



# **Orange County Transportation Authority**

## **Finance and Administration Committee Agenda**

### **Wednesday, November 15, 2023 at 10:30 a.m.**

Board Room, 550 South Main Street, Orange, California

#### **Committee Members**

Michael Hennessey, Chairman  
Patrick Harper, Vice Chairman  
Andrew Do  
Jamey Federico  
Brian Goodell  
Steve Jones  
Vicente Sarmiento

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](http://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 or listen to audio live streaming of the Board and Committee meetings by clicking this link: <https://octa.legistar.com/Calendar.aspx>

#### **In-Person Comment**

Members of the public may attend in-person and address the Board regarding any item. 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. Comments shall be limited to three minutes.

#### **Written Comment**

Written public comments may also be submitted by emailing them to [ClerkOffice@octa.net](mailto: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.

# FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

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## Call to Order

## Pledge of Allegiance

Director Federico

## Closed Session

There are no Closed Session items scheduled.

## Special Calendar

There are no Special Calendar matters.

## Consent Calendar (Items 1 through 5)

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

Clerk of the Board

#### **Recommendation**

Approve the October 25, 2023 minutes of the Finance and Administration Committee meeting.

#### **Attachments:**

[Minutes](#)

### 2. OCTA Store Operations, Internal Audit Report No. 24-504

Jonathan Thompson/Janet Sutter

#### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of OCTA Store Operations. Based on the audit, controls are adequate and operating. Management has implemented standard operating procedures that ensure proper safeguarding of cash, transponders, and pass fare media and exercises appropriate security over the premises.

#### **Recommendation**

Receive and file OCTA Store Operations, Internal Audit Report No. 24-504, as an information item.

#### **Attachments:**

[Staff Report](#)

[Attachment A](#)

## FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

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### 3. Orange County Employees Retirement System Early Payment for Fiscal Year 2024-25

Robert Davis/Andrew Oftelie

#### **Overview**

The Orange County Employees Retirement System has offered an early payment discount to member agencies of seven percent if they elect to prepay their contributions for fiscal year 2024-25. Advance payments must be received by January 11, 2024. The estimated savings for the Orange County Transportation Authority over the next year and a half under this payment option will total approximately \$345,000. Board of Directors' authorization is requested for the early payment option.

#### **Recommendation**

Authorize the early payment of approximately \$34.8 million by January 11, 2024, to the Orange County Employees Retirement System, for employer contributions for fiscal year 2024-25.

#### **Attachments:**

[Staff Report](#)

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

Sam Kaur/Andrew Oftelie

#### **Overview**

The Orange County Transportation Authority Board of Directors authorized loan agreements with the cities of Anaheim, Placentia, and the West Orange County Water Board. This report provides the annual update on the status of each of these agreements as requested by the Board of Directors.

#### **Recommendation**

Receive and file as an information item.

#### **Attachments:**

[Staff Report](#)

[Attachment A](#)

### 5. Fiscal Year 2023-24 First Quarter Grant Reimbursement Status Report

Sam Kaur/Andrew Oftelie

#### **Overview**

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the first quarter of fiscal year 2022-23, covering July through September 2023.

#### **Recommendation**

Receive and file as an information item.

## FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

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### ***Attachments:***

[Staff Report](#)  
[Attachment A](#)  
[Attachment B](#)  
[Attachment C](#)  
[Attachment D](#)  
[Attachment E](#)

### **Regular Calendar**

#### **6. Fiscal Year 2022-23 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 2022-23. 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.

##### ***Recommendations***

- A. Receive and file the fiscal year 2022-23 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.

### ***Attachments:***

[Staff Report](#)  
[Attachment A](#)  
[Attachment B](#)  
[Attachment C](#)  
[Attachment D](#)  
[Attachment E](#)  
[Attachment F](#)

### **Discussion Items**

- 7. Public Comments
- 8. Chief Executive Officer's Report



## **FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA**

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**9. Committee Members' Reports**

**10. Adjournment**

The next regularly scheduled meeting of this Committee will be held:

**10:30 a.m. on Wednesday, November 29, 2023**

OCTA Headquarters  
Board Room  
550 South Main Street  
Orange, California

**Committee Members Present**

Michael Hennessey, Chairman  
Patrick Harper, Vice Chairman  
Brian Goodell  
Andrew Do  
Steve Jones  
Vicente Sarmiento

**Staff Present**

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

**Committee Members Absent**

Jamey Federico

**Call to Order**

The October 25, 2023 regular meeting of the Finance and Administration Committee (Committee) was called to order by Committee Chairman Hennessey at 10:30 a.m.

**Consent Calendar (Items 1 through 7)****1. Approval of Minutes**

A motion was made by Director Harper, seconded by Director Sarmiento, and declared passed by those present to approve the September 27, 2023 minutes of the Finance and Administration Committee Meeting.

Director Goodell abstained from voting on this item.

**2. Fiscal Year 2023-24 Internal Audit Plan, First Quarter Update**

A motion was made by Director Harper, seconded by Director Sarmiento, and declared passed by those present to receive and file the first quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan as an information item.

**3. Fiscal Year 2023 Triennial Review**

Director Harper congratulated staff on the perfect score on the 2023 Triennial Review.

Darrell E. Johnson, Chief Executive Officer, reiterated that the Federal Transit Administration found the Orange County Transportation Authority (OCTA) fully compliant in all areas reviewed.

A motion was made by Director Harper, seconded by Director Sarmiento, and declared passed by those present to receive and file the Fiscal Year 2023 Triennial Review as an information item.



**4. Fiscal Year 2022-23 Fourth Quarter Budget Status Report**

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

**5. Orange County Transportation Authority Investment and Debt Programs Report – August 2023**

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

**6. Orange County Transportation Authority Investment and Debt Programs Report – September 2023**

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

**7. Property Insurance Policy Renewal**

A motion was made by Director Harper, seconded by Director Sarmiento, and declared passed by those present to authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A55552, in an amount not to exceed \$495,000, 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, 2023 to June 30, 2024.

**Regular Calendar**

There were no Regular Calendar items scheduled.

**Discussion Items**

**8. Public Comments**

There were no public comments received.

**9. Chief Executive Officer's Report**

Mr. Johnson, CEO, reported on the opening of the toll lanes event for the 405 Improvement Project on December 1, 2023.

Andy Oftelie, Chief Financial Officer, stated that one of the securities fell below OCTA's minimum investment requirements and that this will be an item on next month's Agenda.



### **10. Committee Members' Reports**

There were no Committee Members' Reports.

### **11. Adjournment**

The meeting adjourned at 10:38 a.m.

The next regularly scheduled meeting of this Committee will be held:

**10:30 a.m. on Wednesday, November 15, 2023**

OCTA Headquarters

Board Room

550 South Main Street

Orange, California

ATTEST:

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Sahara Meisenheimer  
Clerk of the Board Specialist



**November 15, 2023**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit

**Subject:** OCTA Store Operations, Internal Audit Report 24-504

### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of OCTA Store Operations. Based on the audit, controls are adequate and operating. Management has implemented standard operating procedures that ensure proper safeguarding of cash, transponders, and pass fare media and exercises appropriate security over the premises.

### **Recommendation**

Receive and file OCTA Store Operations, Internal Audit Report No. 24-504, as an information item.

### **Background**

The OCTA Store (store) provides transit customers with the opportunity to purchase pass fare media and perform 91 Express Lanes account enrollment and maintenance transactions. The General Services Department under the Finance and Administration Division is responsible for store operations.

Store associates are assigned safes and workstations to which they have individual access. Access to the store area, as well as the point-of-sale system used for recording transactions, is limited and the area includes camera surveillance. The store accepts multiple forms of payment including cash, checks, and credit cards. During fiscal year 2022-23, the store sold close to 170,000 passes and 1,292 transponders.

***Discussion***

Management has developed, documented, and implemented standard operating procedures to ensure the proper safeguarding of cash, transponders, and pass fare media, and has implemented strong security controls. The section manager is well organized and has good record-keeping practices. Together, this demonstrates OCTA values of integrity, customer focus, and communication.

***Summary***

Internal Audit has completed an audit of OCTA Store Operations.

***Attachment***

- A. OCTA Store Operations, Internal Audit Report No. 24-504

**Prepared by:**



Jonathan Thompson  
Internal Auditor  
(714) 560-5930

**Approved by:**



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

# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## OCTA Store Operations

### Internal Audit Report No. 24-504

October 26, 2023



**Audit Team:**

Jonathan Thompson, Internal Auditor **JT**  
Janet Sutter, CIA, Executive Director

**Distributed to:**

Andrew Oftelie, Chief Financial Officer, Finance and Administration  
Sean Murdock, Director, Finance and Administration  
Sara Belovsky, Jessica Lopez

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
OCTA Store Operations  
October 26, 2023**

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**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
OCTA Store Operations  
October 26, 2023**

## **Conclusion**

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of OCTA Store Operations. Based on the audit, controls are adequate and operating. Management has implemented standard operating procedures that ensure proper safeguarding of cash, transponders, and pass fare media and exercises appropriate security over the premises.

## **Background**

The OCTA Store (store) provides transit customers with the opportunity to purchase pass fare media and perform 91 Express Lanes account enrollment and maintenance transactions. In addition, the store performs employee recreation association movie ticket sales. The store is located at 600 S. Main Street, in the City of Orange, and is open every weekday from 8 a.m. until 5 p.m. The General Services Department under the Finance and Administration Division is responsible for store operations. The store is staffed with two full-time and one part-time associate who are supervised by a section manager.

Store associates are assigned safes and workstations to which they have individual access. Access to the store area, as well as the point-of-sale system used for recording transactions, is limited and the area includes camera surveillance. The store accepts multiple forms of payment including cash, checks, and credit cards. During fiscal year 2022-23, the store sold close to 170,000 passes and 1,292 transponders. At the end of each day, store associates prepare a reconciliation package and deliver a deposit to the Accounting Department for deposit to OCTA's account and recording in the general ledger system.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
OCTA Store Operations  
October 26, 2023**

## **Objectives, Scope, and Methodology**

The objectives were to assess and test controls in place over store operations.

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.<sup>1</sup> The components and principles that were evaluated as part of this audit are:

- Control Environment
  - OCTA demonstrates a commitment to integrity and ethical values.
- Control Activities
  - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

The methodology consisted of reviewing records of individuals with physical access to the store and user access to the Counterpoint point-of-sale system for appropriateness, confirming that security cameras located in the store are operable, observation and testing evidence of a haphazard sample of two unannounced quarterly reviews, observed and made inquiries as to cash and inventory security, tested a haphazard sample of daily reconciliation packages and tied deposits to the general ledger, tested a haphazard sample of transponder inventory counts and pass fare replenishment requests for compliance with procedures. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

The scope period was from September 1, 2022, through August 31, 2023, and October 3, 2023, for observations. The scope was limited to store operations and did not include testing of compliance with Payment Card Industry-Data Security Standards or wholesale pass sales.

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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<sup>1</sup> 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
OCTA Store Operations  
October 26, 2023**

**Noteworthy Accomplishments**

Management has developed, documented, and implemented standard operating procedures to ensure the proper safeguarding of cash, transponders, and pass fare media, and has implemented strong security controls. The section manager is well organized and has good record-keeping practices. Together, this demonstrates OCTA values of integrity, customer focus, and communication.



**November 15, 2023**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Orange County Employees Retirement System Early Payment for Fiscal Year 2024-25

### **Overview**

The Orange County Employees Retirement System has offered an early payment discount to member agencies of seven percent if they elect to prepay their contributions for fiscal year 2024-25. Advance payments must be received by January 11, 2024. The estimated savings for the Orange County Transportation Authority over the next year and a half under this payment option will total approximately \$345,000. Board of Directors' authorization is requested for the early payment option.

### **Recommendation**

Authorize the early payment of approximately \$34.8 million by January 11, 2024, to the Orange County Employees Retirement System, for employer contributions for fiscal year 2024-25.

### **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, 2023, the plan had approximately \$21.4 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) 2024-25, based on preliminary estimates, OCTA will contribute approximately \$37.2 million to OCERS, based upon wages of approximately \$123 million. OCTA's employer rate is 30.43 percent, and the Public Employees' Pension Reform Act (PEPRA) contribution rate is 30 percent during this time period.

### ***Discussion***

On July 17, 2023, the OCERS Board of Retirement voted to offer an early payment discount on employer contribution payments made by January 11, 2024, for the succeeding FY. OCERS is offering to discount the contributions for FY 2024-25 by seven 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 2024-25, OCERS increased OCTA's employer rates to 30.43 percent from the FY 2023-24 rate of 28.91 percent. The PEPRA contribution rate increased to 30 percent for FY 2024-25 from the 28.36 percent rate in FY 2023-24. OCTA's estimated wages for FY 2024-25 are \$123 million. Applying the FY 2024-25 rates to the estimated wages for the year translates into an approximate contribution value of \$37.2 million for FY 2024-25.

Under the early payment option, OCTA has the choice of paying OCERS \$34.8 million (\$37.2 million discounted by seven percent) by January 11, 2024, or OCTA would make the regular biweekly payments of approximately \$1,430,955 for the employer contribution, (for a total of \$37.2 million) during FY 2024-25. Given these assumptions, OCTA has calculated the savings to equal approximately \$345,000 (which is the net between the \$2.4 million in guaranteed savings from the OCERS prepayment and \$2.1 million estimated interest earnings by OCTA).

Given the unprecedented rise in yields (United States Treasury yields have risen substantially in less than two years), and therefore higher estimated interest earnings for OCTA, the estimated savings of approximately \$345,000 is relatively low compared to the historical average; however, the estimated interest earnings by OCTA are speculative while the discount rate of seven 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 (37 percent), and the Orange County Transit District Fund (63 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 seven percent will be applied to the amounts due for employer contributions. Orange County Transportation Authority has calculated the savings to equal approximately \$345,000. Staff recommends exercising this early payment option.

***Attachment***

None.

**Prepared by:**



Robert Davis  
Department Manager  
Treasury/Public Finance  
714-560-5675

**Approved by:**



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



**November 15, 2023**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Update on the Loan Agreements with the Cities of Anaheim, Placentia, and the West Orange County Water Board

### **Overview**

The Orange County Transportation Authority Board of Directors authorized loan agreements with the cities of Anaheim, Placentia, and the West Orange County Water Board. This report provides the annual update on the status of each of these agreements as requested by the Board of Directors.

### **Recommendation**

Receive and file as an information item.

### **Background**

City of Anaheim (Anaheim)

In July 2012, the Orange County Transportation Authority (OCTA) entered into a purchase and sale agreement with Anaheim selling real property valued at \$32.5 million to enable the construction of the Anaheim Regional Transportation Intermodal Center. Anaheim provided \$1 million as a down payment into escrow, with the remaining \$31.5 million to be paid over a 13-year period. The interest rate on the loan is set at a fixed-interest rate of two percent, with the interest portion of the loan to be paid in the final two years of the loan period. Anaheim uses its Measure M2 (M2) Local Fair Share (LFS) funds to repay the loan, and the funds have been automatically deducted from Anaheim's bimonthly LFS payments since July 2012.

Anaheim has fully repaid their principal balance and is currently making payments towards the accrued interest for the remainder of the loan term. The remaining interest balance is \$3.1 million as of September 30, 2023. The loan repayments will continue to be deducted from bimonthly M2 LFS payments until the loan balance reaches zero in fiscal year (FY) 2024-25. Should Anaheim become ineligible to receive LFS, or if the LFS funds are insufficient to meet the

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

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scheduled payment, California Highway Users Tax Account funds would be utilized to make the payments.

### **City of Placentia (Placentia)**

In February 2010, OCTA entered into a loan agreement with Placentia for \$4.1 million so Placentia could repay the California Department of Transportation for ineligible expenditures on rail grade separation projects. The loan amount of \$4.1 million is to be repaid over a 19-year period that began July 1, 2011 and continues through May 1, 2030. The remaining balance is \$1.07 million as of September 30, 2023, and is estimated to be paid by May 2026. The loan is anticipated to be paid in full ahead of schedule due to actual interest rates being lower than the rate assumed at the time the loan agreement was executed in February 2010. The initial assumption was that the interest rate for the life of the loan would be four percent. However, the actual interest rate on the loan is based on OCTA's actual short-term investment portfolio earnings rate for the prior 12-month period, and resets annually. Actual interest rates since the inception of the loan have been averaging below two percent except for the current interest rate at 5.25 percent.

Placentia uses its M2 LFS funds to repay the loan, and the funds are automatically deducted from Placentia's bimonthly LFS payments. The agreement allows OCTA to withhold 30 percent of Placentia's LFS funds beginning in FY 2011-12. Placentia's contribution increases by one percentage point each FY thereafter until the advance is fully repaid. Placentia's current contribution is 42 percent of their LFS payments. Should Placentia become ineligible to receive LFS, Placentia would be required to pledge other appropriate funding to repay the full amount of the advance and interest thereon.

### **West Orange County Water Board (WOCWB)**

In October 2017, OCTA entered into a reimbursement agreement with the WOCWB for up to \$4.7 million for the relocation of a pipeline facility necessary to facilitate the Interstate 405 Widening Project. An amendment to the agreement was approved by the OCTA Board of Directors (Board) on November 27, 2017, to increase the loan amount by \$1.3 million to accommodate the final project cost received by the WOCWB.

Per the terms identified in the agreement, the WOCWB will make quarterly payments with the interest rate being equal to the State of California Surplus Money Investment Fund (SMIF). The SMIF interest rate on the September 2023 payment was 2.911 percent. The term of the loan has been structured to not exceed ten years. OCTA began receiving quarterly payments from the WOCWB



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

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in June 2018. In April 2020, the WOCWB returned unused principal of \$198,741 as required in the loan agreement upon project completion. The remaining balance is \$1.87 million as of September 30, 2023. The WOCWB will continue making quarterly payments until the loan has been fully repaid in March 2028.

### ***Discussion***

OCTA continues to withhold payments from M2 LFS funds to repay the loans established with the cities of Anaheim and Placentia, and the WOCWB continues to make quarterly payments as required per the agreement. OCTA will continue to follow the terms identified in all loan agreements by withholding payments and invoicing responsible parties as applicable. The beginning balance, amount collected, and outstanding balance for each loan as of September 30, 2023, can be found on Attachment A.

### ***Summary***

The Orange County Transportation Authority Board of Directors authorized loan agreements with the cities of Anaheim, Placentia, and the West Orange County Water Board. Each entity has been making payments per their respective agreements.

### ***Attachment***

A. Status of Loan Agreements as of September 30, 2023

#### **Prepared By:**



Sam Kaur  
Department Manager,  
Revenue Administration  
(714) 560-5889

#### **Approved By:**



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

**Status of Loan Agreements**  
as of September 30, 2023

Borrower	Type of Agreement	Loan Period Begin Date	Interest Rate % Prior Payment <sup>1</sup>	Beginning Principal Balance	Principal Paid	Interest Accrued	Interest Paid	Outstanding Balance as of 9/30/23	Loan Maturity
City of Anaheim <sup>2</sup>	Purchase and Sale Agreement	July 2012	2%	\$32,500,000	\$32,500,000	\$3,765,406	\$627,566	\$3,137,840	May 20, 2025
City of Placentia	Loan Agreement	February 2010	5.25%	\$4,100,000	\$3,153,274	\$617,831	\$490,246	\$1,074,311	May 1, 2030
West Orange County Water Board <sup>3</sup>	Reimbursement Agreement for Utility Relocation	October 2017	2.911%	\$5,995,394	\$4,124,576	\$244,865	\$244,865	\$1,870,818	March 1, 2028

1. Interest rates vary for the City of Placentia and the West Orange County Water Board. Interest rates listed represent rates for the prior payment.
2. Interest for the City of Anaheim loan is scheduled to be paid in the final two years of the loan and is fixed at two percent.
3. The West Orange County Water Board made an additional principal payment of \$1.5 million in September 2018 and returned unused principal of \$198,741.28 in April 2020.



**November 15, 2023**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Fiscal Year 2023-24 First Quarter Grant Reimbursement Status Report

### **Overview**

The Quarterly Grant Reimbursement Status Report summarizes grant activities for the Orange County Transportation Authority Board of Directors. This report focuses on activity for the first quarter of fiscal year 2022-23, covering July through September 2023.

### **Recommendation**

Receive and file as an information item.

### **Discussion**

The Orange County Transportation Authority (OCTA) has secured grant funding from federal and state grant agencies to deliver programs, projects, and services to improve mobility in Orange County. The use of these funds is consistent with the capital programming policies approved by the Board of Directors (Board). The Quarterly Grant Reimbursement Status Report summarizes current and closed grant agreements.

#### **New Grant Agreements:**

During the quarter there were 11 grant agreements executed. These grant agreements are summarized in Attachment A.

#### **Current Grant Agreements:**

OCTA has 14 Federal Transit Administration (FTA) formula grant agreements and three FTA discretionary grant agreements.

The 14 FTA formula grant agreements have a total federal amount of \$381.9 million. A total of \$259.5 million has been reimbursed, leaving a balance of approximately \$122.4 million. The balance of these FTA formula grant

agreements will primarily fund bus operations, the OC Streetcar project, and rail rehabilitation projects.

The three FTA discretionary grant agreements have a total federal amount of \$151.1 million. This includes the full funding grant agreement award of \$148.9 million. A total of \$130.9 million has been reimbursed, leaving a balance of \$20.2 million. The balance of these FTA discretionary grant agreements will primarily fund the OC Streetcar project and slope stabilization improvements on the railroad right-of-way from the City of Laguna Niguel to the City of Lake Forest.

The total FTA formula and discretionary grant agreements amount to \$533 million. The total amount reimbursed through the first quarter under these grant agreements is \$390.4 million, leaving a balance of \$142.6 million. These grant agreements are summarized in Attachment B.

OCTA has 31 active State and Federal Highway Administration formula grant agreements that total \$260.9 million. The total amount reimbursed through the first quarter under these agreements is \$42.3 million, leaving a balance of \$218.6 million. These grant agreements are summarized in Attachment C.

In addition, OCTA has 19 active state discretionary grant agreements totaling approximately \$63.1 million. The total amount reimbursed through the first quarter under these other agreements is \$24.4 million, leaving a balance of \$38.7 million. These grant agreements are summarized in Attachment D.

This report activity is as of September 30, 2023, and any grants with a deadline between the quarter end and the date this report is published, will be reimbursed and closed out. This activity will be reflected in next quarter's report. Additionally, for these grants, staff anticipates each of the remaining balances to be fully reimbursed prior to the grant agreement expiration date.

#### **Closed Grant Agreements:**

There were four grant agreements totaling \$5.2 million that were closed out in the first quarter of FY 2023-24. The remaining balance on the grants is due to project savings.

These grant agreements are summarized in Attachment E.

***Summary***

This report provides an update of the grant agreement-funded activities for the first quarter of FY 2023-24, July through September 2023. Staff recommends this report be received and filed as an information item.

***Attachments***

- A. Fiscal Year 2023-24 Quarter 1 – Executed Grants
- B. First Quarter Grant Reimbursement Status Report, July through September 2023, Federal Transit Administration (FTA) Formula and Discretionary Grant Agreements
- C. First Quarter Grant Reimbursement Status Report, July through September 2023, State and Federal Highway Administration Formula Grant Agreements
- D. First Quarter Grant Reimbursement Status Report, July through September 2023, State Discretionary Grant Agreements
- E. First Quarter Grant Reimbursement Status Report, July through September 2023, Closed Grant Agreements

**Prepared by:**



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714-560-5889

**Approved by:**



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

**Fiscal Year 2023-24 Quarter 1 – Executed Grants**

<b>Funding Source</b>	<b>Project Details</b>	<b>Amount</b>
Federal Highway Administration (FHWA)	Countywide Signal Synchronization project.	\$15,000,000
FHWA National Highway Performance Program	Right-of-Way Engineering and Acquisition phases of the Interstate 5 Improvement from Interstate 405 to Yale Avenue Segment 1 Project.	\$5,400,000
Federal Transit Administration (FTA) Surface Transportation Block Grant Flex Formula Grant Program	Planning costs for the Coastal Rail Protection Study.	\$1,800,000
FTA Coronavirus Response and Relief Supplemental Appropriations Act Highway Infrastructure Programs Emergency Relief Flex Formula Grant Program	Construction of the Transit Security and Operations Center.	\$3,700,000
FTA Section 5310 Enhanced Mobility for Seniors and Disabled	Capital cost of contracting for OC ACCESS services.	\$3,300,000
FTA Section 5339 Formula Grant Program	Support the purchase of replacement vehicles, up to 41 replacement gasoline paratransit vehicles will be replaced. This grant will also provide funding to Anaheim Transportation Network for replacement bus lifts and ladders.	\$6,000,000
FTA Section 5337 Formula Grant Program	Provide capital and operating assistance for preventative maintenance expenses, capital cost of contracting, and non-fixed-route operating assistance for Orange County Transportation Authority as well as preventive maintenance costs for Anaheim Transportation Network.	\$48,500,000

Low Carbon Transit Operations Program	Build a new hydrogen fueling station at Garden Grove Maintenance Facility that would support 50 hydrogen powered buses.	\$9,700,000
SB 1 (Chapter 5, Statutes of 2017) Local Partnership Program Formula	Right-of-way engineering and acquisition phases of the Interstate 5 Improvement from Interstate 405 to Yale Avenue Segment 1 Project.	\$3,900,000
Strengthening Mobility and Revolutionizing Transportation Discretionary Grant Program	Harbor Boulevard Pilot Innovative Cloud-Based Transit Signal Priority System.	\$1,600,000
Transit and Intercity Rail Capital Program	Environmental work for the Irvine Station Improvements project.	\$2,800,000

**First Quarter Grant Reimbursement Status Report**  
**July through September 2023**

**ATTACHMENT B**

Federal Transit Administration (FTA) Formula and Discretionary Grant Agreements						
	FEDERAL FISCAL YEAR	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>Formula Grants</b>						
<b>FTA Section 5307 - Federal Transit Administration Urbanized Area Formula Grant Program</b>						
1	2021	CA-2021-187	\$ 60,143,314	\$ 57,600,085	\$ 2,543,229	January 2024
2	2022	CA-2023-109	48,505,333	31,978,861	16,526,472	October 2026
<b>FTA Section 5307 Grant Subtotal</b>			<b>\$ 108,648,647</b>	<b>\$ 89,578,946</b>	<b>\$ 19,069,701</b>	
<b>FTA Section 5307 - Federal Funds flexed from the Federal Highway Administration (FHWA)</b>						
3	0	CA-2020-050	\$ 76,843,769	\$ 76,262,086	\$ 581,683	June 2026
4	2017	CA-2017-072	31,567,405	30,940,047	627,358	January 2024
5	2020	CA-2021-010	42,599,378	24,967,763	17,631,615	January 2024
6	2020	CA-2022-076	1,016,000	1,013,262	2,738	January 2024
7	2020	CA-2022-082	34,515,000	10,486,079	24,028,921	June 2025
8	2021	CA-2022-170	62,585,945	21,440,267	41,145,678	August 2026
9	2021	CA-2023-211	3,660,000	0	3,660,000	June 2024
10	2022	CA-2023-196	1,770,000	0	1,770,000	November 2025
<b>FTA Section 5307 Flexed Grant Subtotal</b>			<b>\$ 254,557,497</b>	<b>\$ 165,109,504</b>	<b>\$ 89,447,993</b>	
<b>FTA Section 5310 - Enhanced Mobility of Seniors &amp; Individuals with Disabilities Grant Program</b>						
11	2022	CA-2023-092	\$ 3,308,661	\$ 0	\$ 3,308,661	May 2026
<b>FTA Section 5310 Grant Subtotal</b>			<b>\$ 3,308,661</b>	<b>\$ 0</b>	<b>\$ 3,308,661</b>	
<b>FTA Section 5337 - State of Good Repair Grant Program</b>						
12	2021	CA-2021-227	\$ 3,274,762	\$ 3,106,043	\$ 168,719	January 2024
<b>FTA Section 5337 Grant Subtotal</b>			<b>\$ 3,274,762</b>	<b>\$ 3,106,043</b>	<b>\$ 168,719</b>	
<b>FTA Section 5339 - Buses and Bus Facilities Grant Program</b>						
13	2021	CA-2022-137	\$ 6,200,560	\$ 1,725,102	\$ 4,475,458	June 2024
14	2022	CA-2023-123	5,951,471	0	5,951,471	August 2025
<b>FTA Section 5339 Grant Subtotal</b>			<b>\$ 12,152,031</b>	<b>\$ 1,725,102</b>	<b>\$ 10,426,929</b>	
<b>Federal Transit Administration Formula Grants Total</b>			<b>\$ 381,941,598</b>	<b>\$ 259,519,595</b>	<b>\$ 122,422,003</b>	



**First Quarter Grant Reimbursement Status Report**  
**July through September 2023**

Federal Transit Administration (FTA) Formula and Discretionary Grant Agreements						
	FEDERAL FISCAL YEAR	GRANT NUMBER	FEDERAL AMOUNT	FEDERAL AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>Discretionary Grants</b>						
<b>FTA Section 5309 - Discretionary Capital Grant Program</b>						
15	2018	CA-2020-281	\$ 913,115	\$ 152,936	\$ 760,179	September 2025
<b>FTA Section 5309 Grant Subtotal</b>			<b>\$ 913,115</b>	<b>\$ 152,936</b>	<b>\$ 760,179</b>	
<b>FTA Section 5309 - Capital Investment Grants - Full Funding Grant Agreement (FFGA)</b>						
16	2019	CA-2019-018	\$ 148,955,409	\$ 129,870,358	\$ 19,085,051	January 2024
<b>FTA Section 5309 FFGA Grant Subtotal</b>			<b>\$ 148,955,409</b>	<b>\$ 129,870,358</b>	<b>\$ 19,085,051</b>	
<b>FTA Section 5339b - Bus and Bus Facilities</b>						
17	2017	CA-2021-052	\$ 1,206,518	\$ 865,759	\$ 340,759	January 2024
<b>FTA 5339b Grant Subtotal</b>			<b>\$ 1,206,518</b>	<b>\$ 865,759</b>	<b>\$ 340,759</b>	
<b>Federal Transit Administration Discretionary Grants Total</b>			<b>\$ 151,075,042</b>	<b>\$ 130,889,053</b>	<b>\$ 20,185,989</b>	
<b>Total Federal Transit Administration Formula and Discretionary Grant Agreements</b>			<b>\$ 533,016,640</b>	<b>\$ 390,408,648</b>	<b>\$ 142,607,992</b>	

**Funding Source Notes**

FTA Section 5307 - Federal Transit Administration Urbanized Area Formula Grant Program: Funds are used to fund preventive maintenance, capital cost of contracting, and to purchase revenue vehicles, facility modifications, and bus-related equipment.

