
 - Estimated NPV savings of \$37 million*

* Actual savings will depend on treasury rates on the day of the transaction

Rates Comparison



TIFIA Loan Savings



* Actual savings will depend on treasury rates on the day of the transaction

Next Steps

- Submit a requisition to the Build America Bureau on December 1st to draw down the full amount of the TIFIA loan on December 15th
- The TIFIA funds will then be placed in an escrow account and the funds will be invested in short-term United States Treasury securities
- Return to the Finance and Administration Committee to report on the results of the transaction