FTA Section 5307 - Federal Funds flexed from the Federal Highway Administration (FHWA): Funds are used to fund preventive maintenance, capital cost of contracting, and to purchase revenue vehicles, facility modifications, and bus-related equipment.

FTA Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Grant Program: Formula funding to states for the purpose of assisting nonprofit groups in meeting the transportation needs of the elderly and persons with disabilities.

FTA Section 5337 - State of Good Repair Grant Program: A formula-based State of Good Repair program dedicated to repairing and upgrading the nation's rail transit systems along with high-intensity motor bus systems that use high-occupancy lanes.

FTA Section 5339 - Buses and Bus Facilities Grant Program: A formula-based program dedicated to support capital projects such as the replacement, rehabilitation, and purchase of buses, vans, and related equipment.

FTA Section 5309 - Discretionary Capital Grant Program: Grants provide for projects that improve efficiency and coordination of transportation systems.

FTA Section 5309 - Capital Investment Grants - Full Funding Grant Agreement (FFGA): Grants provide for projects that improve efficiency and coordination of transportation systems.

FTA Section 5339b - Bus and Bus Facilities: Grants provide support for capital projects such as the replacement, rehabilitation, and purchase of buses, vans, and related equipment.

**First Quarter Grant Reimbursement Status Report**

**ATTACHMENT C**

**July through September 2023**

<b>State and Federal Highway Administration Formula Grant Agreements</b>						
	<b>FISCAL YEAR (FY)</b>	<b>PROJECT</b>	<b>GRANT AMOUNT</b>	<b>AMOUNT REIMBURSED</b>	<b>REMAINING BALANCE</b>	<b>ANTICIPATED CLOSE-OUT</b>
<b>CMAQ - Federal Highway Administration Congestion Mitigation &amp; Air Quality Grant Program</b>						
1	23	Countywide Signal Synchronization	\$ 15,000,000	\$ 0	\$ 15,000,000	June 2028
<b>CMAQ Subtotal</b>			<b>\$ 15,000,000</b>	<b>\$ 0</b>	<b>\$ 15,000,000</b>	
<b>STBG - Federal Highway Administration Grant Program - State Transportation Block Grant</b>						
2	2016	Interstate-405, State Route-73 to Interstate-605 (CON)	\$ 1,000	\$ 0	\$ 1,000	January 2024
3	2019	Interstate-5, Orange/San Diego County Line to Avenida Pico (PA/ED)	5,500,000	4,045,290	1,454,710	June 2025
4	2019	State Route-55, Interstate-405 to Interstate-5 (ROW)	49,387,088	5,113,011	44,274,077	June 2026
5	2020	Interstate-5 Segment 1, State Route-73 to Oso Pkwy (CON)	3,984,000	3,846,011	137,989	June 2025
6	2020	Interstate-5, Yale to SR-55 (PS&E)	10,900,000	7,497,870	3,402,130	June 2025
7	2022	State Route-55, Interstate-405 to Interstate-5 (ROW Utility Relocation)	28,833,069	2,786,674	26,046,395	June 2026
8	2022	State Route-55, Interstate-405 to Interstate-5 (ROW)	60,859,718	2,945,634	57,914,084	June 2026
9	2022	State Route-55, Interstate-5 to State Route-91 (PS&E)	2,140,755	267,473	1,873,282	June 2027
10	2023	Interstate-5, Yale to SR-55 (ROW)	14,646,368	0	14,646,368	June 2025
11	2023	State Route-55, Interstate-405 to Interstate-5 (CON)	3,830,000	3,078,832	751,168	June 2026
<b>STBG Subtotal</b>			<b>\$ 180,081,998</b>	<b>\$ 29,580,793</b>	<b>\$ 150,501,205</b>	
<b>Low Carbon Transit Operations Program (LCTOP) - California Department of Transportation (CALTRANS)</b>						
12	2020	Battery Electric Buses, Bus Depot Upgrade & Charging Infrastructure	\$ 7,537,886	\$ 4,269,552	\$ 3,268,334	January 2024
13	2020	Bravo! Route 529 Start-up & Operations	3,068,078	2,769,587	298,491	January 2024
14	2020	College Fare Program - Irvine Valley, Saddleback, Cypress and Coastline	749,243	76,122	673,121	January 2024
15	2021	College Fare Program for Orange Coast College	716,152	134,597	581,555	August 2024
16	2021	Welcome Back Fare Reduction Program	3,538,747	558,571	2,980,176	August 2024
17	2022	Bravo! 553 Rapid Bus Service Operating Subsidy	1,553,772	754,755	799,017	August 2025
18	2022	Youth Ride Free Program	8,027,983	1,515,253	6,512,730	August 2024
19	2024	Garden Grove Hydrogen Fueling Station (CON)	9,664,388	0	9,664,388	February 2027
<b>LCTOP Subtotal</b>			<b>\$ 34,856,249</b>	<b>\$ 10,078,436</b>	<b>\$ 24,777,813</b>	
<b>Highway Infrastructure Program (HIP)</b>						
20	2022	State Route-55, Interstate-5 to State Route-91 (PS&E)	\$ 3,359,000	\$ 419,684	\$ 2,939,316	June 2027
21	2022	State Route-57, Orangewood to Katella Ave (PS&E)	2,790,000	1,240,340	1,549,660	June 2025
<b>HIP Subtotal</b>			<b>\$ 6,149,000</b>	<b>\$ 1,660,024</b>	<b>\$ 4,488,976</b>	
<b>State Transportation Improvement Plan (STIP) Programming, Planning &amp; Monitoring (PPM)</b>						
22	2022	PPM Program	\$ 1,437,000	\$ 114,458	\$ 1,322,542	December 2024
23	2023	PPM Program	1,848,000	0	1,848,000	December 2025
<b>STIP PPM Subtotal</b>			<b>\$ 3,285,000</b>	<b>\$ 114,458</b>	<b>\$ 3,170,542</b>	

# First Quarter Grant Reimbursement Status Report

July through September 2023

State and Federal Highway Administration Formula Grant Agreements						
	FISCAL YEAR (FY)	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>Senate Bill 1: State of Good Repair (SB1 SGR)</b>						
24	2020	Transit Security Operation Center (CON)	\$ 2,560,021	\$ 0	\$ 2,560,021	January 2028
25	2021	Electrical Service for Hydrogen Fueling Station at Santa Ana Bus Base	465,095	373,791	91,304	July 2024
26	2021	Fire Alarm Control Panel Replacement at Santa Ana Base	496,299	371,554	124,745	November 2024
27	2021	Security Gates	2,966,000	114,142	2,851,858	January 2026
28	2021	Transit Security Operation Center (CON)	2,011,278	0	2,011,278	January 2028
29	2022	Transit Security Operation Center (CON)	6,416,264	0	6,416,264	January 2028
30	2023	Heating-Ventilation Unit Replacements at Santa Ana Bus Base (CON)	1,150,000	0	1,150,000	December 2026
31	2023	Transit Security Operation Center (CON)	5,435,423	0	5,435,423	January 2028
<b>SB1 SGR Subtotal</b>			<b>\$ 21,500,381</b>	<b>\$ 859,487</b>	<b>\$ 20,640,893</b>	
<b>Total State and Federal Highway Administration Formula Grant Agreements</b>			<b>\$ 260,872,628</b>	<b>\$ 42,293,198</b>	<b>\$ 218,579,430</b>	

## Project Phases:

CON- Construction, Construction Management, Construction Engineering or Force Account expenses.  
PA/ED- Project Approval and Environmental Design.  
PS&E- Agency Preliminary Engineering.  
PSR- Development Support and Project Study Report.  
ROW- Right-of-Way Services, Engineering, Administration, Acquisition, Utility Relocation or Relocation Assistance.

**First Quarter Grant Reimbursement Status Report  
July through September 2023**

State Discretionary Grant Agreements						
	FISCAL YEAR	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>Active Transportation Program (ATP)</b>						
1	2020	Safe Travels Education Program (STEP) Campaign	\$ 500,000	\$ 276,061	\$ 223,939	January 2024
<b>ATP Subtotal</b>			<b>\$ 500,000</b>	<b>\$ 276,061</b>	<b>\$ 223,939</b>	
<b>Air Quality Management District (AQMD) Grant Program and Mobile Source Air Pollution Reduction Review Committee (MSRC)</b>						
2	2019	La Habra Union Pacific Rail Bikeway	\$ 91,760	\$ 0	\$ 91,760	November 2024
<b>MSRC Subtotal</b>			<b>\$ 91,760</b>	<b>\$ 0</b>	<b>\$ 91,760</b>	
<b>Transit and Intercity Rail Capital Program (TIRCP)</b>						
3	2020	Orange County Maintenance Facility (PA/ED)	\$ 4,829,000	\$ 3,953,934	\$ 875,066	January 2024
4	2021	Irvine Station (PA/ED)	2,839,000	0	2,839,000	June 2024
<b>TIRCP Subtotal</b>			<b>\$ 7,668,000</b>	<b>\$ 3,953,934</b>	<b>\$ 3,714,066</b>	
<b>Transit Security Grant Program (TSGP) - State Office of Homeland Security</b>						
5	2023	Visible Intermodal Prevention & Response and Counter Terrorism Team Operations	\$ 36,635	\$ 0	\$ 36,635	December 2025
<b>TSGP Subtotal</b>			<b>\$ 36,635</b>	<b>\$ 0</b>	<b>\$ 36,635</b>	
<b>Transit Security Administration (TSA) National Explosives Detection Canine Team Program (NEDCTP) - Department of Homeland Security</b>						
6	2023	Transportation Security Administration Canine	\$ 151,500	\$ 59,266	\$ 92,234	January 2024
<b>TSA Canine Subtotal</b>			<b>\$ 151,500</b>	<b>\$ 59,266</b>	<b>\$ 92,234</b>	
<b>Senate Bill 1: Local Partnership Program (SB1 LPP)</b>						
7	2018	Garden Grove Boulevard Signal Synchronization (CON)	\$ 1,353,000	\$ 1,136,517	\$ 216,483	January 2024
8	2018	Katella Avenue Signal Synchronization (CON)	2,449,000	1,895,467	553,533	January 2024
9	2018	Los Alisos Boulevard Signal Synchronization (CON)	1,117,000	968,626	148,374	January 2024
10	2018	Main Street Signal Synchronization (CON)	1,926,000	1,721,665	204,335	January 2024
11	2023	Interstate-5, Segment 1, Interstate-405 to Yale Ave (PS&E)	7,395,000	1,953,226	5,441,774	June 2025
12	2023	Interstate-5, Segment 1, Interstate-405 to Yale Ave (ROW)	3,979,000	0	3,979,000	June 2025
<b>SB1 LPP Subtotal</b>			<b>\$ 18,219,000</b>	<b>\$ 7,675,501</b>	<b>\$ 10,543,499</b>	
<b>Senate Bill 1: Solutions for Congested Corridors Program (SB1 SCCP)</b>						
13	2019	Edinger Avenue Signal Synchronization (CON)	\$ 4,957,000	\$ 1,395,084	\$ 3,561,916	June 2024
14	2020	MacArthur Signal Synchronization (CON)	2,951,200	809,556	2,141,644	June 2024
15	2020	Warner Avenue Signal Synchronization (CON)	4,092,000	1,464,125	2,627,875	June 2024
<b>SB1 SCCP Subtotal</b>			<b>\$ 12,000,200</b>	<b>\$ 3,668,765</b>	<b>\$ 8,331,435</b>	
<b>Senate Bill 1: Planning Grants (SB1 PL)</b>						
16	2023	Transportation Demand Management Plan	\$ 150,000	\$ 6,169	\$ 143,831	April 2025

**First Quarter Grant Reimbursement Status Report  
July through September 2023**

State Discretionary Grant Agreements						
	FISCAL YEAR	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE	ANTICIPATED CLOSE-OUT
<b>SB1 PL Subtotal</b>			<b>\$ 150,000</b>	<b>\$ 6,169</b>	<b>\$ 143,831</b>	
<b>Strengthening Mobility and Revolutionizing Transportation (SMART)</b>						
17	2023	Harbor Blvd Pilot Traffic Signal Prioritization	\$ 1,600,000	\$ 0	\$ 1,600,000	March 2025
<b>SMART Subtotal</b>			<b>\$ 1,600,000</b>	<b>\$ 0</b>	<b>\$ 1,600,000</b>	
<b>State Highway Operation and Protection Program (SHOPP)</b>						
18	2018	State Route-55, Interstate-405 to Interstate-5 (ROW Utility Relocation)	\$ 6,304,461	\$ 997,441	\$ 5,307,020	June 2025
19	2018	State Route-55, Interstate-405 to Interstate-5 (ROW)	16,395,539	7,751,035	8,644,504	June 2025
<b>SHOPP Subtotal</b>			<b>\$ 22,700,000</b>	<b>\$ 8,748,476</b>	<b>\$ 13,951,524</b>	
<b>Total State Discretionary Grant Agreements</b>			<b>\$ 63,117,095</b>	<b>\$ 24,388,172</b>	<b>\$ 38,728,923</b>	

**Project Phases:**

CON- Construction, Construction Management, Construction Engineering or Force Account expenses.  
PA/ED- Project Approval and Environmental Design.  
PS&E- Agency Preliminary Engineering.  
PSR- Development Support and Project Study Report.  
ROW- Right-of-Way Services, Engineering, Administration, Acquisition, Utility Relocation or Relocation Assistance.

**First Quarter Grant Reimbursement Status Report  
July through September 2023**

**Closed Grant Agreements**

	FISCAL YEAR (FY)	FUNDING SOURCE	PROJECT	GRANT AMOUNT	AMOUNT REIMBURSED	REMAINING BALANCE
1	2022	FTA Section 5337	FTA CA-2023-114	\$ 3,906,000	\$ 3,906,000	\$ 0
2	2021	SB1 PL	Orange County Bike Connectors Gap Closure Feasibility Study	160,000	159,936	64
3	2021	STIP PPM	PPM Program	1,000,000	1,000,000	0
4	2023	TSA Canine	Transportation Security Administration Canine	151,500	126,747	24,753
<b>Total Closed Grants</b>				<b>\$ 5,217,500</b>	<b>\$ 5,192,683</b>	<b>\$ 24,817</b>

**Funding Source Notes**

Federal Transit Administration (FTA)

Senate Bill 1: Planning Grants (SB1 PL): Grant remaining balance is due to project savings.

State Transportation Improvement Plan (STIP) Programming, Planning & Monitoring (PPM)

Transit Security Administration (TSA) National Explosives Detection Canine Team Program (NEDCTP)

- Department of Homeland Security: Grant remaining balance is from project savings.



**November 15, 2023**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Fiscal Year 2022-23 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 2022-23. 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 one finding.

### **Recommendations**

- A. Receive and file the fiscal year 2022-23 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 a set of annual financial statements presenting its results of operations and financial position at fiscal year (FY)-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 FY ended June 30, 2023. 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, 2023, 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 as a component unit of OCTA (Attachment B), the 91 Express Lanes (91 EL) (Attachment C), the Local Transportation Fund (Attachment D), and the State Transit Assistance Fund (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 2022-23. 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 EL 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 one deficiency as defined by the American Institute of Certified Public Accountants, Statement on Auditing Standards Number 115. 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 this recommendation.



Crowe reported a deficiency related to Deferred Compensation Contribution Calculation. Management noted that contributions for the OCTA 401(a) and 457(b) deferred compensation plans were being incorrectly calculated due to an issue with the initial set up of the Lawson Human Resource/Payroll system in 2004. The errors were related to proper identification of eligible or included earnings in the calculation of employees' 457(b) plan contributions and/or with the employer match contributions in the 401(a) plans. Other errors identified were related to the occasional resetting of plan dates and miscalculated contributions on final paychecks. Management made a payment in FY 2023-24 to correct the approximate \$7.4 million in missed contributions and related interest. Crowe found that management did not have effective controls in place over deferred compensation plan contribution calculation inputs or outputs.

Their recommendation is to formalize a periodic review of contribution calculations and plan documents to ensure plan changes (if any) are appropriately reflected within the calculation. Management agrees with the recommendation and has implemented several management controls to identify errors in a timely manner.

The auditor's report on internal control over financial reporting for FY 2022-23 is included herewith as Attachment F.

### ***Summary***

Staff has prepared OCTA's ACFR and various stand-alone Fund Financial Statements for the FY ended June 30, 2023. 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 2022-23, Crowe has issued independent auditor's report on internal control over financial reporting, which identified one deficiency along with a recommendation for improvement to internal controls. Management has responded that this deficiency will be addressed.

***Attachments***

- A. Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023
- B. Orange County Local Transportation Authority (A Component Unit of the Orange County Transportation Authority) Annual Financial and Compliance Report Year Ended June 30, 2023
- C. 91 Express Lanes Fund (An Enterprise Fund of the Orange County Transportation Authority) Financial Statements for the Year Ended June 30, 2023
- D. Orange County Transportation Authority Local Transportation Fund Financial Statements Year ended June 30, 2023
- E. Orange County Transportation Authority State Transit Assistance Fund Financial Statements Year ended June 30, 2023
- F. Crowe LLP's Independent Auditor's Report

**Prepared by:**



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Department Manager,  
Accounting and Financial Reporting  
714-560-5371

**Approved by:**



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

# 2023

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

For fiscal year ended June 30, 2023



Orange County Transportation Authority  
Orange County, California

# 20 23

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

For fiscal year ended June 30, 2023

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, 2023**

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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*

November 27, 2023

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, 2023. 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 the 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, 2023. 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 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, Southern California Regional Rail Authority (Metrolink) commuter rail service, freeway improvements, streets and roads improvements, Express Lanes, and motorist aid services. In addition, OCTA is the managing agency for the Los Angeles – San Diego – San Luis Obispo 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 12, 2023, the Board approved the FY 2023-24 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 increased from June 2022 and was less than the statewide rate as of June 2023. The unemployment rate in Orange County was 3.7 percent in June 2023, compared to 3.2 percent in June 2022. Statewide unemployment was 4.6 percent and national unemployment was 3.6 percent as of June 2023.

Between June 2022 and June 2023, the total non-farm employment increased by 40,200 jobs, or 2.4 percent. The sector with the most significant increase in employment was private education and health services, which saw a rise of 11,600 jobs. This growth was primarily attributed to the expansion of jobs in health care and social assistance, accounting for 9,600 jobs, while private educational services contributed an additional 2,000 jobs throughout the year. There were eight other industry sectors that experienced more modest gains, each adding fewer than 10,000 payroll jobs. However, when combined, these sectors still ac-

counted for a substantial 72 percent of the year-over-year employment expansion, amounting to 29,100 new jobs. On the other hand, the financial activities sector saw a decline of 500 jobs during the same period, being the only sector to experience a year-over-year decrease in employment. Meanwhile, the mining and logging sector saw no changes in its payroll employment levels over the course of the year.

#### Residential Sector

According to the Census Bureau, the number of building permits in Orange County decreased from 6,794 units in FY 2021-22 to 6,278 units in FY 2022-23, a decrease of -7.6 percent. Permits for multi-family units increased from 50 percent of total permits to 59 percent of the total. The median single family home price decreased by a minor -0.1 percent in FY 2022-23 compared to FY 2021-22. In the second half of the FY, the median price was down by -3.9 percent compared to the second half of the previous year. In June 2023, the price stood at \$1,260,000, practically the same as \$1,265,000 in June 2022. The peak price of \$1,325,000 was recorded in April 2022. Home listings continue to be extremely low as high mortgage rates make it uneconomical to sell a housing unit and purchase another at a much higher mortgage rate. Sales of existing homes are expected to be very low well into 2024.

#### Sales Tax

Based on the forecast provided by MuniServices, LLC., sales tax revenue is estimated to increase by 2.4 percent for M2 and 1.4 percent for Local Transportation Fund in FY 2023-24. Other major revenue sources are expected to increase as well, such as farebox, State Transit Assistance Funds (STAF), 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 2022-23 CBP was approved by the Board at the February 27, 2023, 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).

## **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 below:

### **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 Measure M2 (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 approved by the Board on November 14, 2022, which spans the timeframe FY 2022-23 through FY 2031-32.

In FY 2022-23, OCTA continued to move Orange County forward with M2 projects and other notable accomplishments, including:

- In November 2022, the Board approved the 2022 Next 10 Plan, which incorporated the 2022 M2 sales tax revenue forecast of \$15 billion, updated programmed external revenues, revised bonding assumptions, and refined project schedules and costs. The 2022 update confirmed that the Next 10 Plan and the overall 30-year M2 Program remains deliverable.
- The M2 Taxpayer Oversight Committee determined that OCTA is delivering M2 projects and programs as promised to Orange County voters for the 32nd consecutive year.
- Design efforts for both segments of the Interstate 5 (I-5) [Interstate 405 (I-405) to State Route 55 (SR-55)] Improvement Project continued and are anticipated to be complete by 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.
- The environmental phase for the I-5 El Toro Road Interchange Project was restarted in January 2023 with the addition of two new alternatives. The environmental document and project report is anticipated to be completed in 2026.
- Construction on the SR-55 (I-405 to I-5) Improvement Project broke ground in August 2022 and is anticipated to be complete in 2027.
- Design efforts for the SR-55 (I-5 to SR-91) Improvement Project began in August 2022 and are anticipated to be complete in 2025.
- Design for State Route 57 (SR-57) (Northbound, Orangewood Avenue to Katella Avenue) Improvement Project is underway and is anticipated to be complete in 2024.
- Design efforts for all three segments of the SR-91 (SR-57 to SR-55) Improvement Project continued. The easterly segment between SR-55 and Lakeview Avenue was completed in March 2023, with the remaining two segments anticipated to be complete in 2024.
- Construction on the \$2.16 billion I-405 Improvement Project continued with the replacement and widening of all 18 bridges being completed. Construction is anticipated to be complete in late 2023.

- The 2023 Regional Capacity Program call for projects approved funding for seven projects totaling \$33.48 million via a competitive grant program. Since 2011, OCTA has awarded 180 projects totaling nearly \$387 million, including \$24 million in leveraged external funding.
- The 2023 Regional Traffic Signal Synchronization Program call approved funding for three projects totaling \$3.66 million. To date, OCTA and local agencies have synchronized more than 2,000 intersections (exceeding the M2 target) along more than 903 miles of streets through 101 corridors totaling \$162.3 million, including \$25.5 million in leveraged external funding.
- In September 2022, M2 Streets and Roads program surpassed \$1 billion in funding allocations and distributions to help improve streets and roads network in addition to local transportation priorities.
- The Anaheim Canyon Metrolink Station Improvement Project was completed and opened to the public in January 2023. Improvements included new and extended platforms, new passenger amenities, and a second main track to allow more than one train in the station at a time.
- Construction on the OC Streetcar project continued 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 2022-23, OCTA allocated nearly \$14.7 million in M2 funds to expand mobility choices for seniors and persons with disabilities under Project U.
- In August 2023, the Board allocated \$3.4 million for the Environmental Cleanup Program to fund ten projects focused on removing visible pollutants, such as litter and debris, from roads before they reach waterways and the ocean. Since 2011, OCTA has awarded 222 projects totaling more than \$36 million. It is estimated that over 60 million gallons of trash have been captured as a result of the installation of Tier 1 devices.
- OCTA's Project V has successfully emerged from the pandemic as ridership and service levels have increased in comparison to the same period from the previous year. As a result, the Dana Point Summer Trolley has restored operations and Laguna Summer Breeze is scheduled to provide additional weekend service.
- Continued evaluation of Battery Electric Bus and Fuel Cell Electric Bus programs.

- Completed emergency work to stabilize the train tracks between the Mission Viejo/Laguna Niguel and Oceanside stations which occurred due to erosion.

### **Awards and Acknowledgments**

For the 13th 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, 2022. This was the 40th 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, 2023, 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.

Respectfully submitted,



**Darrell E. Johnson**  
Chief Executive Officer

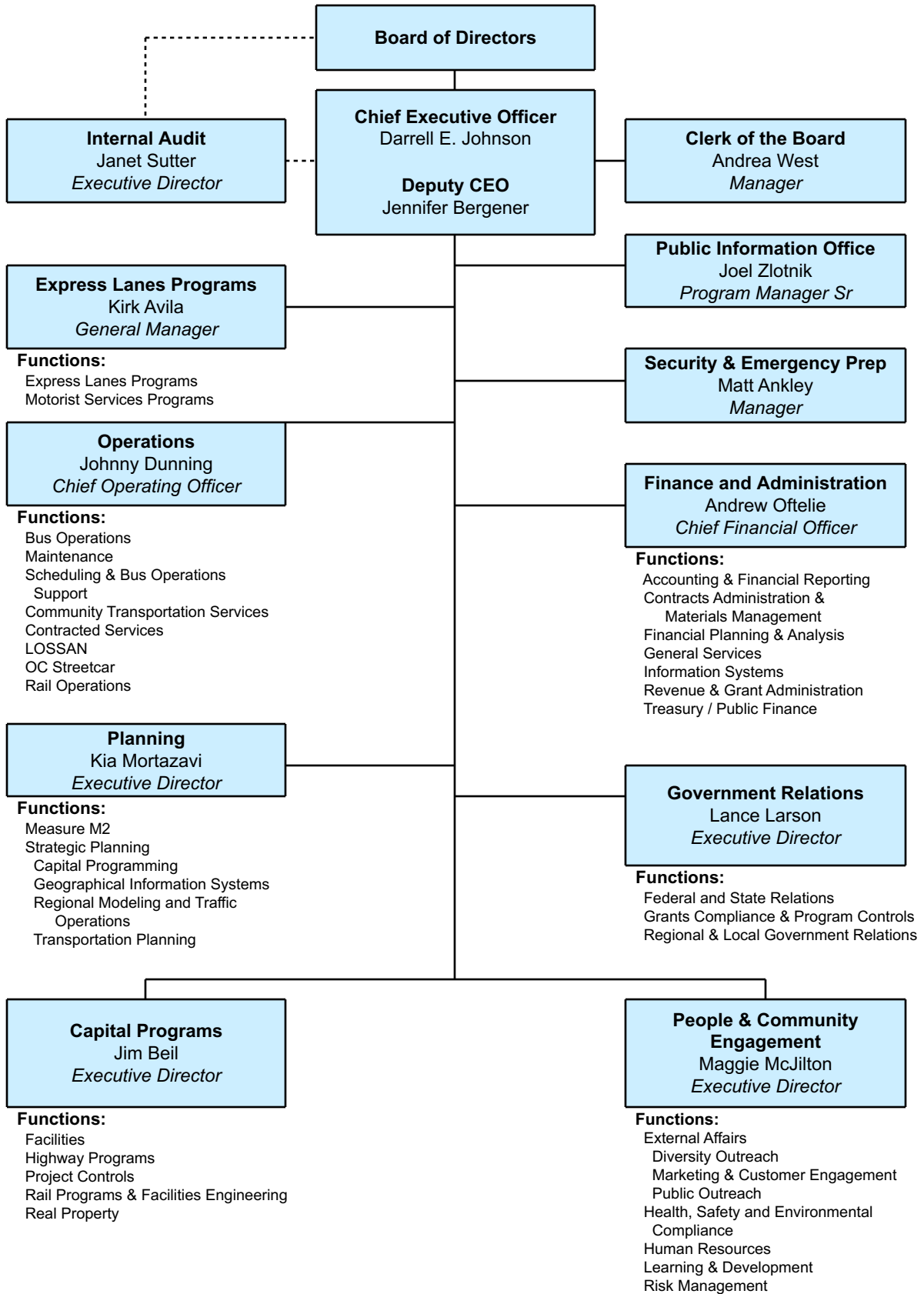


**Andrew Oftelie**  
Chief Financial Officer



# ORANGE COUNTY TRANSPORTATION AUTHORITY

## ORGANIZATION CHART



# 2023 BOARD OF DIRECTORS

---

**Gene Hernandez**  
**Chairman**  
City Member, 3rd District



**Tam Nguyen**  
**Vice Chairman**  
Public Member



**Doug Chaffee**  
**Director**  
Supervisor, 4th District



**Jose Diaz**  
**Director**  
City Member, 4th District



**Andrew Do**  
**Director**  
Supervisor, 1st District



**Jon Dumitru**  
**Director**  
City Member, 2nd District



**Jamey Federico**  
**Director**  
City Member, 5th District



**Katrina Foley**  
**Director**  
Supervisor, 5th District



**Brian Goodell**  
**Director**  
City Member, 5th District



**Patrick Harper**  
**Director**  
City Member, 1st District



**Michael Hennessey**  
**Director**  
Public Member



**Steve Jones**  
**Director**  
City Member, 1st District



**Fred Jung**  
**Director**  
City Member, 4th District



**Farrah N. Khan**  
**Director**  
City Member, 3rd District



**Jessie Lopez**  
**Director**  
City Member, 2nd District



**Vicente Sarmiento**  
**Director**  
Supervisor, 2nd District



**Donald P. Wagner**  
**Director**  
Supervisor, 3rd 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	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
Matt Ankley	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
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
Vacant	Manager, Information Systems Technical Services
Barry Reynolds	Manager, Cyber Security
Lloyd Sullivan	Director, Information Systems Administration
Rima Tan	Manager, Accounting and Financial Reporting
Pia Veasapen	Director, Contracts Administration and Materials Management
Victor Velasquez	Manager, Financial Planning and Analysis
Eden Wang	Manager, Enterprise Business Solutions



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, 2022**

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, 2023, 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, 2023, 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.

#### ***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 2, 2023 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 2, 2023

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(unaudited)  
For the Fiscal Year Ended June 30, 2023**

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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, 2023. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages iii-x and OCTA's financial statements that begin on page 16. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial Highlights**

- As of June 30, 2023, OCTA's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2,334,295 (net position). Of this amount, \$884,584 or 38% represents net investment in capital assets; \$802,341 or 34% is restricted for specific purposes; and the remaining portion represents unrestricted net position of \$647,370 or 28%.
- OCTA's total net position increased \$260,333 during fiscal year 2022-23. The increase in net position from governmental activities of \$106,968 was primarily due to increased sales tax revenue and investment earnings exceeding the overall expenses resulting from Measure M program. The net position from business-type activities increased by \$153,365 primarily due to increased contributions received from Local Transportation Fund (LTF) for planing, paratransit, and for operating expenses.
- OCTA's governmental funds reported combined ending fund balances of \$1,442,532, an increase of \$16,251 or 1% compared to fiscal year 2021-22. Approximately 67% 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 and investment earnings exceeding the overall expenses for LTA and nonmajor governmental funds.
- Long-term debt decreased by \$69,661, compared to the prior fiscal year. The decrease is primarily attributable to the defeasance of 2021 BANs of \$662,820 as a short-term financing vehicle during the construction of the I-405 Express Lanes Improvement Project offset by TIFIA Loan drawdown for \$628,930 in the current fiscal year.

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

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

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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 16-17 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 eight 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 three 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.

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 18-21 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

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

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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 22-28 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 29-71 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 72-77 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 78-94 of this report.

### **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, 2023, OCTA's assets and deferred outflows exceeded liabilities and deferred inflows by \$2,334,295.

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 \$884,584, compared to \$808,045 in fiscal year 2021-22. 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 \$76,539 was primarily due to progress of I-405 Express Lanes construction project.

Restricted net position, representing resources subjected to external restrictions on how they may be used, were 34% and 37% of the total net position at June 30, 2023 and 2022, respectively. In fiscal year 2022-23, the restricted net position increased by \$37,310 primarily due to the combination of the increase in the restricted net position from governmental activities of \$38,129 and the decrease of \$819 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.

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

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 2022-23, OCTA's unrestricted net position was \$647,370, a increase of \$146,484 from the prior fiscal year. The increase was mainly due to business-type activities related to I-405 Express Lanes construction.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 1,069,453	\$1,063,317	\$1,071,954	\$1,088,229	\$2,141,407	\$2,151,546
Restricted assets	542,357	536,686	39,230	60,031	581,587	596,717
Prepaid retirement	12,097	12,744	21,449	22,357	33,546	35,101
Assets held for resale	15,965	15,965	—	—	15,965	15,965
Capital assets, net	607,668	529,536	863,279	741,928	1,470,947	1,271,464
<b>Total assets</b>	<b>2,247,540</b>	<b>2,158,248</b>	<b>1,995,912</b>	<b>1,912,545</b>	<b>4,243,452</b>	<b>4,070,793</b>
Deferred outflows of resources	27,115	11,784	49,214	23,390	76,329	35,174
Current liabilities	157,431	145,316	132,352	110,729	289,783	256,045
Long-term liabilities	742,599	719,566	886,928	920,885	1,629,527	1,640,451
<b>Total liabilities</b>	<b>900,030</b>	<b>864,882</b>	<b>1,019,280</b>	<b>1,031,614</b>	<b>1,919,310</b>	<b>1,896,496</b>
Deferred inflows of resources	12,706	50,199	53,470	85,310	66,176	135,509
<b>Net position:</b>						
Net investment in capital assets	582,156	501,053	302,428	306,992	884,584	808,045
Restricted	773,909	735,780	28,432	29,251	802,341	765,031
Unrestricted	5,854	18,118	641,516	482,768	647,370	500,886
<b>Total net position</b>	<b>\$ 1,361,919</b>	<b>\$1,254,951</b>	<b>\$ 972,376</b>	<b>\$ 819,011</b>	<b>\$2,334,295</b>	<b>\$2,073,962</b>

OCTA's total revenues increased by 2%, while the total costs of all programs decreased by 2%. Major contributing factors for the increase of \$25,390 in total revenues are increase of \$112,519 in unrestricted investment income resulting from favorable investment performance, increase of \$56,329 in capital grants and contributions, increase of \$40,132 in sales tax revenue, and offset by decrease of \$183,320 in operating grants and contributions

During fiscal year 2022-23, OCTA's total expenses decreased \$18,981, which resulted mainly from costs related to freeway projects including the I-405 Express Lanes Improvement project under Measure M program, and offset by increase of fixed route and paratransit expenses. Approximately 41% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other

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

governments that subsidized certain programs with grants and contributions. Sales tax and investment earnings financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

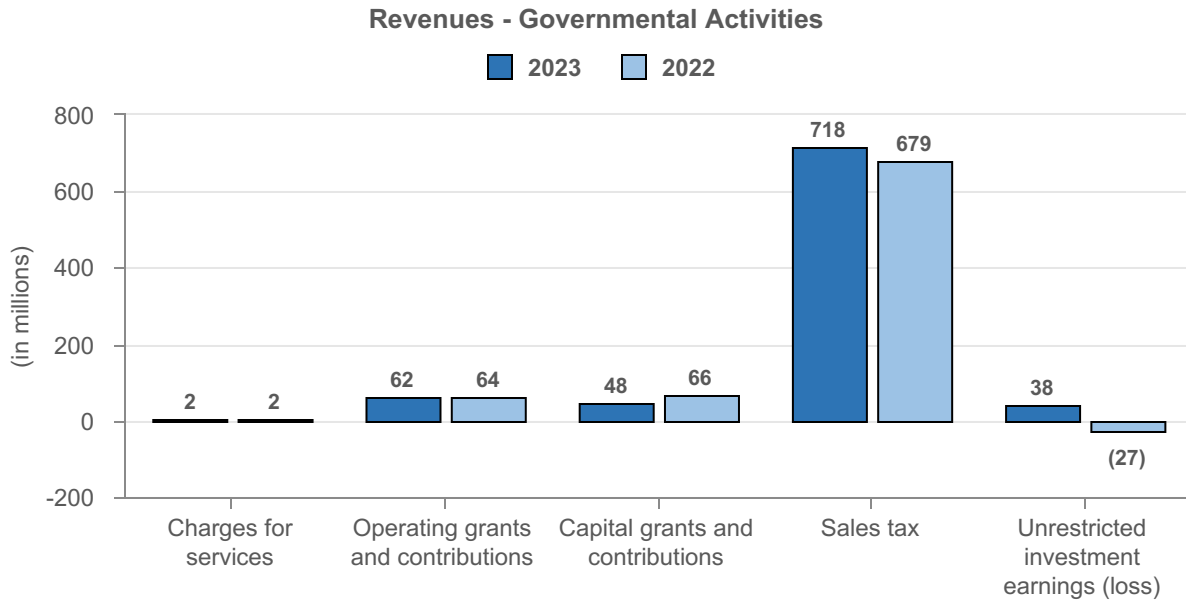
**Table 2  
Orange County Transportation Authority  
Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,193	\$ 2,467	\$ 106,139	\$ 107,319	\$ 108,332	\$ 109,786
Operating grants and contributions	61,774	63,978	77,750	258,866	139,524	322,844
Capital grants and contributions	47,923	65,949	84,923	10,568	132,846	76,517
<b>General revenues:</b>						
Sales tax	718,022	679,399	21,155	19,646	739,177	699,045
Unrestricted investment earnings (loss)	38,383	(27,383)	14,586	(32,167)	52,969	(59,550)
Other miscellaneous revenue	826	1,360	8,292	6,574	9,118	7,934
<b>Total revenues</b>	<b>869,121</b>	<b>785,770</b>	<b>312,845</b>	<b>370,806</b>	<b>1,181,966</b>	<b>1,156,576</b>
<b>Expenses:</b>						
General government	104,701	89,924	—	—	104,701	89,924
Measure M program	482,865	543,991	—	—	482,865	543,991
Motorist services	8,206	8,284	—	—	8,206	8,284
Commuter rail	15	194	—	—	15	194
Fixed route	—	—	210,789	179,877	210,789	179,877
Paratransit	—	—	99,541	88,131	99,541	88,131
Toll road	—	—	15,409	30,162	15,409	30,162
Fixed guideway	—	—	107	51	107	51
<b>Total expenses</b>	<b>595,787</b>	<b>642,393</b>	<b>325,846</b>	<b>298,221</b>	<b>921,633</b>	<b>940,614</b>
Indirect expense allocation	(55,455)	(52,347)	55,455	52,347	—	—
Increase (decrease) in net position before transfers	328,789	195,724	(68,456)	20,238	260,333	215,962
Transfers	(221,821)	104,009	221,821	(104,009)	—	—
<b>Change in net position</b>	<b>106,968</b>	<b>299,733</b>	<b>153,365</b>	<b>(83,771)</b>	<b>260,333</b>	<b>215,962</b>
Net position—beginning of year	1,254,951	955,218	819,011	902,782	2,073,962	1,858,000
<b>Net position—end of year</b>	<b>\$1,361,919</b>	<b>\$1,254,951</b>	<b>\$ 972,376</b>	<b>\$ 819,011</b>	<b>\$2,334,295</b>	<b>\$2,073,962</b>

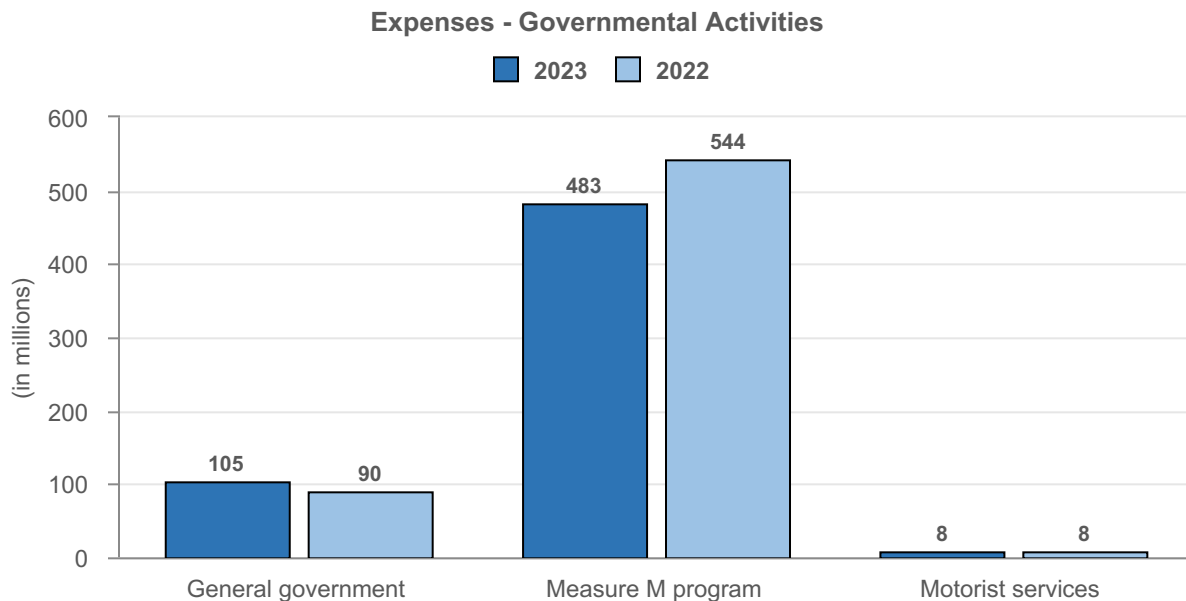
# ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

## Governmental Activities

Total revenues for OCTA's governmental activities increased \$83,351 primarily due to an increase in sales tax revenue of \$38,623 resulting from the economic recovery from the slowdown triggered by COVID-19 pandemic, and increase of \$65,766 in unrestricted investment earnings.



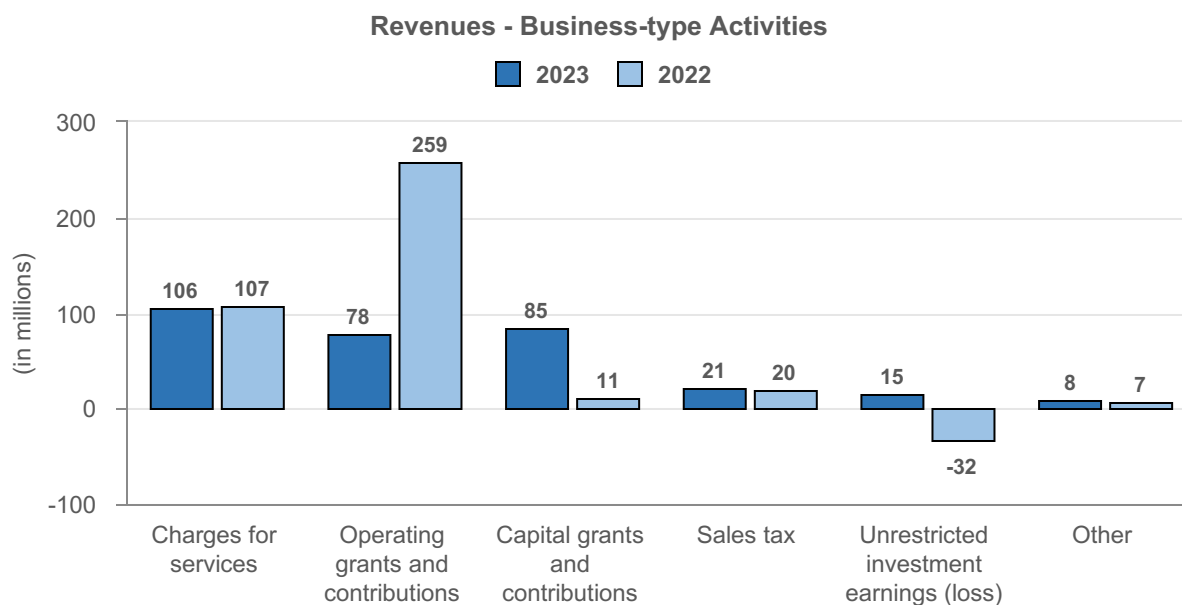
Total expenses for OCTA's governmental activities decreased \$46,606 primarily due to a decrease of \$61,126 in Measure M program costs related to freeway projects including the I-405 Express Lanes Improvement project.



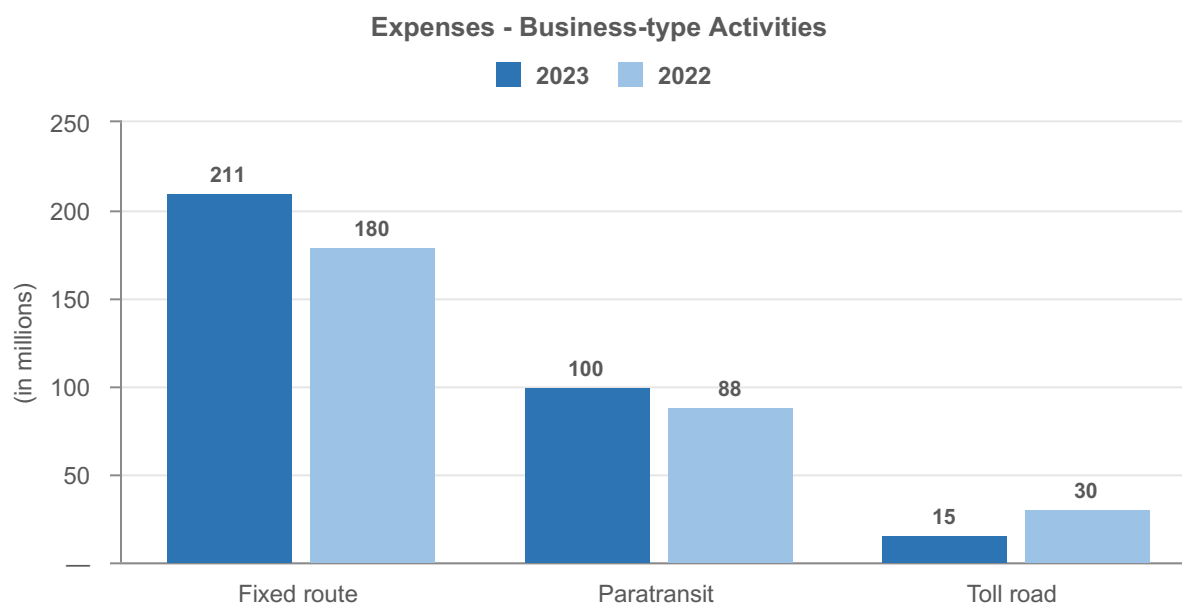
# ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

## Business-type Activities

Revenues of OCTA's business-type activities decreased \$57,961 primarily due to a decrease of \$181,116 in operating grants and contributions relating to transit operations, which is offset by an increase of \$74,355 in capital grants and contributions, and increase of \$46,753 in investment earnings due to the favorable investment performance.



Total expenses related to business-type activities increased \$27,625 or 9%, 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**

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### **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, 2023, OCTA's governmental funds reported combined ending fund balances of \$1,442,532, an increase of \$16,251 compared to the prior fiscal year. Approximately 96% or \$1,385,796 of this amount is restricted, the majority of which relates to the Measure M program. \$38,689 represents the portion of fund balance that is not in a spendable form, such as note receivable, prepaid retirement and advances for projects. \$28,218 is assigned for rail operations. The remainder of fund balance of \$(10,171) is unassigned.

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

- The General fund increased by \$3,094, 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 offset by exceeding expenditures over revenues for general government.
- The LTA fund decreased by \$50,753 or 5%. The decrease is a result of contributions to the LTA Debt Service Fund for debt service payments and the Capital Project fund to support the OC Streetcar project, which were offset by increased sales tax revenue from the post-pandemic economic recovery and favorable investment earnings.
- The LTF fund increased by \$33,465, primarily resulting from the combination of increased sales tax revenue and investment earnings, offset by 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 \$7,141, which is mainly due to favorable investment earnings and LTA fund received 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 \$938,944 at June 30, 2023 compared to \$789,224 at June 30, 2022. Following are the significant changes in net position of OCTA's major proprietary funds:

- The OCTD fund net position at June 30, 2023 was \$851,993. During fiscal year 2022-23, the total net position increased \$115,553, primarily resulting from an increase in Transportation Development Act (TDA) transfers to be used in operating or capital activities related 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 2022-23 increased \$29,925 or 10%. The increase is primarily due to operating revenues in excess of operating expenses and favorable investment earnings.

# ORANGE COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

## General Fund Budgetary Highlights

### Revenues

The primary sources of revenues for the general fund are from federal, state, and local sources. Actual revenues were \$2,981 more than the final budget of \$15,394. This is primarily due to OCTA receiving \$2,290 less in contributions from other agencies resulting from lower than anticipated State operating assistance, and offset by receiving \$2,325 higher than the final budget in allocated interest and investment earnings. In addition, capital assistance grants were \$3,000 more than the final budget. Most of the grant revenues are associated with active transportation projects such as bikeway and pedestrian facilities projects.

### Expenditures

Actual expenditures were \$4,729 lower than the final budget of \$37,463. This is primarily due to a lower than anticipated general fund cost allocation and offset by the other expenditure categories being lower than budgeted. Salaries and benefits expenses were \$2,596 less than the final budget, primarily due to vacancies. Capital outlay underrun by \$7,287, 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 2023-24.

### Capital Assets

As of June 30, 2023, OCTA had \$1,470,947, 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 2022-23, OCTA's capital assets increased by \$199,483. Capital assets related to governmental activities increased by \$78,132. 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 \$121,351, which resulted mainly from construction in progress related to the I-405 Express Lanes Improvement project.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
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	616	694	55,777	57,889	56,393	58,583
Transit vehicles	—	—	130,273	104,047	130,273	104,047
Machinery, equipment and furniture	2,647	2,779	20,406	18,914	23,053	21,693
Intangible right-to-use (building)	23,564	27,785	8,742	3,318	32,306	31,103
Intangible right-to-use (equipment)	20	103	—	—	20	103
Intangible right-to-use (Subscription Based IT Arrangements - SBITA)	1,347	—	568	—	1,915	—
Toll Facility Franchise	—	—	109,934	112,522	109,934	112,522
Construction in progress	399,938	318,639	480,473	388,132	880,411	706,771
<b>Total</b>	<b>\$ 607,668</b>	<b>\$ 529,536</b>	<b>\$ 863,279</b>	<b>\$ 741,928</b>	<b>\$1,470,947</b>	<b>\$1,271,464</b>

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

Major capital asset additions during the fiscal year included:

- \$74,039 for the I-405 Express Lanes Improvement Project
- \$79,098 for the OC Streetcar Project

Major capital asset deletions during the fiscal year included:

- \$31,617 for Revenue vehicles retirement
- \$744 for Other vehicles retirement

OCTA has outstanding capital expenditure commitments, the most significant of which are: \$222,497 for the I-405 Express Lanes Improvement project, \$88,008 for the OC Streetcar project, \$169,538 for the I-5 freeway widening construction project, \$13,590 for SR91 and I-405 express lane toll collection project, and \$14,647 for the SR-55 Widening project. As of June 30, 2023, OCTA has an intangible right-to-use subscription asset (SBITA) balance of \$1,915 as a result of implementation of GASB Statement No. 96 this year.

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, 2023, OCTA had \$1,281,844 in long-term debt outstanding compared to \$1,351,505 on June 30, 2022, as presented in Table 4. The decrease of \$69,661 is primarily attributable to the defeasance of 2021 BANs of \$662,820 as a short-term financing vehicle during the construction of the I-405 Express Lanes Improvement Project, offset by net TIFIA Loan drawdown and principal payment for \$620,189 in the current fiscal year.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Sales tax revenue bonds	\$ 590,235	\$ 610,170	\$ —	\$ —	\$ 590,235	\$ 610,170
Toll road revenue refunding bonds	—	—	71,420	78,515	71,420	78,515
TIFIA loan	—	—	620,189	—	620,189	—
BAN 2021 Series	—	—	—	662,820	—	662,820
<b>Total</b>	<b>\$ 590,235</b>	<b>\$ 610,170</b>	<b>\$ 691,609</b>	<b>\$ 741,335</b>	<b>\$ 1,281,844</b>	<b>\$ 1,351,505</b>

OCTA's long-term debt is rated by Standard & Poor's, Moody's, and Fitch. As of June 30, 2023, the ratings are as follows:

	<b>Standard &amp; Poor's</b>	<b>Moody's</b>	<b>Fitch</b>
Sales tax revenue bonds	AA+	Aa2	AA+
Toll road revenue refunding bonds	AA-	Aa3	AA-
TIFIA loan	n/a	Baa2	n/a

Additional information on OCTA's long-term debt can be found in note 11 to the financial statements.

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

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### **Economic and Other Factors**

The Board of Directors (Board) adopted the fiscal year 2023-24 budget on June 13, 2023. The \$1.7 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.

OCTA anticipates growth for both local and state sales taxes in the coming year. In fiscal year 2023-24, the growth rate for the Measure M2 (M2) sales tax is forecasted to be 2.6 percent. The growth rate for the Transportation Development Act sales tax, which supports bus operations, is forecasted to be 1.9 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 \$367 million to fund freeway improvement projects and \$185 million is budgeted to improve streets and roads. The budget also includes \$120 million for M2 Transit programs with \$49 million for ongoing construction of the OC Streetcar and \$45 million to support regional rail.

In fiscal year 2023-24, the budget to support the Bus Program is \$625 million. The budget has the capacity to support bus service levels of up to 1.47 million service hours and includes a capital budget of \$212 million. A portion of the capital budget includes the purchase of 60 zero-emission vehicles which furthers OCTA's efforts to test zero-emission technology. The budget includes continued support for regional rail service and provides the funding necessary to return to 90 percent of pre-pandemic levels of Metrolink service. Usage of the 91 Express Lanes is expected to dip slightly in fiscal year 2023-24 because of an anticipated decrease in trips due to a softening in the economy, high inflation, and high gas prices.

Construction will advance on the OC Streetcar project in the coming year, and the budget also anticipates completion of the I-405 Express Lanes Improvement Project and operations beginning on the 405 Express Lanes in December 2023.

The fiscal year 2023-24 budget delivers on the Board's Strategic 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 related to 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, 2023**

<i>(amounts expressed in thousands)</i>	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 837,123	\$ 994,965	\$ 1,832,088
Receivables:			
Interest	8,864	6,858	15,722
Operating grants	13,942	3,020	16,962
Capital grants	7,511	37,516	45,027
Other	971	12,479	13,450
Internal balances	585	(585)	—
Due from other governments	164,118	9,944	174,062
Condemnation deposits	16,065	444	16,509
Lease receivables	260	162	422
Note receivable	6,575	—	6,575
Inventory	—	5,217	5,217
Restricted cash and investments:			
Cash equivalents	—	39,230	39,230
Investments	542,357	—	542,357
Prepaid retirement	12,097	21,449	33,546
Other assets	13,439	1,934	15,373
Assets held for resale	15,965	—	15,965
Capital assets, net:			
Nondepreciable	579,474	537,579	1,117,053
Depreciable and amortizable	28,194	325,700	353,894
<b>Total assets</b>	<b>2,247,540</b>	<b>1,995,912</b>	<b>4,243,452</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	1,222	4,994	6,216
Deferred outflows - pensions	25,717	44,260	69,977
Deferred outflows - OPEB	176	(40)	136
<b>Total deferred outflows of resources</b>	<b>27,115</b>	<b>49,214</b>	<b>76,329</b>
<b>Liabilities</b>			
Accounts payable	108,658	90,913	199,571
Accrued payroll and related items	2,764	7,038	9,802
Accrued interest payable	12,699	1,328	14,027
Due to other governments	32,540	3,269	35,809
Unearned revenue	705	29,779	30,484
Other liabilities	65	25	90
Noncurrent liabilities:			
Due within one year	25,379	19,055	44,434
Due in more than one year	659,191	716,253	1,375,444
Total OPEB liability	794	1,722	2,516
Net pension liability	57,235	149,898	207,133
<b>Total liabilities</b>	<b>900,030</b>	<b>1,019,280</b>	<b>1,919,310</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows on refunding	—	31,661	31,661
Deferred inflows - pensions	12,355	21,435	33,790
Deferred inflows - OPEB	96	231	327
Deferred inflows - leases	255	143	398
<b>Total deferred inflows of resources</b>	<b>12,706</b>	<b>53,470</b>	<b>66,176</b>
<b>Net Position</b>			
Net investment in capital assets	582,156	302,428	884,584
Restricted for:			
Measure M program	277,099	—	277,099
Measure M - Environmental Mitigation Program	23,688	—	23,688
Debt service	31,303	341	31,644
Transportation program	423,150	—	423,150
Pension benefits	18,669	—	18,669
Capital	—	5,000	5,000
Operating reserve	—	3,312	3,312
State of Good Repair Program	—	19,779	19,779
Unrestricted	5,854	641,516	647,370
<b>Total net position</b>	<b>\$ 1,361,919</b>	<b>\$ 972,376</b>	<b>\$ 2,334,295</b>

See accompanying notes to the financial statements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	Program Revenues					Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>								
<b>Primary government</b>								
<b>Governmental activities:</b>								
General government	\$ 104,701	\$ (82,841)	\$ 935	\$ 5,722	\$ 47,923	\$ 32,720	\$ —	\$ 32,720
Measure M program	482,865	26,262	1,257	47,637	—	(460,233)	—	(460,233)
Motorist services	8,206	1,094	—	8,222	—	(1,078)	—	(1,078)
Commuter rail	15	30	1	193	—	149	—	149
Total governmental activities	595,787	(55,455)	2,193	61,774	47,923	(428,442)	—	(428,442)
<b>Business-type activities:</b>								
Fixed route	210,789	49,297	38,580	77,279	84,923	—	(59,304)	(59,304)
Paratransit	99,541	—	6,183	—	—	—	(93,358)	(93,358)
Tollroad	15,409	5,518	61,376	471	—	—	40,920	40,920
Fixed guideway	107	640	—	—	—	—	(747)	(747)
Total business-type activities	325,846	55,455	106,139	77,750	84,923	—	(112,489)	(112,489)
<b>Total primary government</b>	<b>\$ 921,633</b>	<b>\$ —</b>	<b>\$ 108,332</b>	<b>\$ 139,524</b>	<b>\$ 132,846</b>	<b>(428,442)</b>	<b>(112,489)</b>	<b>(540,931)</b>

**General Revenues:**

	Governmental Activities	Business-type Activities	Total
Property taxes	—	21,155	21,155
Sales taxes	718,022	—	718,022
Unrestricted investment earnings	38,383	14,586	52,969
Other miscellaneous revenues	826	8,292	9,118
Transfers	(221,821)	221,821	—
Total general revenues and transfers	535,410	265,854	801,264
<b>Change in net position</b>	<b>106,968</b>	<b>153,365</b>	<b>260,333</b>
Net position - beginning	1,254,951	819,011	2,073,962
<b>Net position - ending</b>	<b>\$ 1,361,919</b>	<b>\$ 972,376</b>	<b>\$ 2,334,295</b>

See accompanying notes to the financial statements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Balance Sheet - Governmental Funds**  
**June 30, 2023**

<i>(amounts expressed in thousands)</i>	General	LTA	Local Transportation	LTA Debt Service	General Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 59,115	\$ 401,558	\$ 299,423	\$ 26,062	\$ —	\$ 50,967	\$ 837,125
Receivables:							
Interest	27	4,774	3,517	90	2	454	8,864
Operating grants	889	13,054	—	—	—	—	13,943
Capital grants	—	—	—	—	7,511	—	7,511
Other	30	920	—	—	—	20	970
Due from other funds	691	16,359	—	—	8,103	—	25,153
Due from other governments	2,603	100,451	38,781	5,151	—	17,132	164,118
Condemnation deposits	—	16,065	—	—	—	—	16,065
Note receivable	3,452	1,979	—	—	—	1,144	6,575
Restricted cash and investments:							
Investments	18,669	523,688	—	—	—	—	542,357
Prepaid retirement	12,097	—	—	—	—	—	12,097
Other assets	391	711	—	—	9,111	—	10,213
<b>Total Assets</b>	<b>97,964</b>	<b>1,079,559</b>	<b>341,721</b>	<b>31,303</b>	<b>24,727</b>	<b>69,717</b>	<b>1,644,991</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	7,339	84,724	58	—	15,809	729	108,659
Accrued payroll and related items	2,764	—	—	—	—	—	2,764
Compensated absences	48	—	—	—	—	—	48
Due to other funds	—	8,757	377	—	7,658	9,314	26,106
Due to other governments	21	31,970	236	—	266	47	32,540
Unearned revenue - other	567	137	—	—	—	—	704
Other liabilities	48	17	—	—	—	—	65
<b>Total Liabilities</b>	<b>10,787</b>	<b>125,605</b>	<b>671</b>	<b>—</b>	<b>23,733</b>	<b>10,090</b>	<b>170,886</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - grant reimbursements	1,025	21,082	—	—	2,054	852	25,013
Unavailable revenue - reimbursements from others and other misc	—	3,422	—	—	—	—	3,422
Unavailable revenue - ARTIC	3,138	—	—	—	—	—	3,138
<b>Total Deferred Inflows of Resources</b>	<b>4,163</b>	<b>24,504</b>	<b>—</b>	<b>—</b>	<b>2,054</b>	<b>852</b>	<b>31,573</b>
<b>Fund Balances</b>							
Nonspendable:							
Note receivable	314	—	—	—	—	—	314
Prepaid retirement	12,097	—	—	—	—	—	12,097
Other assets - deposits, inventory, prepaid amounts	391	16,776	—	—	9,111	—	26,278
Restricted for:							
Transportation programs	23,325	912,674	341,050	—	—	57,400	1,334,449
Motorist services	—	—	—	—	—	1,375	1,375
Debt service	—	—	—	31,303	—	—	31,303
Pension benefits	18,669	—	—	—	—	—	18,669
Assigned to:							
Metrolink/rail operations	28,218	—	—	—	—	—	28,218
Unassigned	—	—	—	—	(10,171)	—	(10,171)
<b>Total Fund Balances</b>	<b>83,014</b>	<b>929,450</b>	<b>341,050</b>	<b>31,303</b>	<b>(1,060)</b>	<b>58,775</b>	<b>1,442,532</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 97,964</b>	<b>\$ 1,079,559</b>	<b>\$ 341,721</b>	<b>\$ 31,303</b>	<b>\$ 24,727</b>	<b>\$ 69,717</b>	<b>\$ 1,644,991</b>

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, 2023**

*(amounts expressed in thousands)*

Amounts reported for governmental activities in the Statement of Net Position (page 16) are different because:

<b>Total fund balances (page 18)</b>	<b>\$ 1,442,532</b>
Lease receivables related to leases are not financial resources and, therefore, are not reported in the funds.	260
Prepaid SBITA assets are not current financial resources and and, therefore, are not reported in the funds.	3,224
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	582,156
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.	31,573
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.	1,222
Deferred outflows of resources related to pensions are not available to pay for current period expenditures and, therefore, are not reported in the funds.	25,717
Deferred outflows of resources related to OPEB are not available to pay for current period expenditures and, therefore, are not reported in the funds.	176
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.	1,538
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.	(12,699)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(794)
Long-term liabilities related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.	(57,235)
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.	(12,451)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(659,265)
<b>Net position of governmental activities (page 16)</b>	<b>\$ 1,361,919</b>

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, 2023**

<i>(amounts expressed in thousands)</i>	<b>General</b>	<b>LTA</b>	<b>Local Transportation</b>	<b>LTA Debt Service</b>	<b>General Capital Project</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>							
Sales tax	\$ —	\$ 439,123	\$ 222,452	\$ —	\$ —	\$ 56,447	\$ 718,022
Transportation improvement fee	—	—	—	—	—	6,619	6,619
Vehicle registration fees	—	—	—	—	—	2,952	2,952
Fines	163	—	—	—	—	—	163
Contributions from other agencies	8,382	65,058	—	—	—	4,418	77,858
Interest and investment earnings	6,770	17,974	7,204	8,698	—	883	41,529
Capital assistance grants	2,306	—	—	—	40,078	—	42,384
Miscellaneous	819	1,711	—	—	—	25	2,555
<b>Total revenues</b>	<b>18,440</b>	<b>523,866</b>	<b>229,656</b>	<b>8,698</b>	<b>40,078</b>	<b>71,344</b>	<b>892,082</b>
<b>Expenditures</b>							
Current:							
General government	14,834	93,273	2,133	—	3,050	9,352	122,642
Transportation:							
Contributions to other local agencies	105	102,306	3,115	—	—	—	105,526
Capital outlay	6,886	282,054	—	—	83,354	14	372,308
Debt service:							
Principal	—	—	—	19,935	—	—	19,935
Interest	—	—	—	34,949	—	—	34,949
<b>Total expenditures</b>	<b>21,825</b>	<b>477,633</b>	<b>5,248</b>	<b>54,884</b>	<b>86,404</b>	<b>9,366</b>	<b>655,360</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,385)</b>	<b>46,233</b>	<b>224,408</b>	<b>(46,186)</b>	<b>(46,326)</b>	<b>61,978</b>	<b>236,722</b>
<b>Other financing sources (uses)</b>							
Transfers in	5,130	15,430	—	56,290	45,266	—	122,116
Transfers out	—	(112,416)	(190,943)	(2,963)	—	(37,614)	(343,936)
Proceeds from sale of capital assets	1,349	—	—	—	—	—	1,349
<b>Total other financing sources (uses)</b>	<b>6,479</b>	<b>(96,986)</b>	<b>(190,943)</b>	<b>53,327</b>	<b>45,266</b>	<b>(37,614)</b>	<b>(220,471)</b>
<b>Net change in fund balances</b>	<b>3,094</b>	<b>(50,753)</b>	<b>33,465</b>	<b>7,141</b>	<b>(1,060)</b>	<b>24,364</b>	<b>16,251</b>
Fund balances - beginning	79,920	980,203	307,585	24,162	—	34,411	1,426,281
<b>Fund balances - ending</b>	<b>\$ 83,014</b>	<b>\$ 929,450</b>	<b>\$ 341,050</b>	<b>\$ 31,303</b>	<b>\$ (1,060)</b>	<b>\$ 58,775</b>	<b>\$ 1,442,532</b>

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, 2023**

*(amounts expressed in thousands)*

Amounts reported for governmental activities in the Statement of Activities (page 17) are different because:

<b>Net change in fund balances - total governmental funds (page 20)</b>	<b>\$ 16,251</b>
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.	80,497
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, and donations) is to increase net position.	4,632
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.	(1,349)
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.	(22,828)
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.	22,498
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.	4,085
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.	2,798
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.	384
<b>Change in net position of governmental activities (page 17)</b>	<b><u>\$ 106,968</u></b>

See accompanying notes to the financial statements.

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Statement of Net Position

### Proprietary Funds

June 30, 2023

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor- OC Streetcar	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 673,815	\$ 266,837	\$ 50	\$ —	\$ 940,702	\$ 54,261
Receivables:						
Interest	4,521	1,875	—	—	6,396	462
Operating grants	3,020	—	—	—	3,020	—
Capital grants	37,516	—	—	—	37,516	—
Violations, net	—	1,925	—	—	1,925	—
Farebox	225	—	—	—	225	—
Other	2,707	1,538	—	—	4,245	524
Due from other funds	9,819	—	—	9	9,828	—
Due from other governments	9,606	338	—	—	9,944	—
Condemnation deposits	—	—	444	—	444	—
Lease receivables	150	—	—	—	150	—
Inventory	5,217	—	—	—	5,217	—
Prepaid retirement	21,449	—	—	—	21,449	—
Other assets	111	467	—	—	578	1,356
Total current assets	768,156	272,980	494	9	1,041,639	56,603
Noncurrent assets:						
Restricted cash and investments:						
Cash equivalents	19,779	19,451	—	—	39,230	—
Long-term violation receivables, net	—	5,559	—	—	5,559	—
Lease receivables	13	—	—	—	13	—
Capital assets, net:						
Nondepreciable	96,677	3,672	437,230	—	537,579	—
Depreciable and amortizable	198,505	119,827	7,368	—	325,700	—
Total noncurrent assets	314,974	148,509	444,598	—	908,081	—
<b>Total assets</b>	<b>1,083,130</b>	<b>421,489</b>	<b>445,092</b>	<b>9</b>	<b>1,949,720</b>	<b>56,603</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	—	4,994	—	—	4,994	—
Deferred outflows - pensions	44,260	—	—	—	44,260	—
Deferred outflows - OPEB	(40)	—	—	—	(40)	—
<b>Total deferred outflows of resources</b>	<b>44,220</b>	<b>4,994</b>	<b>—</b>	<b>—</b>	<b>49,214</b>	<b>—</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**Statement of Net Position  
Proprietary Funds, Continued  
June 30, 2023**

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor- OC Streetcar	Total Enterprise Funds	Internal Service Funds
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 64,425	\$ 11,427	\$ 14,245	\$ 9	\$ 90,106	\$ 803
Accrued payroll and related items	7,038	—	—	—	7,038	—
Accrued interest	1	1,327	31	—	1,359	—
Due to other funds	174	3,889	4,812	—	8,875	—
Claims payable	—	—	—	—	—	3,870
Due to other governments	1,631	1,057	581	—	3,269	—
Unearned revenue	19,532	10,247	—	—	29,779	—
Other liabilities	2	21	—	—	23	—
Current portion of long-term liabilities	7,725	7,460	—	—	15,185	—
Lease liabilities	—	369	53	—	422	—
Subscription liabilities	34	—	—	—	34	—
<b>Total current liabilities</b>	<b>100,562</b>	<b>35,797</b>	<b>19,722</b>	<b>9</b>	<b>156,090</b>	<b>4,673</b>
<b>Noncurrent liabilities:</b>						
Claims payable	—	—	—	—	—	16,957
Total OPEB liability	1,722	—	—	—	1,722	—
Net pension liability	149,898	—	—	—	149,898	—
Other long-term liabilities	1,124	68,763	620,189	—	690,076	—
Lease liabilities	—	2,675	5,817	—	8,492	—
Subscription liabilities	242	—	—	—	242	—
<b>Total noncurrent liabilities</b>	<b>152,986</b>	<b>71,438</b>	<b>626,006</b>	<b>—</b>	<b>850,430</b>	<b>16,957</b>
<b>Total liabilities</b>	<b>253,548</b>	<b>107,235</b>	<b>645,728</b>	<b>9</b>	<b>1,006,520</b>	<b>21,630</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows - pensions	21,435	—	—	—	21,435	—
Deferred inflows - OPEB	231	—	—	—	231	—
Deferred inflows on refunding	—	—	31,661	—	31,661	—
Deferred inflows - leases	143	—	—	—	143	—
<b>Total deferred inflows of resources</b>	<b>21,809</b>	<b>—</b>	<b>31,661</b>	<b>—</b>	<b>53,470</b>	<b>—</b>
<b>Net Position</b>						
Net investment in capital assets	272,516	60,025	(30,113)	—	302,428	—
Restricted for:						
Debt service	—	341	—	—	341	—
Capital	—	5,000	—	—	5,000	—
Operating reserves	—	3,312	—	—	3,312	—
State of Good Repair Program	19,779	—	—	—	19,779	—
Unrestricted	559,698	250,570	(202,184)	—	608,084	34,973
<b>Total net position</b>	<b>\$ 851,993</b>	<b>\$ 319,248</b>	<b>\$ (232,297)</b>	<b>\$ —</b>	<b>\$ 938,944</b>	<b>\$ 34,973</b>

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. 2023**

*(amounts expressed in thousands)*

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Amounts reported for business-type activities in the Statement of Net Position (page 16) are different because:

<b>Total net position (page 23)</b>	<b>\$ 938,944</b>
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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.

33,432

<b>Net position of business-type activities (page 16)</b>	<b><u>\$ 972,376</u></b>
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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, 2023**

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor- OC Streetcar	Total Enterprise Funds	Internal Service Funds
<b>Operating revenues:</b>						
User fees and charges	\$ 29,834	\$ 63,075	\$ —	\$ —	\$ 92,909	\$ —
Charges for services	3	—	—	—	3	13,501
<b>Total operating revenues</b>	<b>29,837</b>	<b>63,075</b>	<b>—</b>	<b>—</b>	<b>92,912</b>	<b>13,501</b>
<b>Operating expenses:</b>						
Wages, salaries and benefits	124,396	—	—	—	124,396	—
Maintenance, parts and fuel	26,949	—	—	—	26,949	—
Purchased services	86,319	5,774	—	—	92,093	—
Administrative services	48,999	3,784	1,734	640	55,157	298
Other	9,958	454	9	—	10,421	246
Insurance claims and premiums	—	543	—	—	543	8,408
Professional services	22,042	5,813	683	107	28,645	1,447
General and administrative	4,866	111	12	—	4,989	—
Depreciation and amortization	29,218	5,868	122	—	35,208	—
<b>Total operating expenses</b>	<b>352,747</b>	<b>22,347</b>	<b>2,560</b>	<b>747</b>	<b>378,401</b>	<b>10,399</b>
<b>Operating income (loss)</b>	<b>(322,910)</b>	<b>40,728</b>	<b>(2,560)</b>	<b>(747)</b>	<b>(285,489)</b>	<b>3,102</b>
<b>Nonoperating revenues (expenses):</b>						
State transit assistance	8,447	—	—	—	8,447	—
Federal operating assistance grants	68,814	—	—	—	68,814	—
Property taxes allocated by the County of Orange	21,155	—	—	—	21,155	—
Investment earnings	8,585	4,410	852	—	13,847	739
Interest income (expense)	(5)	(3,666)	5,950	—	2,279	—
Other	13,438	467	—	—	13,905	188
<b>Total nonoperating revenues</b>	<b>120,434</b>	<b>1,211</b>	<b>6,802</b>	<b>—</b>	<b>128,447</b>	<b>927</b>
<b>Income (loss) before contributions and transfers</b>	<b>(202,476)</b>	<b>41,939</b>	<b>4,242</b>	<b>(747)</b>	<b>(157,042)</b>	<b>4,029</b>
Capital contributions	84,941	—	—	—	84,941	—
Transfers in	234,484	—	—	747	235,231	—
Transfers out	(1,396)	(12,014)	—	—	(13,410)	—
<b>Change in net position</b>	<b>115,553</b>	<b>29,925</b>	<b>4,242</b>	<b>—</b>	<b>149,720</b>	<b>4,029</b>
Total net position - beginning	736,440	289,323	(236,539)	—	789,224	30,944
<b>Total net position - ending</b>	<b>\$ 851,993</b>	<b>\$ 319,248</b>	<b>\$ (232,297)</b>	<b>\$ —</b>	<b>\$ 938,944</b>	<b>\$ 34,973</b>

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, 2023**

*(amounts expressed in thousands)*

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Amounts reported for business-type activities in the Statement of Activities (page 17) are different because:

<b>Net change in fund net position - total enterprise funds (page 25)</b>	<b>\$ 149,720</b>
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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.

3,645

<b>Change in net position of business-type activities (page 17)</b>	<b><u>\$ 153,365</u></b>
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See accompanying notes to the financial statements.



**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor- OC Streetcar	Total	Internal Service Funds
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 29,804	\$ 67,389	\$ —	\$ —	\$ 97,193	\$ —
Receipts from interfund services provided	—	—	—	—	—	13,455
Payments to suppliers	(130,309)	(10,532)	(709)	(107)	(141,657)	(1,680)
Payments to claimants	—	—	—	—	—	(7,238)
Payments to employees	(128,213)	—	—	—	(128,213)	—
Payments for interfund services used	(54,823)	(3,784)	(1,734)	(640)	(60,981)	(298)
Advertising revenue received	2,794	—	—	—	2,794	—
Miscellaneous revenue received	6,122	468	—	—	6,590	188
<b>Net cash provided by (used for) operating activities</b>	<b>(274,625)</b>	<b>53,541</b>	<b>(2,443)</b>	<b>(747)</b>	<b>(224,274)</b>	<b>4,427</b>
<b>Cash flows from noncapital financing activities:</b>						
Operating assistance grants received	168,000	—	—	—	168,000	—
Property taxes received	21,111	—	—	—	21,111	—
Reimbursement from other governments	—	438	—	—	438	—
State transit assistance funds received	6,763	—	—	—	6,763	—
Transfers from other funds	237,195	—	4,812	747	242,754	—
Transfers to other funds	(1,355)	(10,163)	(156)	—	(11,674)	—
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>431,714</b>	<b>(9,725)</b>	<b>4,656</b>	<b>747</b>	<b>427,392</b>	<b>—</b>
<b>Cash flows from capital and related financing activities:</b>						
Capital grants for acquisition and construction of capital assets	46,858	—	—	—	46,858	—
Proceeds from issuance of long term debt	—	—	—	—	—	—
Principal payment on long-term debt	—	(7,095)	(15,250)	—	(22,345)	—
Interest paid on long-term debt	—	(3,767)	(65,195)	—	(68,962)	—
Acquisition and construction of capital assets	(73,439)	(2,238)	(72,868)	—	(148,545)	—
<b>Net cash used for capital and related financing activities</b>	<b>(26,581)</b>	<b>(13,100)</b>	<b>(153,313)</b>	<b>—</b>	<b>(192,994)</b>	<b>—</b>
<b>Cash flows from investing activities:</b>						
Investment earnings	5,944	2,928	853	—	9,725	453
<b>Net cash provided by investing activities</b>	<b>5,944</b>	<b>2,928</b>	<b>853</b>	<b>—</b>	<b>9,725</b>	<b>453</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>136,452</b>	<b>33,644</b>	<b>(150,247)</b>	<b>—</b>	<b>19,849</b>	<b>4,880</b>
Cash and cash equivalents at beginning of year	557,142	252,644	150,297	—	960,083	49,381
<b>Cash and cash equivalents at end of year</b>	<b>\$693,594</b>	<b>\$286,288</b>	<b>\$ 50</b>	<b>\$ —</b>	<b>\$979,932</b>	<b>\$54,261</b>

See accompanying notes to the financial statements.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Cash Flows**  
**Proprietary Funds, Continued**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	OCTD	91 Express Lanes	I-405 Express Lanes	Nonmajor- OC Streetcar	Total	Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$(322,910)	\$ 40,728	\$ (2,560)	\$ (747)	\$(285,489)	\$ 3,102
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	29,218	3,281	122	—	32,621	—
Amortization of franchise agreement	—	2,587	—	—	2,587	—
Advertising revenue	3,333	—	—	—	3,333	—
Miscellaneous	10,101	466	—	—	10,567	—
Insurance recoveries	—	—	—	—	—	188
Change in assets and liabilities:						
Receivables	(458)	1,368	—	—	910	(54)
Due from other governments	(4,022)	—	—	—	(4,022)	—
Inventory	(661)	—	—	—	(661)	—
Prepaid retirement	908	—	—	—	908	—
Other assets	(56)	(130)	—	—	(186)	(46)
Deferred outflows of resources - pensions	(26,597)	—	—	—	(26,597)	—
Deferred outflows of resources - OPEB	104	—	—	—	104	—
Accounts payable	14,309	2,231	—	—	16,540	(233)
Accrued payroll and related items	606	—	—	—	606	—
Compensated absences	151	—	—	—	151	—
Claims payable	—	—	—	—	—	1,470
Due to other governments	329	63	—	—	392	—
Unearned revenue	—	2,979	(5)	—	2,974	—
Other liabilities	—	(32)	—	—	(32)	—
Total OPEB liability	5	—	—	—	5	—
Net pension liability	84,384	—	—	—	84,384	—
Deferred inflows of resources - pensions	(63,320)	—	—	—	(63,320)	—
Deferred inflows of resources - OPEB	(49)	—	—	—	(49)	—
Total adjustments	48,285	12,813	117	—	61,215	1,325
<b>Net cash provided by (used for) operating activities</b>	<b>(274,625)</b>	<b>53,541</b>	<b>(2,443)</b>	<b>(747)</b>	<b>(224,274)</b>	<b>4,427</b>
<b>Reconciliation of cash and cash equivalents to statement of net position:</b>						
Cash and investments	673,815	266,837	50	—	940,702	54,261
Restricted cash and cash equivalents	19,779	19,451	—	—	39,230	—
<b>Total cash and cash equivalents</b>	<b>\$ 693,594</b>	<b>\$ 286,288</b>	<b>\$ 50</b>	<b>\$ —</b>	<b>\$ 979,932</b>	<b>\$ 54,261</b>
<b>Noncash capital, financing and investing activities:</b>						
Unrealized investment earnings	\$ 2,513	\$ 1,425	\$ —	\$ —	\$ 3,938	\$ 274
Amortization of bond premium	—	(644)	—	—	(644)	—
Amortization of deferred amount on refunding	—	670	—	—	670	—
Proceeds from issuance of long term debt (TIFIA loan)	—	—	628,930	—	628,930	—
Interest accretion on TIFIA loan	—	—	6,478	—	6,478	—
Principal payment on long-term debt (2021 BAN)	—	—	(662,820)	—	(662,820)	—
Capital assets accrued in accounts payable	20,990	—	232	—	21,222	—

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**  
**(amounts expressed in thousands)**

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**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.

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

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

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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 tax, 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.

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, 2023, interest expense (income) of \$31,950 and \$(2,279), 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 tax 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.

## ORANGE COUNTY TRANSPORTATION AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

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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, the Additional Retiree Benefit Account (ARBA) fund and the Scholarship fund are reported as part of the General Fund effective in 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.
- **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 are the TIFIA Loan and BAN 2021 Series (refunded). 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.

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

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### **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 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, 2023, 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

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

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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 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 \$2,948. For those violations in excess of 90 days, the receivable is estimated using a

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

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three-year average of violations collected and is recorded net, 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 \$283. Approximately \$5,559 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 2022-23 fiscal year, \$85,652 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 \$13,501 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 2023-24 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).

### **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 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.



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

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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, Fiduciary Activities, 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.

### **Capital Assets**

Capital assets include land, construction in progress, buildings and improvements, machinery, equipment and furniture, transit vehicles, toll facility franchise, transponders, intangible right-to-use lease assets, and intangible right-to-use subscription-based information technology arrangements (SBITA) 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 over the shorter of lease term or useful life of the asset. In addition, OCTA records the value of intangible right-to-use

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

SBITA assets in accordance with GASB Statement No. 96, SBITAs. The subscription asset is amortized year over the shorter of the subscription term or the useful life of the underlying IT assets.

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:

<b>Asset Type</b>	<b>Useful Life</b>
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
Intangible right-to-use (SBITA)	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.

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 the shorter of its useful life or the lease term.

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

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

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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.

### **Subscription-Based Information Technology Arrangements (SBITAs)**

OCTA recognizes a subscription asset (intangible asset) and a corresponding subscription liability. A subscription liability is recognized at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges OCTA, when available, or estimated incremental borrowing rate as the discount rate for SBITAs. OCTA recognizes amortization of the discount on the subscription liability as an outflow of resources in subsequent financial reporting periods.

The subscription asset is initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. OCTA recognizes amortization of the subscription asset as an outflow of resources over the subscription term.

### **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 each year in December.

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

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

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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 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 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 revenue 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 four deferred inflow of resources reported in the government-wide statement of net position. These items are the deferred 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; deferred inflows related to refunding; 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 14 for information related to amortization of the deferred outflows/inflows of resources related to pensions and note 15 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.

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### **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 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.

## ORANGE COUNTY TRANSPORTATION AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

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### **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 \$802,341 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.
- ***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.

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

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 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 \$582,156 difference are as follows:

Capital assets	\$ 625,979
Less accumulated depreciation	(18,311)
Less lease & subscription liabilities	(25,257)
Less deferred inflows - leases	(255)
<b>Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities</b>	<b><u><u>\$ 582,156</u></u></b>

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 \$(659,265) difference are as follows:

Bonds payable	\$ (590,235)
Plus unamortized bond issuance premium (to be amortized to interest expense)	(55,664)
Administrative headquarters' rent holiday	(4,311)
Compensated absences	(9,055)
<b>Net adjustment to decrease fund balance – total governmental funds to arrive at net position – governmental activities</b>	<b><u><u>\$ (659,265)</u></u></b>

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

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**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 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 \$80,497 difference are as follows:

Capital outlay	\$ 86,096
Depreciation expense	<u>(5,599)</u>
<b>Net adjustment to increase net change in fund balance – total governmental funds to arrive at change in net position – governmental activities</b>	<b><u>\$ 80,497</u></b>

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 \$22,498 difference are as follows:

Principal repayments	\$ 19,935
Change in accrued interest	334
Amortization of premium/deferred charge on refunding	<u>2,229</u>
<b>Net adjustment to increase net change in fund balance – total governmental funds to arrive at change in net position – governmental activities</b>	<b><u>\$ 22,498</u></b>



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

**3. CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2023:

<b>Cash:</b>	
Deposits	\$ 69,249
Petty Cash	7
<b>Total Cash</b>	<b>69,256</b>
 <b>Investments:</b>	
Orange County Treasurer	17,207
LAIF	21,189
Trustee	358,510
Custodian	1,923,825
CA Community Foundation (CCF)	23,688
<b>Total Investments</b>	<b>2,344,419</b>
<b>Total Cash and Investments</b>	<b>\$ 2,413,675</b>

Total cash and investments are reported in the following funds:

<b>Unrestricted Cash and Investments:</b>	
Governmental Funds	\$ 837,125
Proprietary Funds:	
Enterprise Funds	940,702
Internal Service Funds	54,261
 <b>Restricted Cash and Investments:</b>	
Governmental Funds	542,357
Proprietary Funds:	
Enterprise Funds	39,230
<b>Total Cash and Investments</b>	<b>\$ 2,413,675</b>

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

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

As of June 30, 2023, OCTA had the following investments along with weighted average maturity (WAM) information:

<b>Investment</b>	<b>Fair Value</b>	<b>Interest Rate Range (Rounded)</b>	<b>Maturity Range</b>	<b>WAM (Years)</b>
Orange County Investment Pool*	\$ 17,207	0.523% - 2.500%	1 day - 3 years	0.616
Local Agency Investment Fund*	21,189	0.861% - 3.167%	260 - 311 days	0.712
U. S. Treasuries	829,334	0.125% - 4.625%	10/31/23 – 11/15/27	2.157
U. S. Agency Notes	309,773	0.200% - 5.625%	07/10/23 - 06/09/28	1.850
Medium Term Notes	310,368	0.350% - 5.500%	07/07/23 - 05/10/27	1.685
Variable Rate Notes	153,760	0.563% - 6.138%	07/25/23 - 12/25/27	2.433
Mortgage & Asset Backed Securities	233,385	0.260% - 5.840%	04/09/24 - 06/15/28	3.358
Money Market Funds *	337,360	4.690%-5.000%	7/01/2023	0.003
Municipal Debt	46,350	0.414% - 5.393%	07/01/23 - 09/01/27	1.435
Commercial Paper *	10,799	4.960%	07/03/2023	0.008
Negotiable CD*	32,971	4.100% - 5.670%	12/05/23 - 11/03/25	1.056
CCF Investment Fund	23,688	N/A	N/A	N/A
Supranational	18,235	0.250% - 2.500%	11/24/23 - 09/23/24	0.961
<b>Total Investments</b>	<b><u>\$ 2,344,419</u></b>			

Portfolio Weighted 1.786

\* 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, 2023, 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.

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

<u>Fair Value Measurement using:</u>				
<b>Investments by Fair Value Level</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
U.S. Treasuries	\$ 829,334	\$ —	\$ 829,334	\$ —
U.S. Agency Notes	309,773	—	309,773	—
Medium Term Notes	310,368	—	310,368	—
Mortgage & Asset Backed Securities	233,385	—	233,385	—
Variable Rate Notes	153,760	—	153,760	—
Municipal Debt	46,350	—	46,350	—
CCF Investment Fund	23,688	—	—	23,688
Supranationals	18,235	—	18,235	—
<b>Total Leveled Investments</b>	<b>\$ 1,924,893</b>	<b>\$ —</b>	<b>\$ 1,901,205</b>	<b>\$ 23,688</b>

**Investments Not Subject to the Fair Value Hierarchy**

Money Market Funds	\$ 337,360
Orange County Investment Pool	17,207
Local Agency Investment Fund	21,189
Commercial Paper	10,799
Negotiable Certificate of Deposit	32,971
<b>Total Investments Not Subject to the Fair Value Hierarchy</b>	<b>419,526</b>
<b>Total Investments</b>	<b>\$ 2,344,419</b>

**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, 2023, mortgage and asset-backed securities totaled \$233,385. 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).

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

**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, 2023, 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, 2023 (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U.S. government):

<b>Investments</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>% of Portfolio</b>
CA Community Foundation Fund	NR	NR	1.01%
Orange County Investment Pool	NR	NR	0.73%
Local Agency Investment Fund	NR	NR	0.90%
U.S. Treasuries	NR	NR	35.37%
U.S. Agency Notes	AA	Aaa	13.21%
Medium Term Notes			
Corporate Notes	AA	Aaa	1.48%
Corporate Notes	AA	Aa	2.27%
Corporate Notes	AA	A	0.37%
Corporate Notes	A	A	8.23%
Elevance Health Inc	A	Baa	0.04%
Corporate Notes	A	NR	0.30%
Corporate Notes	BBB	A	0.55%
Mortgage and Asset-Backed Securities			
Securities	AAA	Aaa	2.36%
Securities	AAA	NR	5.07%
Securities	NR	Aaa	2.45%
Ford	NR	Aa	0.07%

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

<b>Investments</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>% of Portfolio</b>
Variable Rate Notes			
FHMS	AAA	Aaa	0.16%
Bank of New York	AA	Aa	0.21%
Notes	AA	Aaa	1.03%
Notes	A	A	3.47%
Citizens Bank	A	Baa	0.10%
Notes	BBB	A	1.41%
Notes	BBB	Baa	0.14%
Morgan Stanley	NA	A	0.05%
Money Market Funds	AAA	Aaa	14.39%
Municipal Bonds			
Various Agencies	AAA	Aa	0.15%
Various Agencies	AA	Aa	0.55%
New Jersey State Authority	AA	A	0.03%
Various Agencies	AA	NR	0.45%
Golden State Securitization Corp.	A	Aa	0.08%
Hawaii State	A	A	0.03%
Various Agencies	NR	Aa	0.46%
Various Agencies	NR	NR	0.23%
Commercial Paper			
Natixis	A-1	P-1	0.46%
Certificate of Deposit			
Various	AA	Aa	0.41%
Credit Agricole	A	Aa	0.15%
BMO	A-1	P-1	0.85%
Supranational			
Various	AAA	Aaa	0.78%
<b>Total</b>			<b>100%</b>

**Concentration of Credit Risk**

At June 30, 2023, 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
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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, 2023:

<b>Issuer</b>	<b>Amount</b>	<b>% of OCTA's Portfolio</b>
Federal Home Loan Mortgage Corporation	\$ 193,749	8.26 %

**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 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 2022-23 total \$107,994. A receivable of \$16,962 is outstanding as of June 30, 2023.

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

**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 2022-23 related to capital investments total \$5,951. A receivable of \$45,027 is outstanding as of June 30, 2023.

**Local Transportation Fund**

In fiscal year 2022-23, 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 2022-23, OCTA became entitled to \$5,130 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 \$56,447 and \$6,619 in STA and SGR respectively, in fiscal year 2022-23.

**5. DUE FROM/TO OTHER GOVERNMENTS**

Amounts due from other governments as of June 30, 2023 in the fund financial statements are as follows:

	Governmental Funds					Enterprise Funds		
Receivables:	General	LTA	LTF	LTA Debt Service	Nonmajor Funds	OCTD	91 EL	Total
Sales taxes	\$ —	\$ 73,407	\$ 38,781	\$ —	\$ 15,788	\$ —	\$ —	\$ 127,976
Projects	787	27,028	—	5,151	—	5,533	—	38,499
Other	1,816	16	—	—	1,344	4,073	338	7,587
Total	\$ 2,603	\$ 100,451	\$ 38,781	\$ 5,151	\$ 17,132	\$ 9,606	\$ 338	\$ 174,062

Amounts due to other governments as of June 30, 2023 are as follows:

	Governmental Funds					Enterprise Funds				Total
	General	LTA	LTF	LTA Debt Service	General Capital Project	Nonmajor Funds	OCTD	91 EL	I-405 EL	
<b>Payables:</b>										
Projects	\$ —	\$ 31,714	\$ 236	\$ —	\$ 265	\$ —	\$ 853	\$ 16	\$ 581	\$ 33,665
Use taxes	1	—	—	—	1	—	6	—	—	8
Other	20	256	—	—	—	47	772	1,041	—	2,136
<b>Total</b>	<b>\$ 21</b>	<b>\$ 31,970</b>	<b>\$ 236</b>	<b>\$ —</b>	<b>\$ 266</b>	<b>\$ 47</b>	<b>\$ 1,631</b>	<b>\$ 1,057</b>	<b>\$ 581</b>	<b>\$ 35,809</b>

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

**6. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The composition of interfund balances at June 30, 2023 is as follows:

**Due to/from other funds:**

Payable Funds	Receivable Funds						Total
	General	LTA	General Capital Project	OCTD	Nonmajor Enterprise		
LTA	\$ 314	\$ —	\$ 7,930	\$ 504	\$ 9		\$ 8,757
LTF	377	—	—	—	—		377
General Capital Project	—	7,658	—	—	—		7,658
Nonmajor Governmental	—	—	—	9,314	—		9,314
OCTD	—	—	173	1	—		174
91 EL	—	3,889	—	—	—		3,889
I-405 EL	—	4,812	—	—	—		4,812
<b>Total</b>	<b>\$ 691</b>	<b>\$ 16,359</b>	<b>\$ 8,103</b>	<b>\$ 9,819</b>	<b>\$ 9</b>		<b>\$ 34,981</b>

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	
LTA	—	—	56,290	44,322	11,057	747	112,416
LTF	5,130	—	—	—	185,813	—	190,943
LTA Debt Service	—	2,963	—	—	—	—	2,963
Nonmajor Governmental	—	—	—	—	37,614	—	37,614
OCTD	—	453	—	944	—	—	1,397
91 EL	—	12,014	—	—	—	—	12,014
I-405 EL	—	—	—	—	—	—	—
<b>Total</b>	<b>\$ 5,130</b>	<b>\$ 15,430</b>	<b>\$ 56,290</b>	<b>\$ 45,266</b>	<b>\$ 234,484</b>	<b>\$ 747</b>	<b>\$ 357,347</b>

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.



**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
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**7. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 172,236	\$ —	\$ —	\$ —	\$ 172,236
Right-of-way improvements	7,300	—	—	—	7,300
Construction in progress	318,639	84,077	(2,643)	(135)	399,938
Total capital assets, not being depreciated	498,175	84,077	(2,643)	(135)	579,474
Capital assets, being depreciated:					
Building and improvements	2,003	—	—	—	2,003
Machinery, equipment and furniture	10,400	715	(712)	135	10,538
Intangible right-to-use (building)	32,006	—	—	—	32,006
Intangible right-to-use (equipment)	186	—	—	—	186
Intangible right-to-use (SBITA)*	468	1,304	—	—	1,772
Total capital assets, being depreciated	45,063	2,019	(712)	135	46,505
Less accumulated depreciation for:					
Buildings and improvements	(1,309)	(78)	—	—	(1,387)
Machinery, equipment and furniture	(7,621)	(792)	522	—	(7,891)
Intangible right-to-use (building)	(4,221)	(4,221)	—	—	(8,442)
Intangible right-to-use (equipment)	(83)	(83)	—	—	(166)
Intangible right-to-use (SBITA)	—	(425)	—	—	(425)
Total accumulated depreciation	(13,234)	(5,599)	522	—	(18,311)
Total capital assets, being depreciated, net	31,829	(3,580)	(190)	135	28,194
<b>Governmental activities capital assets, net</b>	<b>530,004</b>	<b>80,497</b>	<b>(2,833)</b>	<b>—</b>	<b>607,668</b>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	57,106	—	—	—	57,106
Construction in progress	388,132	137,761	(299)	(45,121)	480,473
Total capital assets, not being depreciated	445,238	137,761	(299)	(45,121)	537,579
Capital assets, being depreciated and amortized:					
Building and improvements	157,713	263	(3)	2,916	160,889
Transit vehicles	353,691	10,610	(31,617)	34,897	367,581
Machinery, equipment and furniture	80,501	1,646	(804)	7,308	88,651
Intangible right-to-use (building)	3,733	5,913	—	—	9,646
Intangible right-to-use (SBITA)*	92	588	—	—	680
Toll facility franchise	205,264	—	—	—	205,264
Total capital assets, being depreciated and amortized	800,994	19,020	(32,424)	45,121	832,711
Less accumulated depreciation and amortization for:					
Buildings and improvements	(99,824)	(5,288)	—	—	(105,112)
Transit vehicles	(249,644)	(19,273)	31,609	—	(237,308)
Machinery, equipment and furniture	(61,587)	(7,459)	801	—	(68,245)
Intangible right-to-use (building)	(415)	(489)	—	—	(904)
Intangible right-to-use (SBITA)	—	(112)	—	—	(112)
Toll facility franchise	(92,743)	(2,587)	—	—	(95,330)
Total accumulated depreciation and amortization	(504,213)	(35,208)	32,410	—	(507,011)
Total capital assets, being depreciated and amortized, net	296,781	(16,188)	(14)	45,121	325,700
<b>Business-type activities capital assets, net</b>	<b>\$ 742,019</b>	<b>\$ 121,573</b>	<b>\$ (313)</b>	<b>\$ —</b>	<b>\$ 863,279</b>

\* Beginning balance of \$468 and \$92 are due to the adoption of the provisions of GASB Statement No. 96, SBITAs.

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

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

**Governmental activities:**

General Government	\$ 5,585
Motorist services	14
<b>Total</b>	<b>\$ 5,599</b>

**Business-type activities:**

Fixed route	\$ 24,968
Paratransit	4,249
Toll road	5,991
<b>Total</b>	<b>\$ 35,208</b>

**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. There are no franchise fees or installment payments payable to Caltrans.

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.

In fiscal year 2023, OCTA assessed GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements and determined that 91 Express Lanes agreement was not applicable to this standard, wherein exchange or exchange-like transactions does not exist between OCTA and Caltrans pertaining to this arrangement.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
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**8. LEASES**

OCTA adopted GASB Statement No. 87, Leases, for the fiscal year ended June 30, 2022. Under this Statement, OCTA, as a lessee, is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor, OCTA is required to recognize a lease receivable and a deferred inflow of resources.

**Lease receivables**

In fiscal year 2022-23, OCTA has 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, 2023, OCTA has lease receivable in the amount of \$422. 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, 2023, the balance of the deferred inflow of resources is \$398. The following is a schedule of future minimum lease receivable as of June 30, 2023:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 218	\$ 6	\$ 224
2025	83	4	87
2026	71	3	74
2027	37	—	37
2028	1	—	1
2029-2033	5	—	5
2034-2038	5	—	5
2039-2040	2	—	2
<b>Total</b>	<b>\$ 422</b>	<b>\$ 13</b>	<b>\$ 435</b>

**Lease payables**

In fiscal year 2022-23, OCTA has a lease payable comprised of five agreements, which OCTA is a lessee for the use of buildings and equipment. As of June 30, 2023, OCTA has a lease liability in the amount of \$33,548. The value of the right-to-use assets as of the end of the current fiscal year is \$41,838 and has accumulated amortization of \$9,512. The following is a schedule of future minimum lease liabilities as of June 30, 2023:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 4,397	\$ 786	\$ 5,183
2025	4,587	711	5,298
2026	4,837	632	5,469
2027	5,078	548	5,626
2028	5,331	459	5,790
2029-2033	4,803	1,623	6,426
2034-2038	1,761	1,170	2,931
2039-2043	2,754	447	3,201
<b>Total</b>	<b>\$ 33,548</b>	<b>\$ 6,376</b>	<b>\$ 39,924</b>

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

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**9. SUBSCRIPTION-BASED IT ARRANGEMENTS (SBITAs)**

OCTA adopted GASB Statement No. 96, SBITAs, for the fiscal year ended June 30, 2023. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

On the implementation date of July 1, 2022, OCTA recorded \$89 subscription liabilities and \$560 corresponding right-to-use assets. The implementation had no impact to the beginning net position.

In fiscal year 2022-23, OCTA recorded subscription payable comprised of four agreements, which OCTA is a lessee for the use of IT arrangements. As of June 30, 2023, OCTA has a subscription liability in the amount of \$899. The value of the right-to-use assets as of the end of the current fiscal year is \$2,452 with accumulated amortization of \$537.

The following is a schedule of future minimum subscription liabilities as of June 30, 2023:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 470	\$ 25	\$ 495
2025	221	16	237
2026	76	7	83
2027	82	4	86
2028	50	1	51
<b>Total</b>	<b>\$ 899</b>	<b>\$ 53</b>	<b>\$ 952</b>

**10. 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 2021-22 and fiscal year 2022-23, 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:

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	2023	2022
<b>General Liability</b>		
<b>Unpaid claims as of July 1</b>	<b>\$ 3,030</b>	<b>\$ 2,577</b>
Incurred claims (including claims incurred but not reported as of 6/30)	773	854
Payments	(794)	(4,635)
Increase (decrease) in provision for prior years' events	3,093	4,234
<b>Unpaid claims at June 30</b>	<b>6,102</b>	<b>3,030</b>
<b>Workers' Compensation</b>		
<b>Unpaid claims as of July 1</b>	<b>16,327</b>	<b>16,011</b>
Incurred claims (including claims incurred but not reported as of 6/30)	582	1,811
Payments	(4,836)	(3,993)
Increase in provision for prior years' events	2,652	2,498
<b>Unpaid claims at June 30</b>	<b>14,725</b>	<b>16,327</b>
<b>Total unpaid claims at June 30</b>	<b>20,827</b>	<b>19,357</b>
Less current portion of unpaid claims	(3,870)	(3,575)
<b>Total long-term portion of unpaid claims</b>	<b>\$ 16,957</b>	<b>\$ 15,782</b>

## 11. 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
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A summary of the bonds outstanding is as follows:

	<b>2010 Series A (Taxable Build America Bonds)</b>	<b>2019 Series (Tax-Exempt Bonds)</b>
Issuance date	12/09/10	2/12/19
Original issue amount	\$ 293,540	\$ 376,690
Original issue premium	—	69,342
<b>Net Bond Proceeds</b>	<b>\$ 293,540</b>	<b>\$ 446,032</b>
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	\$ 340,235
Plus unamortized premium	—	55,664
<b>Total</b>	<b>\$ 250,000</b>	<b>\$ 395,899</b>

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2023, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 20,920	\$ 33,952
2025	21,950	32,906
2026	23,630	31,722
2027	24,755	30,334
2028	25,935	28,881
2029-2033	149,455	120,084
2034-2038	188,445	72,175
2039-2041	135,145	16,049
<b>Total</b>	<b>\$ 590,235</b>	<b>\$ 366,103</b>

**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.

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

	<b>2013 Series (Toll Road Revenue Bonds)</b>
Issuance date	07/30/2013
Closing date	08/08/2013
<b>Original issue amount</b>	<b>\$ 124,415</b>
Cash reserve requirements	\$ 20,852
Cash reserve balance	\$ 19,451
Interest rate range	2%-5%
Maturity	December 2030
Principal payment date	August 15
<b>Current balance</b>	<b>\$ 71,420</b>
Unamortized premium	\$ 4,803
Deferred amount on refunding	\$ (4,994)

\*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, 2023, all reserve requirements have been satisfied with \$6,047,989 reserved in current cash and investment account for Senior Lien Toll Road Revenue Refunding Bonds, Series 2023, issued on July 6, 2023.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2023, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 7,460	\$ 3,336
2025	7,845	2,953
2026	8,245	2,551
2027	8,670	2,128
2028	9,115	1,683
2029-2031	30,085	2,303
<b>Total</b>	<b>\$ 71,420</b>	<b>\$ 14,955</b>

**TIFIA Loan**

On September 9, 2021, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a TIFIA loan for \$628,930 (2021 TIFIA Loan), replacing the original TIFIA Loan that closed on July 26, 2017 for \$628,930 (2017 TIFIA Loan), with an interest rate of 1.95% as a direct borrowing for eligible project costs for the I-405 Improvement Project.

Prior to the close of the 2017 TIFIA Loan, the Bureau had required OCTA to secure committed M2 funds. To meet this requirement under the 2021 TIFIA Loan, OCTA maintains approximately \$500,000 of M2 funds in restricted accounts established under its Custody Account Agreement.

On September 29, 2021, in connection with the 2021 TIFIA Loan, OCTA issued \$662,820 of tax-exempt Bond Anticipation Notes (2021 BANs). The 2021 BANs mature on October 15, 2024, with an

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interest rate of 0.30%. The 2021 BANs serve as a short-term financing mechanism during the construction of the I-405 Improvement Project, allowing OCTA to capitalize on lower short-term interest rates over the subsequent next three years, rather than immediately drawing on its 2021 TIFIA Loan.

On December 15, 2022, given significant shifts in the U.S. Treasury yield curve, OCTA requested a disbursement from the Bureau, which was used to legally defease the 2021 BANs, by funding a defeasance escrow using U.S. Treasury securities (State and Local Government Securities [SLGS]).

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 payment will commence on June 1, 2028 through June 1, 2058. In fiscal year 2022-23, the entire TIFIA loan of \$628,930 was drawn and unused balance is \$0. In addition, OCTA prepaid \$15,219 of principal on the TIFIA Loan Agreement this fiscal year. The outstanding balance of \$620,189 includes interest accretion of \$6,478 through June 30, 2023.

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

**Changes in Long-Term Debt**

Long-term debt activity for the year ended June 30, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Governmental activities:</b>					
Sales tax revenue bonds	\$ 610,170	\$ —	\$ (19,935)	\$ 590,235	\$ 20,920
Unamortized premium	58,815	—	(3,151)	55,664	—
<b>Total governmental activities</b>	<b>668,985</b>	<b>—</b>	<b>(23,086)</b>	<b>645,899</b>	<b>20,920</b>
<b>Business-type activities:</b>					
Tax-exempt bonds	\$ 78,515	\$ —	\$ (7,095)	\$ 71,420	\$ 7,460
Unamortized premium	5,447	—	(644)	4,803	—
<b>Subtotal for Tax-exempt bonds</b>	<b>83,962</b>	<b>—</b>	<b>(7,739)</b>	<b>76,223</b>	<b>7,460</b>
Direct Borrowing-TIFIA loan	—	635,408	(15,219)	620,189	—
2021 Series BAN	662,820	—	(662,820)	—	—
<b>Total business-type activities</b>	<b>\$ 746,782</b>	<b>\$ 635,408</b>	<b>\$ (685,778)</b>	<b>\$ 696,412</b>	<b>\$ 7,460</b>



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**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, 2023, are indicated in the following table and OCTA is in compliance with the ratio per the debt agreement:

<b>Description of Pledged Revenue</b>	<b>Annual Amount of Net Pledged Revenue</b>	<b>Annual Debt Service Payments</b>	<b>Pledged Revenue Coverage</b>
Measure M2 Net Sales Tax Revenue	\$ 349,480	\$ 54,884	6.37
91 EL Net Toll Road Revenue	50,489	10,795	4.68

**12. PUBLIC-PUBLIC PARTNERSHIP ARRANGEMENTS (PPP)**

In March 2017, OCTA entered into an agreement with the State of California, Department of Transportation (Caltrans), under which OCTA will design and build the I-405 Improvement Project, and be responsible for the operation of I-405 Toll Facility for 40 years commencing as of the first day on which the Toll Facility opens for public use and toll operations. OCTA will set, collect, and retain tolls during this period. At the end of the term of this agreement, all property owned by OCTA and which is related to the Toll Facility, shall automatically become the property of Caltrans.

With the implementation of GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, OCTA has identified this arrangement as a PPP. OCTA has recognized an asset for construction-in-progress related to the I-405 Improvement Projects in the amount of \$437,230 as of June 30, 2023.

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**13. LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended June 30, 2023, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within one year</b>
<b>Governmental activities:</b>					
Compensated absences	\$ 8,742	\$ 8,285	\$ (7,923)	\$ 9,104	\$ 48
Rent holiday	4,655	3,741	(4,085)	4,311	—
Lease liabilities	28,483	—	(3,849)	24,634	3,974
Subscription liabilities*	89	776	(242)	623	436
<b>Total governmental activities</b>	<b>\$ 41,819</b>	<b>\$ 12,088</b>	<b>\$ (15,858)</b>	<b>\$ 45,747</b>	<b>\$ 4,023</b>
<b>Business-type activities:</b>					
Claims payable	19,357	7,100	(5,630)	20,827	3,870
Compensated absences	8,697	11,243	(11,091)	8,849	7,725
Lease liabilities	3,687	5,577	(350)	8,914	422
Subscription liabilities	—	286	(10)	276	34
<b>Total business-type activities</b>	<b>\$ 31,741</b>	<b>\$ 24,206</b>	<b>\$ (17,081)</b>	<b>\$ 38,866</b>	<b>\$ 12,051</b>

\* Beginning balance of \$89 is due to the adoption of the provisions of GASB Statement No. 96, SBITAs.

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

**14. 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, 2023 is presented below:

	<b>OCERS</b>
Deferred outflows of resources – pension	\$ 69,977
Net pension liability	207,133
Deferred inflows of resources – pension	33,790
Pension expense	22,990

**Orange County Employees Retirement System**

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](http://www.ocers.org), or from its executive office: 2223 Wellington Avenue, Santa Ana, CA 92701.

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

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**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, 2023 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 \$33,081 for the year ended June 30, 2023.

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

As of June 30, 2023, OCTA reported a liability of \$207,133 for its proportionate share of the net pension liability (NPL). The NPL was measured as of June 30, 2023, and determined by rolling forward the total pension liability (TPL) as of December 31, 2022 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 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, 2022, OCTA's proportion was 4.38%, which was an increase of 0.18% from its proportion measured as of December 31, 2022. For the year ended June 30, 2023, OCTA recognized pension expense of \$22,990.

At June 30, 2023, OCTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 16,344	\$ —
Net difference between projected and actual earnings on plan investments	50,080	—
Difference between expected and actual experience	1,823	33,790
Changes of assumptions	1,730	—
<b>Total</b>	<b>\$ 69,977</b>	<b>\$ 33,790</b>

Deferred outflows of resources related to contributions subsequent to the measurement date but before reporting period of \$16,344 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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 5.41 years determined as of December 31, 2022. 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:

<b>Year ended June 30:</b>	<b>Increase (Decrease) in Pension Expense</b>
2024	\$ (13,568)
2025	(685)
2026	8,182
2027	27,469
2028	(1,555)
<b>Total</b>	<b>\$ 19,843</b>

**Actuarial Assumptions**

Following are the key methods and assumptions used for the TPL as of December 31, 2022:

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, 2022 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-

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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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
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%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
<b>Total</b>	<b>100.00%</b>	

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Discount Rate: The discount rate used to measure the TPL was 7.00% as of December 31, 2022. 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, 2022.

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	\$ 362,149	\$ 207,133	\$ 80,691

### **Pension Plan Fiduciary Net Position**

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

### **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 but less than 3 years of service
- 2% of base pay for employees with 3 but less than 5 years of service
- 3% of base pay for employees with 5 or more years 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 to 14 years service
- 2% of base pay for employees with 15 to 19 years service
- 3% of base pay for employees with 20 years or more of service

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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 to 9 years 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 to 19 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, 2023, OCTA contributed \$9,970 to the 401(a) Plan.

### 15. 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 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, 2023, the implied subsidy was determined as part of the June 30, 2023 actuarial valuation. The estimated implied subsidy at June 30, 2023 was \$181.

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.

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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
<b>Total participants covered by OPEB Plan</b>	<b>1,156</b>

**Total OPEB liability**

OCTA's total OPEB liability (TOL) of \$2,516 was measured as of June 30, 2023 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 \$2,516 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.86 %
Healthcare Cost Trend Rates:	
2022 – 2023 Current Year Trend	5.50 %
2023 – 2024 Trend	5.20 %
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, 2023, an increase from the discount rate used for fiscal year ended June 30, 2022 of 3.69%.

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.



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Changes in the total OPEB liability:

	<b>Total OPEB Liability</b>
<b>Balance at 6/30/2022</b>	<b>\$ 2,508</b>
Changes for the current year:	
Service cost	189
Interest	94
Changes in assumptions	(94)
Differences between expected and actual experience	—
Benefit payments	(181)
<b>Net changes</b>	<b>8</b>
<b>Balance at 6/30/2023</b>	<b>\$ 2,516</b>

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 3.86%, as well as what OCTA's TOL would be if it was calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current rate:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
OCTA's total OPEB liability	\$ 2,663	\$ 2,516	\$ 2,371

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:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
OCTA's total OPEB liability	\$ 2,245	\$ 2,516	\$ 2,832

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

For the year ended June 30, 2023, OCTA recognized OPEB expense of \$273. At June 30, 2023, OCTA reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 31	\$ (307)
Changes of assumptions	105	(19)
<b>Total</b>	<b>\$ 136</b>	<b>\$ (327)</b>

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

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

<b>Year ended June 30:</b>	<b>Increase (Decrease) in OPEB Expense</b>
2024	\$ (88)
2025	(84)
2026	(4)
2027	(10)
2028	(5)
2029	—
<b>Total</b>	<b>\$ (191)</b>

**16. 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, 2023 are as follows:

	<b>Total Purchase Commitments</b>	<b>Reserve for Encumbrances</b>	<b>Unencumbered Purchase Commitments</b>
<b>Governmental Funds:</b>			
General	\$ 128,378	\$ 13,775	\$ 114,603
LTA	819,719	117,641	702,078
LTF	96	—	96
Nonmajor governmental funds	158,389	84,844	73,545
<b>Total Governmental Funds</b>	<b>1,106,582</b>	<b>216,260</b>	<b>890,322</b>
<b>Proprietary Funds:</b>			
OCTD	735,613	89,650	645,963
91 Express Lanes	64,022	822	63,200
I-405 Express Lanes	274,992	5,986	269,006
Nonmajor-OC Streetcar	47,303	473	46,830
Internal Service Funds	1,531	1,178	354
<b>Total Proprietary Funds</b>	<b>1,123,461</b>	<b>98,109</b>	<b>1,025,352</b>
<b>Total</b>	<b>\$ 2,230,043</b>	<b>\$ 314,369</b>	<b>\$ 1,915,674</b>

The majority of the contracts relate to the expansion of Orange County's freeways and road systems, grade separation projects, OC Streetcar project, paratransit bus services, and services for the operation of the contracted fixed route, stationlink and express buses.

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

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**17. OTHER COMMITMENTS AND CONTINGENCIES**

**Litigation**

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.

**18. 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 2022-23 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, 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 \$4,686 to LOSSAN for administrative support during fiscal year 2022-23. Separate financial statements are prepared by, and available from, LOSSAN at the Orange County Transportation Authority located at 550 South Main Street, Orange, CA 92868.

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

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**19. FUND DEFICIT**

The I-405 Express Lanes (I-405 EL) fund, an enterprise fund, has a net position deficit of \$232,297 as of June 30, 2023. The deficit is mainly due to transfers to the LTA fund for the I-405 improvement project pertaining to general purpose lanes which were funded by the debt held by I-405 EL fund. In addition, the fund is still at construction phase and has not generated operating revenues as of June 30, 2023.

The net investment in capital assets of \$(30,113) is a portion of net position related to I-405 Express Lanes' capital assets, and those liabilities and deferred resource flows arising from construction, acquisition, or improvements. The unrestricted net position of \$(202,184) is the remaining of net position not classified as net investment in capital assets, which pertaining to non-capital related assets and liabilities.

The I-405 Express Lanes and two new general purpose lanes are expected to be open for public use in December 2023.

**20. EFFECT OF NEW PRONOUNCEMENTS**

**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. The implementation of this Statement 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. See note 12 for further information on the impact of the adoption of GASB Statement No. 94.

**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). OCTA implemented this statement for fiscal year ending June 30, 2023. See note 9 for further information on the impact of the adoption of GASB Statement No. 96.

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

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**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 implementation of this Statement did not have a material effect on 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.

**21. SUBSEQUENT EVENT**

On July 6, 2023, OCTA issued \$47,545 in Senior Lien Toll Road Revenue Refunding Bonds, Series 2023 ("91EL 2023 Bonds"). The All-In True Interest Cost (TIC) is 2.80%. With the proceeds of the 91EL 2023 Bonds, OCTA refunded and defeased the outstanding the Series 2013 Bonds, which resulted in net present value cumulative savings of \$5,521.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines	\$ 183	\$ 183	\$ 162	\$ (21)
Contributions from other agencies	10,621	10,621	8,331	(2,290)
Interest and investment earnings	907	907	3,232	2,325
Capital assistance grants	3,525	3,525	6,525	3,000
Miscellaneous	158	158	125	(33)
<b>Total revenues</b>	<b>15,394</b>	<b>15,394</b>	<b>18,375</b>	<b>2,981</b>
<b>Expenditures</b>				
Current:				
General government:				
Salaries and benefits	72,148	72,164	69,568	2,596
Supplies and services	41,979	46,335	40,869	5,466
Interfund reimbursements	(97,787)	(97,787)	(85,652)	(12,135)
Transportation:				
Contributions to other local agencies	1,239	1,239	159	1,080
Capital outlay	15,512	15,512	8,225	7,287
Debt service:				
Interest	—	—	(435)	435
<b>Total expenditures</b>	<b>33,091</b>	<b>37,463</b>	<b>32,734</b>	<b>4,729</b>
<b>Deficiency of revenues under expenditures</b>	<b>(17,697)</b>	<b>(22,069)</b>	<b>(14,359)</b>	<b>7,710</b>
<b>Other financing sources</b>				
Transfers in	5,693	5,693	5,130	(563)
Proceeds from sale of capital assets	—	—	15	15
<b>Total other financing sources</b>	<b>5,693</b>	<b>5,693</b>	<b>5,145</b>	<b>(548)</b>
<b>Net change in fund balances</b>	<b>\$ (12,004)</b>	<b>\$ (16,376)</b>	<b>\$ (9,214)</b>	<b>\$ 7,162</b>
<b>Reconciliation to GAAP:</b>				
Net change in fund balance (budgetary basis)			\$	(9,214)
Net change in fund balance - from CURE fund				1,976
Net change in fund balance - from ARBA trust fund				1,316
Net change in fund balance - from Scholarship fund				—
Less: Estimated revenues for encumbrances outstanding at June 30				4,361
Add: Current year encumbrances outstanding at June 30 - from CURE fund				450
Add: Current year encumbrances outstanding at June 30				12,927
Net change in fund balance (GAAP basis)			<b>\$</b>	<b>3,094</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Transportation Authority Special Revenue Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Sales tax revenue	\$ 417,196	\$ 417,196	\$ 439,123	\$ 21,927
Contributions from other agencies	139,851	139,851	86,000	(53,851)
Interest and investment earnings	10,766	10,766	17,974	7,208
Miscellaneous	1,052	3,052	1,711	(1,341)
<b>Total revenues</b>	<b>568,865</b>	<b>570,865</b>	<b>544,808</b>	<b>(26,057)</b>
<b>Expenditures</b>				
Current:				
General government:				
Supplies and services	199,429	199,364	148,859	50,505
Transportation:				
Contributions to other local agencies	167,940	163,944	102,315	61,629
Capital outlay	528,678	528,678	345,237	183,441
<b>Total expenditures</b>	<b>896,047</b>	<b>891,986</b>	<b>596,411</b>	<b>295,575</b>
<b>Deficiency of revenues under expenditures</b>	<b>(327,182)</b>	<b>(321,121)</b>	<b>(51,603)</b>	<b>269,518</b>
<b>Other financing sources (uses)</b>				
Transfers in	41,719	41,719	15,430	(26,289)
Transfers out	(106,778)	(106,778)	(112,416)	(5,638)
Proceeds from sale of capital assets	2,000	—	—	—
<b>Total other financing uses</b>	<b>(63,059)</b>	<b>(65,059)</b>	<b>(96,986)</b>	<b>(31,927)</b>
<b>Net change in fund balances</b>	<b>\$ (390,241)</b>	<b>\$ (386,180)</b>	<b>\$ (148,589)</b>	<b>\$ 237,591</b>
<b>Reconciliation to GAAP:</b>				
Net change in fund balance (budgetary basis)				\$ (148,589)
Less: Estimated revenues for encumbrances outstanding at June 30				20,942
Add: Current year encumbrances outstanding at June 30				118,778
Net change in fund balance (GAAP basis)				<u>\$ (50,753)</u>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Transportation Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Sales tax revenue	\$ 212,568	\$ 212,568	\$ 222,452	\$ 9,884
Interest and investment earnings	45	45	7,204	7,159
<b>Total revenues</b>	<b>212,613</b>	<b>212,613</b>	<b>229,656</b>	<b>17,043</b>
<b>Expenditures</b>				
Current:				
General government:				
Supplies and services	2,105	2,105	2,133	(28)
Transportation:				
Contributions to other local agencies	2,967	2,967	3,115	(148)
<b>Total expenditures</b>	<b>5,072</b>	<b>5,072</b>	<b>5,248</b>	<b>(176)</b>
<b>Excess of revenues over expenditures</b>	<b>207,541</b>	<b>207,541</b>	<b>224,408</b>	<b>16,867</b>
<b>Other financing uses</b>				
Transfers out	(207,542)	(207,542)	(190,943)	16,599
<b>Total other financing uses</b>	<b>(207,542)</b>	<b>(207,542)</b>	<b>(190,943)</b>	<b>16,599</b>
<b>Net change in fund balances</b>	<b>\$ (1)</b>	<b>\$ (1)</b>	<b>\$ 33,465</b>	<b>\$ 33,466</b>



**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Required Supplementary Information**  
**Supplemental Pension Plan and OPEB Plan Trend Data**  
June 30, 2023

*(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\***

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
OCTA's Proportion of the NPL	3.842 %	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	\$207,133	\$73,424	\$186,024	\$ 224,285	\$ 230,261	\$ 230,261	\$ 230,261	\$ 250,193	\$ 203,592	\$ 217,569
OCTA's covered payroll	\$105,542	\$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	196.26 %	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	81.45 %	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's Contributions**  
**Orange County Employees Retirement System Pension Plan**  
**Last 10 Fiscal Years\***

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 33,932	\$ 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	33,932	31,794	29,175	27,801	24,690	24,811	23,900	26,347	24,722	22,244
Contribution excess (deficiency)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 98,906	\$ 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	34.31%	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.

**Changes of assumptions**

For fiscal year 2022-23, 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Required Supplementary Information**  
**Supplemental Pension Plan and OPEB Plan Trend Data**  
June 30, 2023

(amounts expressed in thousands)

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

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability - beginning</b>	\$ 2,508	\$ 2,414	\$ 2,301	\$ 2,927	\$ 1,432	\$ 745
Changes for the year:						
Service cost	189	192	185	152	112	40
Interest	94	48	58	104	48	28
Changes in assumption	(94)	35	60	172	(4)	40
Difference between actual and expected experience	—	—	—	(869)	12	651
Plan change			—	—	1,419	—
Benefit payments	(181)	(181)	(190)	(185)	(92)	(72)
<b>Total OPEB liability - ending</b>	<b>\$ 2,516</b>	<b>\$ 2,508</b>	<b>\$ 2,414</b>	<b>\$ 2,301</b>	<b>\$ 2,927</b>	<b>\$ 1,432</b>
<b>Covered employee payroll</b>	\$94,180	\$85,148	\$82,937	\$82,050	\$70,204	\$42,366
<b>Total OPEB liability as a percentage of covered employee payroll</b>	2.67 %	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.

**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 2022-23, the discount rate used to measure the TOL was 3.86%, an increase from the discount rate of 3.69% for fiscal year 2021-22.

For fiscal year 2021-2022, the discount rate used to measure the TOL was 3.69%, an increase from the discount rate of 1.92% for fiscal year 2020-21. For fiscal year 2021-22, mortality assumptions were based on the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP 2019, rather than the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Tables as starting point, projected generationally with the two-dimensional MP-2016 projection scale, which was used to determine amounts reported in fiscal year 2020-21.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2023**

**(amounts expressed in thousands)**

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**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 2023 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 2022-23 for the General fund and the major special revenue funds, except for the Local Transportation fund. In the Local Transportation fund, expenditures exceeded appropriations for supplies and services in the amount of \$28 and contributions to other local agencies in the amount of \$148. This was a result of investment expenses and OCTA receiving more sales tax revenue over the 12-month apportionment period than anticipated and contributed other other agencies based on monthly sales tax receipts, respectively.

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, 2023  
(amounts expressed in thousands)**

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**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, 2023**

<i>(amounts expressed in thousands)</i>	Special Revenue			Total Nonmajor Governmental Funds
	OCUTT	SAFE	STAF	
<b>Assets</b>				
Cash and investments	\$ 13,713	\$ 1,600	\$ 35,654	\$ 50,967
Receivables:				
Interest	111	32	311	454
Operating Grants	—	—	—	—
Capital Grants	—	—	—	—
Other	—	20	—	20
Due from other governments	—	1,344	15,788	17,132
Note receivable	1,144	—	—	1,144
Advances to other funds	—	—	—	—
<b>Total assets</b>	<b>14,968</b>	<b>2,996</b>	<b>51,753</b>	<b>69,717</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	2	722	5	729
Due to other funds	—	—	9,314	9,314
Due to other governments	—	47	—	47
<b>Total liabilities</b>	<b>2</b>	<b>769</b>	<b>9,319</b>	<b>10,090</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - reimbursements from grants	—	852	—	852
<b>Total deferred inflows of resources</b>	<b>—</b>	<b>852</b>	<b>—</b>	<b>852</b>
<b>Fund Balances</b>				
Restricted for:				
Transportation programs	14,966	—	42,434	57,400
Motorist services	—	1,375	—	1,375
<b>Total fund balances</b>	<b>14,966</b>	<b>1,375</b>	<b>42,434</b>	<b>58,775</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 14,968</b>	<b>\$ 2,996</b>	<b>\$ 51,753</b>	<b>\$ 69,717</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	Special Revenue			Total Nonmajor Governmental Funds
	OCUTT	SAFE	STAF	
<b>Revenues</b>				
Sales tax revenue	\$ —	\$ —	\$ 56,447	\$ 56,447
Transportation improvement fee	—	—	6,619	6,619
Vehicle registration fees	—	2,952	—	2,952
Contributions from other agencies	—	4,418	—	4,418
Interest and investment earnings	204	23	656	883
Miscellaneous	—	25	—	25
<b>Total revenues</b>	<b>204</b>	<b>7,418</b>	<b>63,722</b>	<b>71,344</b>
<b>Expenditures</b>				
Current:				
General government:				
Supplies and services	7	9,322	23	9,352
Capital outlay	—	14	—	14
<b>Total expenditures</b>	<b>7</b>	<b>9,336</b>	<b>23</b>	<b>9,366</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>197</b>	<b>(1,918)</b>	<b>63,699</b>	<b>61,978</b>
<b>Other financing uses</b>				
Transfers out	—	—	(37,614)	(37,614)
<b>Total other financing uses</b>	<b>—</b>	<b>—</b>	<b>(37,614)</b>	<b>(37,614)</b>
<b>Net change in fund balances</b>	<b>197</b>	<b>(1,918)</b>	<b>26,085</b>	<b>24,364</b>
Fund balances - beginning	14,769	3,293	16,349	34,411
<b>Fund balances - ending</b>	<b>\$ 14,966</b>	<b>\$ 1,375</b>	<b>\$ 42,434</b>	<b>\$ 58,775</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Budgetary Comparison Schedule**  
**Commuter and Urban Rail Endowment Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines	\$ —	\$ —	\$ 1	\$ 1
Contributions from other agencies	—	—	193	193
Interest and investment earnings	—	—	944	944
<b>Total revenues</b>	<b>—</b>	<b>—</b>	<b>1,138</b>	<b>1,138</b>
<b>Expenditures</b>				
Current:				
General government:				
Supplies and services	233	233	232	1
Capital outlay	263	263	263	—
<b>Total expenditures</b>	<b>496</b>	<b>496</b>	<b>495</b>	<b>1</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(496)</b>	<b>(496)</b>	<b>643</b>	<b>1,139</b>
<b>Other financing sources</b>				
Proceeds from sale of capital assets	—	—	1,333	1,333
<b>Total other financing sources</b>	<b>—</b>	<b>—</b>	<b>1,333</b>	<b>1,333</b>
<b>Net change in fund balances</b>	<b>\$ (496)</b>	<b>\$ (496)</b>	<b>\$ 1,976</b>	<b>\$ 2,472</b>
<b>Reconciliation to GAAP:</b>				
Net change in fund balance (budgetary basis)			\$	1,976
Less: Estimated revenues for encumbrances outstanding at June 30				—
Add: Current year encumbrances outstanding at June 30				450
Net change in fund balance (GAAP basis)			\$	<u>2,426</u>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Budgetary Comparison Schedule**  
**Local Transportation Authority Debt Service Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest and investment earnings	\$ 5,857	\$ 5,857	\$ 8,698	\$ 2,841
<b>Total revenues</b>	<b>5,857</b>	<b>5,857</b>	<b>8,698</b>	<b>2,841</b>
<b>Expenditures</b>				
Debt service:				
Principal payments on long-term debt	19,935	19,935	19,935	—
Interest on long-term debt	34,949	34,949	34,949	—
<b>Total expenditures</b>	<b>54,884</b>	<b>54,884</b>	<b>54,884</b>	<b>—</b>
<b>Deficiency of revenues under expenditures</b>	<b>(49,027)</b>	<b>(49,027)</b>	<b>(46,186)</b>	<b>2,841</b>
<b>Other financing sources (uses)</b>				
Transfers in	54,884	54,884	56,290	1,406
Transfers out	(5,857)	(5,857)	(2,963)	2,894
<b>Total other financing sources</b>	<b>49,027</b>	<b>49,027</b>	<b>53,327</b>	<b>4,300</b>
<b>Net change in fund balances</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 7,141</b>	<b>\$ 7,141</b>



**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Budgetary Comparison Schedule**  
**Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest and investment earnings	\$ 106	\$ 106	\$ 204	\$ 98
<b>Total revenues</b>	<b>106</b>	<b>106</b>	<b>204</b>	<b>98</b>
<b>Expenditures</b>				
Current:				
General government:				
Supplies and services	110	110	7	103
<b>Total expenditures</b>	<b>110</b>	<b>110</b>	<b>7</b>	<b>103</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(4)</b>	<b>(4)</b>	<b>197</b>	<b>201</b>
<b>Net change in fund balances</b>	<b>\$ (4)</b>	<b>\$ (4)</b>	<b>\$ 197</b>	<b>\$ 201</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Budgetary Comparison Schedule**  
**Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
(amounts expressed in thousands)	Original	Final		
<b>Revenues</b>				
Vehicle registration fees	\$ 2,600	\$ 2,600	\$ 2,952	\$ 352
Contributions from other agencies	6,297	6,297	4,418	(1,879)
Interest and investment earnings	10	10	23	13
Miscellaneous	5	5	25	20
<b>Total revenues</b>	<b>8,912</b>	<b>8,912</b>	<b>7,418</b>	<b>(1,494)</b>
<b>Expenditures</b>				
Current:				
General government:				
Supplies and services	10,687	10,687	9,369	1,318
Capital outlay	50	50	50	—
<b>Total expenditures</b>	<b>10,737</b>	<b>10,737</b>	<b>9,419</b>	<b>1,318</b>
<b>Deficiency of revenues under expenditures</b>	<b>(1,825)</b>	<b>(1,825)</b>	<b>(2,001)</b>	<b>(176)</b>
<b>Other financing sources</b>				
Transfers in	4,006	4,006	—	(4,006)
<b>Total other financing sources</b>	<b>4,006</b>	<b>4,006</b>	<b>—</b>	<b>(4,006)</b>
<b>Net change in fund balances</b>	<b>\$ 2,181</b>	<b>\$ 2,181</b>	<b>\$ (2,001)</b>	<b>\$ (4,182)</b>
<b>Reconciliation to GAAP:</b>				
Net change in fund balance (budgetary basis)			\$	(2,001)
Less: Estimated revenues for encumbrances outstanding at June 30				—
Add: Current year encumbrances outstanding at June 30				83
Net change in fund balance (GAAP basis)			\$	(1,918)

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Budgetary Comparison Schedule**  
**State Transit Assistance Special Revenue Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Sales tax revenue	\$ 39,983	\$ 39,983	\$ 56,447	\$ 16,464
Transportation improvement fee	6,585	6,585	6,619	34
Interest and investment earnings	21	21	656	635
<b>Total revenues</b>	<b>46,589</b>	<b>46,589</b>	<b>63,722</b>	<b>17,133</b>
<b>Expenditures</b>				
Current:				
General government:				
Supplies and services	—	—	23	(23)
<b>Total expenditures</b>	<b>—</b>	<b>—</b>	<b>23</b>	<b>(23)</b>
<b>Excess of revenues over expenditures</b>	<b>46,589</b>	<b>46,589</b>	<b>63,699</b>	<b>17,110</b>
<b>Other financing uses</b>				
Transfers out	(46,589)	(46,589)	(37,614)	8,975
<b>Total other financing uses</b>	<b>(46,589)</b>	<b>(46,589)</b>	<b>(37,614)</b>	<b>8,975</b>
<b>Net change in fund balances</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 26,085</b>	<b>\$ 26,085</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Budgetary Comparison Schedule**  
**General Capital Project Fund (Budgetary Basis)**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Capital assistance grants	\$ 31,010	\$ 31,010	\$ 78,909	\$ 47,899
Miscellaneous	—	—	—	—
<b>Total revenues</b>	<b>31,010</b>	<b>31,010</b>	<b>78,909</b>	<b>47,899</b>
<b>Expenditures</b>				
Current:				
General government:				
Supplies and services	24,002	24,002	8,679	15,323
Transportation:				
Contributions to other local agencies	1,798	1,798	63	1,735
Capital outlay	174,909	174,909	162,540	12,369
<b>Total expenditures</b>	<b>200,709</b>	<b>200,709</b>	<b>171,282</b>	<b>29,427</b>
<b>Deficiency of revenues under expenditures</b>	<b>(169,699)</b>	<b>(169,699)</b>	<b>(92,373)</b>	<b>77,326</b>
<b>Other financing sources</b>				
Transfers in	37,282	37,282	45,266	7,984
<b>Total other financing sources</b>	<b>37,282</b>	<b>37,282</b>	<b>45,266</b>	<b>7,984</b>
<b>Net change in fund balances</b>	<b>\$ (132,417)</b>	<b>\$ (132,417)</b>	<b>\$ (47,107)</b>	<b>\$ 85,310</b>

**Reconciliation to GAAP:**

Net change in fund balance (budgetary basis)	\$ (47,107)
Less: Estimated revenues for encumbrances outstanding at June 30	38,831
Add: Current year encumbrances outstanding at June 30	84,878
Net change in fund balance (GAAP basis)	<u>\$ (1,060)</u>

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
OTHER SUPPLEMENTARY INFORMATION  
June 30, 2023  
(amounts expressed in thousands)**

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**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, 2023**

<i>(amounts expressed in thousands)</i>	OC Streetcar	Total Nonmajor Enterprise Fund
<b>Assets</b>		
Current assets:		
Due from other funds	\$ 9	\$ 9
Total current assets	9	9
<b>Total assets</b>	<b>9</b>	<b>9</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	9	9
Total current liabilities	9	9
<b>Total liabilities</b>	<b>9</b>	<b>9</b>
<b>Net Position</b>		
Unrestricted	—	—
<b>Total net position</b>	<b>\$ —</b>	<b>\$ —</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Combining Statement of Revenues, Expenses and Charges in Net Position**  
**Nonmajor Enterprise Fund**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	OC Streetcar	Total Nonmajor Enterprise Fund
<b>Operating revenues:</b>		
Permit fees	\$ —	\$ —
<b>Total operating revenues</b>	<u>—</u>	<u>—</u>
<b>Operating expenses:</b>		
Wages, salaries and benefits	—	—
Administrative services	640	640
Professional services	107	107
<b>Total operating expenses</b>	<u>747</u>	<u>747</u>
<b>Operating loss</b>	<u>(747)</u>	<u>(747)</u>
<b>Nonoperating revenues:</b>		
Federal operating assistance grants	—	—
Investment earnings	—	—
<b>Total nonoperating revenues</b>	<u>—</u>	<u>—</u>
<b>Loss before contributions and transfers</b>	(747)	(747)
Transfers in	747	747
<b>Change in net position</b>	—	—
Total net position - beginning	<u>—</u>	<u>—</u>
<b>Total net position - ending</b>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Fund**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<b>OC Streetcar</b>	<b>Total Nonmajor Enterprise Fund</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ —	\$ —
Payments to suppliers	(107)	(107)
Payments to employees	—	—
Payments for interfund services used	(640)	(640)
<b>Net cash used for operating activities</b>	<b>(747)</b>	<b>(747)</b>
<b>Cash flows from noncapital financing activities:</b>		
Operating assistance grants received	—	—
Transfers from other funds	747	747
<b>Net cash provided by noncapital financing activities</b>	<b>747</b>	<b>747</b>
<b>Cash flows from investing activities:</b>		
Investment earnings	—	—
<b>Net cash provided by investing activities</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash and cash equivalents</b>	<b>—</b>	<b>—</b>
Cash and cash equivalents at beginning of year	—	—
<b>Cash and cash equivalents at end of year</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>		
Operating loss	\$ (747)	\$ (747)
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	—	—
<b>Total adjustments</b>	<b>—</b>	<b>—</b>
<b>Net cash used for operating activities</b>	<b>\$ (747)</b>	<b>\$ (747)</b>



**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2023**  
**(amounts expressed in thousands)**

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**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, 2023**

<i>(amounts expressed in thousands)</i>	<b>General Liability</b>	<b>Workers' Compensation</b>	<b>Total Internal Service Funds</b>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 19,709	\$ 34,552	\$ 54,261
Receivables:			
Interest	168	294	462
Other	211	313	524
Other assets	392	964	1,356
Total current assets	<u>20,480</u>	<u>36,123</u>	<u>56,603</u>
<b>Total assets</b>	<b><u>20,480</u></b>	<b><u>36,123</u></b>	<b><u>56,603</u></b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	312	491	803
Claims payable	1,220	2,650	3,870
Total current liabilities	<u>1,532</u>	<u>3,141</u>	<u>4,673</u>
Noncurrent liabilities:			
Claims payable	4,882	12,075	16,957
<b>Total liabilities</b>	<b><u>6,414</u></b>	<b><u>15,216</u></b>	<b><u>21,630</u></b>
<b>Net Position</b>			
Unrestricted	14,066	20,907	34,973
<b>Total net position</b>	<b><u>\$ 14,066</u></b>	<b><u>\$ 20,907</u></b>	<b><u>\$ 34,973</u></b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<b>General Liability</b>	<b>Workers' Compensation</b>	<b>Total Internal Service Funds</b>
<b>Operating revenues:</b>			
Charges for services	\$ 5,824	\$ 7,677	\$ 13,501
<b>Total operating revenues</b>	<b>5,824</b>	<b>7,677</b>	<b>13,501</b>
<b>Operating expenses:</b>			
Administrative services	189	109	298
Other	40	206	246
Insurance claims and premiums	4,670	3,738	8,408
Professional services	937	510	1,447
<b>Total operating expenses</b>	<b>5,836</b>	<b>4,563</b>	<b>10,399</b>
<b>Operating income (loss)</b>	<b>(12)</b>	<b>3,114</b>	<b>3,102</b>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	239	500	739
Other	177	11	188
<b>Total nonoperating revenues</b>	<b>416</b>	<b>511</b>	<b>927</b>
<b>Change in net position</b>	<b>404</b>	<b>3,625</b>	<b>4,029</b>
Total net position - beginning	13,662	17,282	30,944
<b>Total net position - ending</b>	<b>\$ 14,066</b>	<b>\$ 20,907</b>	<b>\$ 34,973</b>

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2023**

<i>(amounts expressed in thousands)</i>	<b>General Liability</b>	<b>Workers' Compensation</b>	<b>Total Internal Service Funds</b>
<b>Cash flows from operating activities:</b>			
Receipts from interfund services provided	\$ 5,792	\$ 7,663	\$ 13,455
Payments to suppliers	(1,130)	(550)	(1,680)
Payments to claimants	(1,680)	(5,558)	(7,238)
Payments for interfund services used	(189)	(109)	(298)
Miscellaneous revenue received	177	11	188
<b>Net cash provided by operating activities</b>	<b>2,970</b>	<b>1,457</b>	<b>4,427</b>
<b>Cash flows from investing activities:</b>			
Investment earnings	150	303	453
<b>Net cash provided by investing activities</b>	<b>150</b>	<b>303</b>	<b>453</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,120</b>	<b>1,760</b>	<b>4,880</b>
Cash and cash equivalents at beginning of year	16,589	32,792	49,381
<b>Cash and cash equivalents at end of year</b>	<b>\$ 19,709</b>	<b>\$ 34,552</b>	<b>\$ 54,261</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (12)	\$ 3,114	\$ 3,102
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Insurance recoveries	177	11	188
Change in assets and liabilities:			
Other receivables	(42)	(12)	(54)
Other assets	(32)	(14)	(46)
Accounts payable	(193)	(40)	(233)
Claims payable	3,072	(1,602)	1,470
Total adjustments	2,982	(1,657)	1,325
<b>Net cash provided by operating activities</b>	<b>\$ 2,970</b>	<b>\$ 1,457</b>	<b>\$ 4,427</b>
<b>Noncash capital, financing and investing activities:</b>			
Investment earnings	\$ 85	\$ 189	\$ 274



# 91 EXPRESS LANES







# VANPOOL



**ORANGE COUNTY TRANSPORTATION AUTHORITY  
STATISTICAL SECTION  
(Unaudited)  
June 30, 2023**

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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> .....	96
These schedules contain trend information to help the reader understand how OCTA's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b> .....	101
These schedules contain information to help the reader assess OCTA's most significant local revenue source, the sales tax.	
<b>Debt Capacity</b> .....	106
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.	
<b>Demographic and Economic Information</b> .....	109
These schedules offer demographic and economic indicators to help the reader understand the environment within which OCTA's financial activities take place.	
<b>Operating Information</b> .....	112
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>		<b>As of June 30,</b>									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental activities:</b>											
Net investment in capital assets	\$	159,427	\$ 177,195	\$ 185,209	\$ 202,587	\$ 211,433	\$ 262,985	\$ 340,129	\$ 433,782	\$ 501,053	\$ 582,156
Restricted		352,878	421,285	545,220	621,580	565,653	677,934	626,302	545,091	735,780	773,909
Unrestricted		181,216	94,641	67,517	29,578	37,947	(14,857)	(49,044)	(23,655)	18,118	5,854
Total governmental activities net position	\$	693,521	\$ 693,121	\$ 797,946	\$ 853,745	\$ 815,033	\$ 926,062	\$ 917,387	\$ 955,218	\$ 1,254,951	\$ 1,361,919
<b>Business-type activities:</b>											
Net investment in capital assets	\$	265,584	\$ 279,153	\$ 300,737	\$ 389,791	\$ 339,677	\$ 320,212	\$ 303,484	\$ 287,575	\$ 306,992	\$ 302,428
Restricted		13,015	13,032	13,075	13,199	16,776	18,229	25,156	31,268	29,252	28,432
Unrestricted		376,340	275,052	305,689	323,682	439,737	487,407	547,164	583,939	482,767	641,516
Total business-type activities net position	\$	654,939	\$ 567,237	\$ 619,501	\$ 726,672	\$ 796,190	\$ 825,848	\$ 875,804	\$ 902,782	\$ 819,011	\$ 972,376
<b>Primary government:</b>											
Net investment in capital assets	\$	425,011	\$ 456,348	\$ 485,946	\$ 592,378	\$ 551,110	\$ 583,197	\$ 643,613	\$ 721,357	\$ 808,045	\$ 884,584
Restricted		365,893	434,317	558,295	634,779	582,429	696,163	651,458	576,359	765,032	802,341
Unrestricted		557,556	369,693	373,206	353,260	477,684	472,550	498,120	560,284	500,885	647,370
Total primary government net position	\$	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	\$ 2,334,295

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.

In fiscal year 2022-23, the increase in the business-type activities net position is mainly due to reclassification of the I-405 improvement project (long-term debt TIFIA loan and construction in progress) from unrestricted to net investment in capital assets.



**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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental activities:										
General government	\$ 68,262	\$ 74,852	\$ 95,155	\$ 94,929	\$ 80,877	\$ 88,394	\$ 89,868	\$ 87,346	\$ 89,924	\$ 104,701
Measure M program	372,137	301,329	272,627	280,154	439,279	390,253	453,965	534,584	543,991	482,865
Motorist services	5,187	5,281	6,355	5,826	5,725	6,359	7,724	7,092	8,284	8,206
Commuter rail	23,556	29,347	34,004	39,736	414	117	454	47	194	15
Total governmental activities expenses	469,142	410,809	408,141	420,645	526,295	485,123	552,011	629,069	642,393	595,787
Business-type activities:										
Fixed route	212,170	201,630	208,851	204,969	208,167	230,256	201,819	174,441	179,877	210,789
Paratransit	51,735	51,392	63,071	64,594	67,883	71,104	88,086	75,431	88,131	99,541
Tollroad	22,996	22,980	25,120	38,455	25,672	26,491	29,239	30,137	30,162	15,409
Taxicab administration	506	584	567	524	385	348	160	86	—	—
Fixed guideway	—	—	—	—	—	6	7	28	51	107
Total business-type activities expenses	287,407	276,586	297,609	308,542	302,107	328,205	319,311	280,123	298,221	325,846
Total primary government expenses	\$ 756,549	\$ 687,395	\$ 705,750	\$ 729,187	\$ 828,402	\$ 813,328	\$ 871,322	\$ 909,192	\$ 940,614	\$ 921,633
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 155	\$ 181	\$ 1,180	\$ 730	\$ 842	\$ 855	\$ 872	\$ 1,113	\$ 1,094	\$ 935
Other activities	1,350	1,644	1,087	1,104	1,544	968	1,197	1,149	1,373	1,258
Operating grants and contributions	146,863	122,282	125,220	92,486	98,233	83,458	78,703	74,365	63,978	61,774
Capital grants and contributions	2,222	586	3,897	17,602	7,679	19,994	37,921	65,919	65,949	47,923
Total governmental activities program revenues	150,590	124,693	131,384	111,922	108,298	105,275	118,693	142,546	132,394	111,890
Business-type activities:										
Charges for services:										
Fixed route	56,784	51,265	50,197	42,753	40,821	41,067	39,747	22,380	37,647	38,580
Tollroad	42,610	46,132	52,240	56,005	57,615	57,417	43,944	45,353	64,848	61,376
Other activities	8,579	8,695	8,650	8,656	8,280	8,727	7,654	2,193	4,824	6,183
Operating grants and contributions	63,099	67,356	65,226	74,966	74,236	87,667	64,917	164,819	258,866	77,750
Capital grants and contributions	23,717	14,139	35,848	89,740	17,849	11,172	4,747	7,154	10,568	84,923
Total business-type activities program revenues	194,789	187,587	212,161	272,120	198,801	206,050	161,009	241,899	376,753	268,812
Total primary government program revenues	\$ 345,379	\$ 312,280	\$ 343,545	\$ 384,042	\$ 307,099	\$ 311,325	\$ 279,702	\$ 384,445	\$ 509,147	\$ 380,702

(Continued)

**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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Indirect expenses allocation:										
Governmental activities	\$ (34,089)	\$ (35,996)	\$ (37,748)	\$ (41,045)	\$ (43,163)	\$ (44,411)	\$ (46,890)	\$ (48,485)	\$ (52,347)	\$ (55,455)
Business-type activities	34,089	35,996	37,748	41,045	43,163	44,411	46,890	48,485	52,347	55,455
Net (expense) revenue										
Governmental activities	(284,463)	(250,120)	(239,009)	(267,678)	(374,834)	(335,437)	(386,428)	(438,038)	(457,652)	(428,442)
Business-type activities	(126,707)	(124,995)	(123,196)	(77,467)	(146,469)	(166,566)	(205,192)	(86,709)	26,185	(112,489)
Total primary government net expense	<u>\$ (411,170)</u>	<u>\$ (375,115)</u>	<u>\$ (362,205)</u>	<u>\$ (345,145)</u>	<u>\$ (521,303)</u>	<u>\$ (502,003)</u>	<u>\$ (591,620)</u>	<u>\$ (524,747)</u>	<u>\$ (431,467)</u>	<u>\$ (540,931)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Sales taxes	\$ 451,153	\$ 466,127	\$ 476,368	\$ 475,863	\$ 515,475	\$ 546,912	\$ 518,933	\$ 554,785	\$ 679,399	\$ 718,022
Unrestricted investment earnings	13,776	13,301	19,447	9,807	12,609	48,527	55,593	21,334	(27,383)	38,383
Other miscellaneous revenue	288	168	918	99	133	233	159	2,028	1,360	826
Transfers	(169,278)	(169,199)	(152,899)	(162,292)	(191,734)	(149,206)	(196,930)	(117,292)	104,009	(221,821)
Total governmental activities	<u>295,939</u>	<u>310,397</u>	<u>343,834</u>	<u>323,477</u>	<u>336,483</u>	<u>446,466</u>	<u>377,755</u>	<u>460,855</u>	<u>757,385</u>	<u>535,410</u>
Business-type activities:										
Taxes:										
Property taxes	12,366	13,293	14,098	14,943	15,995	16,971	17,829	18,648	19,646	21,155
Unrestricted investment earnings	4,765	4,531	7,672	2,332	2,892	24,654	29,285	4,859	(32,167)	14,586
Other miscellaneous revenue	413	1,218	791	5,071	5,604	5,393	11,104	7,685	6,574	8,292
Transfers	169,278	169,199	152,899	162,292	191,734	149,206	196,930	117,292	(104,009)	221,821
Total business-type activities	<u>186,822</u>	<u>188,241</u>	<u>175,460</u>	<u>184,638</u>	<u>216,225</u>	<u>196,224</u>	<u>255,148</u>	<u>148,484</u>	<u>(109,956)</u>	<u>265,854</u>
Total primary government	<u>\$ 482,761</u>	<u>\$ 498,638</u>	<u>\$ 519,294</u>	<u>\$ 508,115</u>	<u>\$ 552,708</u>	<u>\$ 642,690</u>	<u>\$ 632,903</u>	<u>\$ 609,339</u>	<u>\$ 647,429</u>	<u>\$ 801,264</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 11,476	\$ 60,277	\$ 104,825	\$ 55,799	\$ (38,351)	\$ 111,029	\$ (8,673)	\$ 22,817	\$ 299,733	\$ 106,968
Business-type activities	60,115	63,246	52,264	107,171	69,756	29,658	49,956	61,775	(83,771)	153,365
Total primary government	<u>\$ 71,591</u>	<u>\$ 123,523</u>	<u>\$ 157,089</u>	<u>\$ 162,970</u>	<u>\$ 31,405</u>	<u>\$ 140,687</u>	<u>\$ 41,283</u>	<u>\$ 84,592</u>	<u>\$ 215,962</u>	<u>\$ 260,333</u>

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Reserved	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—	—	—	—	—	—	—
Nonspendable	7,473	11,038	11,862	20,672	11,699	13,717	12,746	13,763	13,282	12,802
Restricted	—	24,732	23,548	22,992	23,189	23,101	23,517	44,642	40,881	41,994
Assigned	—	25,173	14,453	—	2,413	8,740	11,562	14,735	25,759	28,218
Unassigned	(210)	22,115	—	(17,135)	—	(2,217)	—	—	(2)	—
Total general fund	\$ 7,263	\$ 83,058	\$ 49,863	\$ 26,529	\$ 37,301	\$ 43,341	\$ 47,825	\$ 73,140	\$ 79,920	\$ 83,014
All Other Governmental Funds										
Reserved	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	—	—	—	—	—
Capital projects funds	—	—	—	—	—	—	—	—	—	—
Nonspendable	56,991	20,575	12,519	7,177	12,144	15,772	12,230	17,507	39,222	25,887
Restricted	707,365	753,071	862,565	953,569	892,703	1,337,025	1,252,083	1,155,000	1,314,797	1,343,802
Committed	—	—	—	—	—	—	—	—	—	—
Assigned, reported in:										
Special revenue funds	41,273	—	—	—	—	—	—	—	—	—
Transportation capital projects	9,495	9,469	8,682	1,158	—	2,521	—	—	—	—
Unassigned	—	—	—	—	(6,917)	(883)	(2,024)	(3,562)	(7,658)	(10,171)
Total all other governmental funds	\$ 815,124	\$ 783,115	\$ 883,766	\$ 961,904	\$ 897,930	\$ 1,354,435	\$ 1,262,289	\$ 1,168,945	\$ 1,346,361	\$ 1,359,518

Source: Accounting and Financial Reporting Department

Notes:

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 2019-23, the changes in restricted fund balance of All Other Governmental funds is due to the fluctuations 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Sales taxes	\$451,153	\$466,127	\$465,830	\$486,401	\$507,584	\$554,804	\$518,933	\$554,785	\$679,399	\$718,022
Gasoline taxes	—	—	—	—	—	—	—	—	—	—
Transportation improvement fee	—	—	—	—	5,673	5,603	5,823	6,230	7,581	6,619
Vehicle registration fees	2,669	2,351	3,401	2,960	2,941	2,978	2,773	3,099	2,896	2,952
Fines	176	197	220	205	201	200	245	125	182	163
Contributions from other agencies	146,216	121,341	103,532	87,870	92,239	67,550	96,817	84,483	51,603	77,858
Interest and investment income	13,144	12,732	18,917	11,894	12,253	48,528	53,209	23,840	(29,596)	41,529
Capital assistance grants	11,075	768	3,220	14,552	7,541	14,171	29,102	45,999	46,975	42,384
Miscellaneous	3,899	4,221	5,090	8,060	6,361	3,649	1,425	3,250	2,365	2,555
Total revenues	628,332	607,737	600,210	611,942	634,793	697,483	708,327	721,811	761,405	892,082
<b>Expenditures</b>										
Current:										
General government	83,294	105,995	126,370	116,183	110,973	110,537	106,911	114,120	101,883	122,642
Transportation:										
Contributions to other local agencies	191,698	133,286	124,230	146,199	109,767	114,543	97,116	103,286	104,090	105,526
Capital outlay	135,747	129,312	103,441	106,921	250,292	235,559	354,492	430,188	435,542	372,308
Debt service:										
Principal payments on long-term debt	6,600	6,865	7,210	7,475	7,775	8,165	8,530	8,065	8,455	19,935
Interest	22,264	21,961	21,614	21,343	21,059	20,677	35,615	35,777	35,808	34,949
Bond issuance costs	—	—	—	—	—	826	—	—	—	—
Total expenditures	439,603	397,419	382,865	398,121	499,866	490,307	602,664	691,436	685,778	655,360
Excess of revenues over expenditures	188,729	210,318	217,345	213,821	134,927	207,176	105,663	30,375	75,627	236,722
<b>Other financing sources (uses):</b>										
Transfers in	48,196	65,411	56,722	74,074	46,148	155,033	137,216	99,830	217,996	122,116
Transfers out	(217,474)	(234,610)	(209,621)	(236,366)	(237,882)	(304,239)	(334,146)	(217,122)	(113,987)	(343,936)
Proceeds from sale of capital assets	2,167	2,667	3,010	3,275	3,605	3,605	3,605	3,866	4,560	1,349
Bond issuance	—	—	—	—	—	376,690	—	—	—	—
Bond premium	—	—	—	—	—	69,342	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—	(45,062)	—	—	—	—
Total other financing sources (uses)	(167,111)	(166,532)	(149,889)	(159,017)	(188,129)	255,369	(193,325)	(113,426)	108,569	(220,471)
Net changes in fund balances	\$ 21,618	\$ 43,786	\$ 67,456	\$ 54,804	\$ (53,202)	\$462,545	\$ (87,662)	\$ (83,051)	\$184,196	\$ 16,251
Debt service as a percentage of noncapital expenditures	6.6 %	7.6 %	7.7 %	7.6 %	5.9 %	6.6 %	8.4 %	7.2 %	6.8 %	9.6 %

Source: Accounting and Financial Reporting Department

Notes:

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.

In fiscal years 2022-23, the increase in revenues is due to the increase of investment income due to favorable investment performance.

# 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Function/Program</b>										
Governmental activities:										
General government	\$ 5,280	\$ 4,101	\$ 8,963	\$ 22,323	\$ 18,830	\$ 27,932	\$ 46,179	\$ 76,165	\$ 77,831	\$ 54,580
Measure M program	136,929	112,056	111,050	76,881	81,902	67,979	63,996	59,115	48,550	48,894
Motorist services	5,274	5,521	5,648	5,575	5,492	8,755	8,516	7,251	5,968	8,222
Commuter rail	3,107	3,015	5,723	7,143	2,074	609	2	15	45	194
Total governmental activities	150,590	124,693	131,384	111,922	108,298	105,275	118,693	142,546	132,394	111,890
Business-type activities:										
Fixed route	123,244	112,721	123,504	173,107	105,539	108,244	107,503	193,353	306,103	200,782
Paratransit	28,130	28,059	28,080	40,777	33,882	38,859	7,496	2,192	4,824	6,183
Tollroad	42,610	46,132	60,059	57,816	59,069	58,576	45,835	46,342	65,826	61,847
Taxicab administration	805	675	518	420	311	371	175	12	—	—
Total business-type activities	194,789	187,587	212,161	272,120	198,801	206,050	161,009	241,899	376,753	268,812
Total primary government	\$ 345,379	\$ 312,280	\$ 343,545	\$ 384,042	\$ 307,099	\$ 311,325	\$ 279,702	\$ 384,445	\$ 509,147	\$ 380,702

Source: Accounting and Financial Reporting Department

#### Notes:

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 increased operating grants and contributions.

In fiscal year 2022-23, the decrease in Fixed route is primarily due to decreased operating grants and contributions relating to transit operations.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**Schedule 6**

**Tax Revenues by Source, Governmental Activities, Last Ten Fiscal Years (Unaudited)**

*(accrual basis of accounting - thousands)*

<b>For the Year Ended June 30,</b>	<b>Sales &amp; Use</b>	<b>Total</b>
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
2023	718,022	718,022
Change		
2014 - 2023	59.2 %	59.2 %

Source: Accounting and Financial Reporting Department

# ORANGE COUNTY TRANSPORTATION AUTHORITY

## Schedule 7

### Taxable Sales by Category, Last Ten Calendar Years (Unaudited)

(amounts expressed in thousands)	Calendar Year										(a)
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Clothing and Clothing Accessories Stores	\$3,942,629	\$4,062,185	\$4,173,147	\$4,179,348	\$4,420,905	\$4,501,642	\$3,445,233	\$5,265,145	\$5,645,156	\$2,535,128	
General Merchandise Stores	5,206,936	5,331,919	5,266,498	5,314,636	5,424,321	5,561,761	5,214,858	6,114,659	6,661,626	2,893,044	
Specialty Stores	1,625,444	—	—	—	—	—	—	—	—	—	
Food and Beverage Stores	2,177,054	2,249,980	2,315,300	2,399,937	2,460,590	2,483,191	2,630,703	2,705,682	2,843,138	1,293,788	
Food Services and Drink Places	6,637,321	7,174,652	7,561,709	7,953,351	8,195,164	8,559,216	6,232,835	8,795,493	10,252,167	5,253,420	
Home Furnishings and Appliance Stores	3,340,006	2,995,975	3,082,463	3,074,257	3,037,974	2,907,710	2,578,348	3,104,704	3,116,190	1,413,353	
Building Material & Garden Equipment & Supplies Dealers	2,662,657	2,870,940	2,961,129	3,106,396	3,184,381	3,174,208	3,539,541	3,817,836	4,006,427	1,958,442	
Motor Vehicle and Parts Dealers	12,440,522	8,352,815	8,648,763	8,927,827	9,408,045	9,646,527	9,482,960	11,324,257	11,775,654	5,581,929	
Gasoline Stations	—	3,979,166	3,489,276	3,745,819	4,203,824	4,142,023	2,670,300	4,110,466	5,137,709	2,132,443	
Other Retail Group	1,219,968	5,130,425	5,318,826	5,562,771	5,742,982	6,158,835	8,462,565	8,412,348	8,661,056	4,410,947	
Business and Personal Services	2,035,999	—	—	—	—	—	—	—	—	—	
All other outlets	18,808,591	19,768,161	20,241,650	20,883,715	21,390,429	22,553,862	19,576,172	24,603,345	29,927,949	14,462,486	
Total	<u>\$60,097,127</u>	<u>\$61,916,218</u>	<u>\$63,058,761</u>	<u>\$65,148,057</u>	<u>\$67,468,615</u>	<u>\$69,688,975</u>	<u>\$63,833,515</u>	<u>\$78,253,935</u>	<u>\$88,027,072</u>	<u>\$41,934,980</u>	
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 %	

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 2023 includes first & second quarter data.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Schedule 8**  
**Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years**  
**(Unaudited)**

<b>Calendar Year</b>	<b>Measure M Direct rate</b>	<b>County of Orange</b>	
<b>2014</b>	0.50%	7.50%	(a)
<b>2015</b>	0.50%	7.50%	
<b>2016</b>	0.50%	7.50%	
<b>2017</b>	0.50%	7.50%	
<b>2018</b>	0.50%	7.25%	(b)
<b>2019</b>	0.50%	7.25%	
<b>2020</b>	0.50%	7.25%	
<b>2021</b>	0.50%	7.25%	
<b>2022</b>	0.50%	7.25%	
<b>2023</b>	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

(amounts express in thousands)

City	Calendar Year 2022			Calendar Year 2013		
	Taxable Sales	Rank	Percentage of Total	Taxable Sales	Rank	Percentage of Total
Aliso Viejo	\$ 523,799	28	0.71 %	\$ 424,016	27	0.83 %
Anaheim	9,062,567	1	12.36 %	5,806,581	1	11.40 %
Brea	2,262,980	12	3.09 %	1,706,627	12	3.35 %
Buena Park	2,852,017	9	3.89 %	2,375,355	8	4.66 %
Costa Mesa	6,656,445	3	9.08 %	4,291,314	3	8.43 %
Cypress	1,132,992	19	1.55 %	1,017,925	16	2.00 %
Dana Point	598,039	26	0.82 %	442,273	26	0.87 %
Fountain Valley	1,360,767	16	1.86 %	985,852	18	1.94 %
Fullerton	2,548,828	11	3.48 %	1,725,316	11	3.39 %
Garden Grove	2,588,479	10	3.53 %	1,782,344	10	3.50 %
Huntington Beach	4,228,372	6	5.77 %	2,969,480	6	5.83 %
Irvine	7,527,093	2	10.27 %	4,851,941	2	9.53 %
La Habra	1,238,512	18	1.69 %	828,764	19	1.63 %
La Palma	186,821	32	0.25 %	294,289	31	0.58 %
Laguna Beach	612,102	25	0.83 %	409,964	29	0.80 %
Laguna Hills	589,013	27	0.80 %	494,819	24	0.97 %
Laguna Niguel	1,301,669	17	1.78 %	991,919	17	1.95 %
Laguna Woods	99,253	33	0.14 %	81,420	33	0.16 %
Lake Forest	1,671,059	14	2.28 %	1,200,061	15	2.36 %
Los Alamitos	327,441	31	0.45 %	246,468	32	0.48 %
Mission Viejo	1,754,002	13	2.39 %	1,467,087	13	2.88 %
Newport Beach	4,007,949	7	5.47 %	2,695,874	7	5.29 %
Orange	5,245,955	5	7.16 %	3,270,219	5	6.42 %
Placentia	687,112	24	0.94 %	490,040	25	0.96 %
Rancho Santa Margarita	725,817	23	0.99 %	536,028	22	1.05 %
San Clemente	1,047,866	20	1.43 %	640,490	21	1.26 %
San Juan Capistrano	1,006,957	21	1.37 %	684,759	20	1.34 %
Santa Ana	5,263,451	4	7.18 %	3,655,025	4	7.18 %
Seal Beach	410,175	30	0.56 %	421,891	28	0.83 %
Stanton	456,679	29	0.62 %	338,677	30	0.66 %
Tustin	2,968,921	8	4.05 %	1,934,777	9	3.80 %
Villa Park	27,534	34	0.04 %	15,562	34	0.03 %
Westminster	1,591,431	15	2.17 %	1,336,609	14	2.62 %
Yorba Linda	755,778	22	1.03 %	517,884	23	1.02 %
Total	73,317,875		100 %	50,931,650		100 %
Unincorporated Cities	14,709,196			6,659,567		
Total Orange County	<u>\$88,027,071</u>			<u>\$57,591,217</u>		

Source: California Department of Tax and Fee Administration, [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov)

Note: The most current data available is for 2022.

# 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			
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	0.49 %	342.60
2020	691,810	—	98,419	303,421	—	1,093,650	0.45 %	342.37
2021	680,592	—	91,356	312,329	—	1,084,277	0.42 %	343.80
2022	668,985	—	83,962	—	—	752,947	n/a	238.11
2023	645,899	—	76,223	620,189	—	1,342,311	n/a	427.87

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 2017-18, OCTA and DOT Bureau executed the TIFIA loan.

In fiscal year 2018-19, the increase in sales tax revenue bonds of governmental activities is due to issuance of sales tax revenue bonds.

In fiscal year 2021-22, OCTA prepaid the TIFIA loan and secured bridge loan (BAN 2021).

In fiscal year 2022-23, OCTA and DOT Bureau executed the TIFIA loan, and paid off the BAN 2021.

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)

##### Legal Debt Margin Calculation for Fiscal Year 2023

Debt service	\$ 54,884
Debt coverage (130 % of debt service)	<u>71,349</u>
Sales tax revenue	442,081
Less: local fair share & other expenses	<u>(92,601)</u>
Net sales tax revenues	<u>349,480</u>
Legal debt margin	<u><u>\$ 278,131</u></u>

#### Toll Road Revenue Bonds

##### Legal Debt Margin Calculation for Fiscal Year 2023

Debt service	\$ 10,795
Debt coverage (130 % of debt service)	<u>14,034</u>
Toll revenues	64,827
Less: operating expenses	<u>(13,388)</u>
Net toll revenues	<u>51,439</u>
Legal debt margin	<u><u>\$ 37,406</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
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 %
2023	349,480	71,349	278,131	20.4 %	51,439	14,034	37,406	27.3 %

Source: Treasury and Accounting and Financial Reporting Departments

#### Notes:

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		
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	5.72		52,313	(15,045)	6,110	4,688	3.45	
2021	332,888	(70,608)	8,065	35,774	5.98		46,463	(14,729)	6,420	4,375	2.94	
2022	419,531	(89,481)	8,455	35,371	7.53		57,626	(20,481)	6,750	4,046	3.44	
2023	442,081	(92,601)	19,935	34,949	6.37		64,827	(13,388)	7,095	3,700	4.77	

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.

In fiscal year 2022-23, increase in toll road revenue and sales tax revenues were primarily due to an increase in average trips cost and economic recovery from COVID-19 pandemic.

# 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)
2014	3,138,057	\$ 176,537	\$ 56,344	36.70	500,487	5.2 %
2015	3,162,622	190,154	60,228	37.10	497,116	4.3 %
2016	3,179,122	197,232	62,135	37.30	493,030	4.4 %
2017	3,200,748	204,912	64,321	37.50	490,430	3.8 %
2018	3,221,103	212,807	66,735	37.80	485,835	3.2 %
2019	3,222,498	224,716	70,539	38.10	478,823	3.0 %
2020	3,194,332	241,153	75,737	38.30	473,612	13.6 %
2021	3,153,764	256,700	81,034	38.50	456,572	6.5 %
2022	3,162,245	n/a	n/a	39.50	448,729	2.9 %
2023	3,137,164	n/a	n/a	n/a	441,249	3.7 %

#### 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://data.census.gov/table>
- (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 2023				(b)	Calendar Year 2014				(b)
	Employees	(a)	Rank	Percentage of Total County Employment		Employees	(a)	Rank	Percentage of Total County Employment	
Walt Disney Co.	34,000		1	2.21 %		25,000		1	1.60 %	
University of California, Irvine	24,867		2	1.62 %		22,253		2	1.42 %	
County of Orange	18,000		3	1.17 %		18,035		3	1.15 %	
Providence	13,037		4	0.85 %						
Kaiser Permanente	9,592		5	0.62 %		6,040		6	0.39 %	
Hoag Memorial Hospital Presbyterian	7,888		6	0.51 %						
Albertsons Southern CA Division	7,633		7	0.50 %						
Target Corp.	6,000		8	0.39 %		5,400		10	0.34 %	
Allied Universal	5,929		9	0.39 %						
Walmart Inc.	5,900		10	0.38 %		6,000		8	0.38 %	
St. Joseph Health System						12,062		4	0.77 %	
Boeing Co.						6,890		5	0.44 %	
Bank of America Corp.						6,000		7	0.38 %	
Memorial Care Health System						5,635		9	0.36 %	
Total County Employment	1,538,100					1,565,400				

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	226.0	224.0	238.0	239.0	240.5	247.5	243.0	246.0	250.5	260.5
Measure M program	40.0	40.0	39.5	39.0	39.0	40.5	41.5	39.5	38.0	38.0
Motorist services	3.0	3.0	4.0	4.0	5.0	5.0	5.0	5.0	3.0	3.0
Commuter rail	10.0	9.0	10.5	11.0	8.0	7.0	6.0	7.0	6.0	6.0
Fixed route	1,152.0	1,078.0	1,020.0	981.0	906.5	964.0	990.5	972.5	886.0	888.0
Paratransit	12.0	12.0	5.0	7.5	7.5	6.5	8.5	7.5	7.5	8.0
Tollroad	3.0	3.0	3.0	3.0	3.5	3.5	3.5	3.5	3.5	6.0
Taxicab	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	15.0
Total	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	1,224.5

Source: Financial Planning & Analysis Department

#### Notes:

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 2016-18, 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 2020-22, the decrease of full-time equivalent positions in Fixed Route is due to service reductions.

In fiscal year 2022-23, the increase of full-time equivalent positions in Tollroad is due to hiring 405 Express Lanes staff and the increase in General government is due to new hires.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Schedule 16**  
**Operating Indicators by Function/Program (Unaudited)**

Function/Program	For the Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Measure M1 program (thousands)</b>										
Freeways	\$ 11,318	\$ 30,434	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Regional streets and roads	17,697	25,371	—	—	—	—	—	—	—	—
Local streets and roads	14,614	14,796	—	—	—	—	—	—	—	—
Transit	14,392	128,110	—	—	—	—	—	—	—	—
Total program expenses	\$ 58,021	\$ 198,711	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Measure M2 program (thousands)</b>										
Freeways	\$ 32,387	\$ 58,775	\$ 68,486	\$ 100,729	\$ 251,130	\$ 204,726	\$ 295,020	\$ 355,936	\$ 399,043	\$ 310,105
Streets and roads	199,311	161,622	163,699	138,273	106,691	110,412	105,555	92,472	60,180	94,112
Transit	82,721	47,876	22,464	16,516	20,419	173,782	74,815	68,617	143,009	68,792
Environmental cleanup	2,398	2,220	9,578	10,189	6,409	7,117	2,656	1,499	1,938	1,347
Total program expenses	\$ 316,817	\$ 270,493	\$ 264,227	\$ 265,707	\$ 384,649	\$ 496,037	\$ 478,046	\$ 518,524	\$ 604,170	\$ 474,356
<b>Motorist services</b>										
Calls made from call boxes	4,949	2,011	1,717	1,363	1,246	1,049	845	922	953	1,332
Vehicles removed	357	—	—	—	—	—	—	—	—	—
Vehicles assisted by FSP	59,014	69,045	68,678	62,527	54,136	52,673	56,374	60,062	67,224	59,129
511 Motorist Assistance Calls	—	2,886	4,023	4,120	3,888	4,298	3,838	3,774	4,815	6,015
<b>Commuter rail</b>										
Weekday trips	54	54	54	54	54	54	54	41	45	45
Annual boardings	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	1,983,306
<b>Fixed route</b>										
Annual boardings	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	31,191,444
Vehicle revenue hours	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	1,534,698
Miles of fixed route	2,045	2,047	2,045	1,820	1,801	1,762	1,792	1,562	1,587	1,546
<b>Paratransit</b>										
Annual boardings	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	1,031,899
Vehicle revenue hours	718,150	741,291	754,004	780,798	744,746	756,391	603,477	312,776	461,261	559,776
Eligible riders	31,576	31,602	32,173	32,871	32,735	32,744	31,812	28,851	28,248	27,710
<b>Tollroad</b>										
Annual drivers trips	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	19,736,624
<b>Taxicab</b>										
Permits Issued	3,066	2,513	1,855	1,521	1,214	971	437	—	—	—

Source: Various departments within OCTA

Notes: In fiscal year 2022-23, the increase in 511 motorist assistance calls is partly due to an increased awareness of the program through outreach. The increase in commuter rail annual boarding is due to Metrolink implementing pass discounts and promoting the service to encourage ridership. The increase in Fixed route annual boarding is due to recovery from the COVID-19 pandemic. The increase in Paratransit annual boarding and vehicle revenue hours is due to programs and facilities impacted by COVID restrictions having been lifted are seeing their pre-pandemic demand return.



**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**Schedule 17**  
**Capital Asset Statistics by Function/Program (Unaudited)**

	For the Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fixed route										
Bus bases	5	5	5	5	5	5	5	5	5	5
Large revenue vehicles	537	537	537	517	492	498	505	495	508	416
Small revenue vehicles	19	19	18	11	35	43	24	38	36	19
Paratransit										
Paratransit vehicles	248	248	248	248	248	248	248	245	245	254
Tollroad										
Transponders in use	171,304	176,790	182,522	196,997	213,993	225,621	208,656	163,235	145,393	128,715

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.

In fiscal year 2022-23, the decrease in Fixed route large & small revenue vehicles is related to a decrease in service levels due to COVID-19 pandemic impact.



**20  
23**



**ANNUAL  
COMPREHENSIVE  
FINANCIAL  
REPORT**

**[www.octa.net](http://www.octa.net)**

Orange County Transportation Authority  
550 S. Main Street • P.O. Box 14184  
Orange, CA 92863-1584

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**

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

**ANNUAL FINANCIAL  
AND  
COMPLIANCE REPORT**

**Year Ended June 30, 2023**

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**

**Audited Financial Statements**  
**Year Ended June 30, 2023**

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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, 2023, 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, 2023, 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 2, 2023 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 2, 2023



**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Management's Discussion and Analysis**  
**(unaudited)**  
**For the Fiscal Year Ended June 30, 2023**

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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, 2023. 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 \$351,775 as of June 30, 2023. The net position of the OCLTA is restricted for transportation projects, debt service, and Environmental Mitigation Program.
- Net position decreased by \$39,426 during FY 2022-23. This decrease is primarily due to general and program expenses exceeding program revenues due to decrease in grants and contributions. In FY 2022-23, Measure M program expenses decreased by \$29,575 mainly related to decrease in I-405 Improvement Project expense. Sales tax revenue increased by \$14,226 compared to FY 2021-22 due to the economic recovery. In FY 2022-23, unrestricted investment earnings increased by \$47,915 or 205.2 percent resulting from favorable investment performance.
- OCLTA's governmental funds reported combined ending fund balances of \$960,753 reflecting a decrease of \$43,612 from the prior year. The decrease is primarily due to the decrease in grants and contributions offset by decrease in 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**

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#### **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 16-29 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 30 and the LTA debt service fund as other supplementary information on page 32 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, 2023, the OCLTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$351,775, a \$39,426 decrease from June 30, 2022. 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**

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 1,103,465	\$ 1,159,627
Assets held for resale	15,965	15,965
Capital Assets, net	7,300	7,300
<b>Total assets</b>	<b>1,126,730</b>	<b>1,182,892</b>
<b>Deferred outflows of resources</b>		
Deferred charge on refunding	1,222	1,291
Current liabilities	130,023	123,526
Long-term liabilities	645,899	668,985
<b>Total liabilities</b>	<b>775,922</b>	<b>792,511</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows - leases	255	471
<b>Total net position</b>	<b>\$ 351,775</b>	<b>\$ 391,201</b>

Total assets decreased by \$56,162, or 4.7 percent, from June 30, 2022. This decrease is primarily due to a decrease in receivable related to operating grants and condemnation deposits, also a decrease in cash and investments as a result of principal payments.

Total liabilities decreased by \$16,589, or 2.1 percent, from June 30, 2022. This decrease is primarily due to decreased long-term liabilities resulting from principal payments during the fiscal year.

Total net position from governmental activities decreased by \$39,426 or 10.1 percent. This decrease results from Measure M general and program expense exceeding program revenue, mainly due to decrease in grants and contributions.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Management's Discussion and Analysis**

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

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 1,257	\$ 1,370
Operating grants and contributions	60,105	193,741
<b>General revenues:</b>		
Sales tax	439,123	424,897
Unrestricted investment earnings (loss)	24,564	(23,351)
Other miscellaneous revenues (expenses)	(12)	548
<b>Total revenues</b>	<b>525,037</b>	<b>597,205</b>
Measure M program expenses	564,463	594,038
<b>Change in net position</b>	<b>(39,426)</b>	<b>3,167</b>
Net position – beginning	391,201	388,034
<b>Net position – end of year</b>	<b>\$ 351,775</b>	<b>\$ 391,201</b>

OCLTA expenses shown on the statement of activities consist of:

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Supplies and services	\$ 93,273	\$ 80,323
Contributions to other local agencies	102,306	96,816
Infrastructure	281,263	359,991
Interest expense	31,495	32,130
Contributions to other OCTA funds	56,126	24,778
<b>Total expenses</b>	<b>\$ 564,463</b>	<b>\$ 594,038</b>

Total revenues decreased by \$72,168, or 12.1 percent, from FY 2021-22. In FY 2022-23, the unrestricted investment earnings increased by \$47,915 or 205.2 percent resulting from favorable investment performance and sales tax revenues increased by \$14,226. This is, however, offset by the decrease in grants and contributions, which ultimately finance a significant portion of the OCLTA's net costs, by 133,636 or 69.0% percent from the prior year.

Program expenses decreased by \$29,575 primarily due to decrease in expenses related to the I-405 Improvement Project.

## ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

### Management's Discussion and Analysis

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#### Financial Analysis of the OCLTA's Funds

As of June 30, 2023, the OCLTA's governmental funds reported combined ending fund balances of \$960,753, a decrease of \$43,612 compared to FY 2021-22. 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 \$50,753 primarily due to excess of expenses and transfers to LTA Debt Service fund over the sales tax and contributions from other funds.
- The LTA Debt Service fund balance increased by \$7,141, due to the excess of investment earnings and transfers in from LTA fund over the required debt service payments.

#### Capital Asset and Debt Administration

##### **Capital Assets**

As of June 30, 2023, the OCLTA has \$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:

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Right-of-way improvements	\$ 7,300	\$ 7,300
Machinery and equipment	21	21
<b>Total capital assets</b>	<b>7,321</b>	<b>7,321</b>
Less accumulated depreciation	(21)	(21)
<b>Total capital assets, net</b>	<b>\$ 7,300</b>	<b>7,300</b>

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 \$193,162 for the I-5 Freeway Widening Construction Project, \$178,899 for the Regional Capacity Program, and \$134,093 for the I-405 Improvement Project.

##### **Debt Administration**

As of June 30, 2023, the OCLTA has \$590,235 in sales tax revenue bonds compared to \$610,170 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 M2 Sales

## **ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**

### **Management's Discussion and Analysis**

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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 updated version of the Next 10 Plan was adopted by the Board of Directors in November 2022 and covers FY 2023 - FY 2032.

OCLTA anticipates that sales tax revenues for M2 will increase in FY 2023-24. Based on the forecast provided by MuniServices, LLC., sales tax revenue is estimated to increase by 2.6 percent for M2 in FY 2023-24. Sales tax for the M2 Program is estimated to be \$14.8 billion over the life of the measure.

The OCLTA adopted its FY 2023-24 annual budget on June 12, 2023. Approximately \$823.5 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 \$376.8 million to make freeway improvements along State Route 55, Interstate 5, Interstate 405, State Route 91, and State Route 57. Approximately \$185 million is budgeted to improve streets and roads, including \$81.2 million to fund the Local Fair Share Program, \$56.4 million for the Regional Capacity Program, and \$47.2 million for Regional Traffic Signal Synchronization. In addition, the M2 transit budget consists of \$120 million in bus and rail projects, including \$49 million to continue the construction of the OC Streetcar project and \$45 million to support regional rail.

#### **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 related to 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, 2023**

<i>(amounts expressed in thousands)</i>	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 427,620
Receivables:	
Interest	4,864
Operating grants	13,054
Other	921
Due from other OCTA funds	8,701
Due from other governments	105,602
Condemnation deposits	16,065
Lease receivable	260
Note receivable	1,979
Restricted investments	523,688
Other assets	711
Assets held for resale	15,965
Capital assets, net:	
Depreciable	7,300
<b>Total Assets</b>	<b>1,126,730</b>
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	1,222
<b>Total Deferred Outflows of Resources</b>	<b>1,222</b>
<b>Liabilities</b>	
Accounts payable	84,723
Accrued interest payable	12,662
Due to other OCTA funds	514
Due to other governments	31,970
Unearned revenue	137
Other liabilities	17
Noncurrent liabilities:	
Due within one year	20,920
Due in more than one year	624,979
<b>Total Liabilities</b>	<b>775,922</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - leases	255
<b>Total Deferred Inflows of Resources</b>	<b>255</b>
<b>Net Position</b>	
Investment in capital assets	7,300
Restricted for:	
Transportation projects	289,484
Debt service	31,303
Environmental Mitigation Program	23,688
<b>Total Net Position</b>	<b>\$ 351,775</b>

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Statement of Activities**  
**Year Ended June 30, 2023**

		<b>Program Revenues</b>		<b>Net Revenues (Expenses) and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<i>(amounts expressed in thousands)</i>				
Program revenues:				
<u>Governmental activities</u>				
Measure M program	\$ 564,463	\$ 1,257	\$ 60,105	\$ (503,101)
General revenues:				
Sales tax				439,123
Unrestricted investment earnings				24,564
Other miscellaneous expenses				(12)
Total general revenues				463,675
Change in net position				(39,426)
Net position - beginning				391,201
<b>Net position - ending</b>				<b>\$ 351,775</b>

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, 2023**

<i>(amounts expressed in thousands)</i>	<b>LTA</b>	<b>LTA Debt Service</b>	<b>Total OCLTA</b>
<b>Assets</b>			
Cash and investments	\$ 401,558	\$ 26,062	\$ 427,620
Receivables:			
Interest	4,774	90	4,864
Operating grants	13,054	—	13,054
Other	921	—	921
Due from other OCTA funds	16,359	—	16,359
Due from other governments	100,451	5,151	105,602
Condemnation deposits	16,065	—	16,065
Note receivable	1,979	—	1,979
Restricted investments	523,688	—	523,688
Other assets	711	—	711
<b>Total Assets</b>	<b>1,079,560</b>	<b>31,303</b>	<b>1,110,863</b>
<b>Liabilities</b>			
Accounts payable	84,724	—	84,724
Due to other OCTA funds	8,757	—	8,757
Due to other governments	31,970	—	31,970
Unearned revenue	138	—	138
Other liabilities	17	—	17
<b>Total Liabilities</b>	<b>125,606</b>	<b>—</b>	<b>125,606</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - grant reimbursements	21,082	—	21,082
Unavailable revenue - reimbursements from others	3,422	—	3,422
<b>Total Deferred Inflows of Resources</b>	<b>24,504</b>	<b>—</b>	<b>24,504</b>
<b>Fund Balances</b>			
Nonspendable:			
Condemnation deposits	16,065	—	16,065
Other assets - prepaids	711	—	711
Restricted for:			
Transportation projects	888,986	—	888,986
Debt service	—	31,303	31,303
Environmental Mitigation Program	23,688	—	23,688
<b>Total Fund Balances</b>	<b>929,450</b>	<b>31,303</b>	<b>960,753</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,079,560</b>	<b>\$ 31,303</b>	<b>\$ 1,110,863</b>

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, 2023**

*(amounts expressed in thousands)*

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

<b>Total fund balances (page 12)</b>	<b>\$ 960,753</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,300
Lease receivables are not financial resources and, therefore, are not reported in the funds.	260
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.	24,504
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.	(12,662)
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.	1,222
Deferred inflows of resources related to leases are not due and payable in the current period and, therefore, are not reported in the funds.	(255)
The effect of elimination entries of internal balances, and therefore, are not reported in the funds.	587
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	\$ (590,235)
Plus unamortized bond issuance premium	<u>(55,664)</u>
	<u>(645,899)</u>
<b>Net position of governmental activities (page 10)</b>	<b><u>\$ 351,775</u></b>

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, 2023**

<i>(amounts expressed in thousands)</i>	<b>LTA</b>	<b>LTA Debt Service</b>	<b>Total OCLTA</b>
<b>Revenues</b>			
Sales tax	\$ 439,123	\$ —	\$ 439,123
Contributions from other agencies	65,058	—	65,058
Contributions from other OCTA funds	12,467	—	12,467
Investment earnings	17,974	8,698	26,672
Miscellaneous	1,711	—	1,711
<b>Total revenues</b>	<b>536,333</b>	<b>8,698</b>	<b>545,031</b>
<b>Expenditures</b>			
Current:			
General government:			
Supplies and services	93,273	—	93,273
Transportation:			
Contributions to other local agencies	102,306	—	102,306
Contributions to other OCTA funds	56,126	—	56,126
Capital outlay	282,054	—	282,054
Debt service:			
Principal payments on long-term debt	—	19,935	19,935
Interest	—	34,949	34,949
<b>Total expenditures</b>	<b>533,759</b>	<b>54,884</b>	<b>588,643</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,574</b>	<b>(46,186)</b>	<b>(43,612)</b>
<b>Other financing sources (uses)</b>			
Transfers in	2,963	56,290	59,253
Transfers out	(56,290)	(2,963)	(59,253)
<b>Total other financing sources (uses)</b>	<b>(53,327)</b>	<b>53,327</b>	<b>—</b>
<b>Net change in fund balances</b>	<b>(50,753)</b>	<b>7,141</b>	<b>(43,612)</b>
Fund balances - beginning	980,203	24,162	1,004,365
<b>Fund balances - ending</b>	<b>\$ 929,450</b>	<b>\$ 31,303</b>	<b>\$ 960,753</b>

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, 2023**

*(amounts expressed in thousands)*

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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) \$ (43,612)**

Revenues in the statement of activities that do not provide current financial resources  
are not reported as revenues in the funds. (19,203)

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	\$ 19,935	
Change in accrued interest	372	
Amortization of premium and deferred charge on refunding	<u>3,082</u>	<u>23,389</u>

**Change in net position of governmental activities (page 11) \$ (39,426)**

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, 2023**  
(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 tax.

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, 2023, interest expense of \$31,494 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 earnings, and other items are not reported as program revenues and instead are reported as general revenues.

# ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

## Notes to The Financial Statements

### Year Ended June 30, 2023

(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, 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 tax 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

# **ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**

## **Notes to The Financial Statements**

### **Year Ended June 30, 2023**

(in thousands)

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.

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.

# **ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**

## **Notes to The Financial Statements**

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### **Year Ended June 30, 2023**

(in thousands)

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).

### **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 2022-23, \$26,262 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. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the 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. 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 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.



**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to The Financial Statements**

**Year Ended June 30, 2023**

(in thousands)

For the year ended June 30, 2023, the lease receivable and deferred inflow of resources associated with these leases were \$260 and \$255, respectively. OCLTA recognized lease revenue of \$216 during the fiscal year.

Remaining receivables associated with these leases are as follows:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 69	\$ 4	\$ 73
2025	70	3	73
2026	71	2	73
2027	37	—	37
2028	1	—	1
2029-2033	4	1	5
2034-2038	6	1	7
2039-2040	3	—	3
<b>Total</b>	<b>\$ 260</b>	<b>\$ 12</b>	<b>\$ 272</b>

**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 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:

<b>Asset Type</b>	<b>Useful Life</b>
Machinery and equipment	3-10 years

# ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

## Notes to The Financial Statements

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**Year Ended June 30, 2023**

(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) 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 Local Agencies**

Contributions to other local 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

# ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

## Notes to The Financial Statements

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### Year Ended June 30, 2023

(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, 2023, 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, 2023, 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.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to The Financial Statements**

**Year Ended June 30, 2023**

(in thousands)

**2. CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2023:

Investments:

With OCTA Commingled Investment Pool	\$	600,307
With Trustee		327,313
With CA Community Foundation		23,688
<b>Total Cash and Investments</b>	<b>\$</b>	<b>951,308</b>

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

Unrestricted Cash and Investments	\$	427,620
Restricted Cash and Investments		523,688
<b>Total Cash and Investments</b>	<b>\$</b>	<b>951,308</b>

As of June 30, 2023, OCLTA had the following investments:

Investment	Fair Value	Interest Rate	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$ 600,307	*	*	*
Money Market Funds **	327,313	4.94% - 5.00%	7/1/23	.003
CA Community Foundation Investment Fund	23,688	N/A	N/A	N/A
<b>Total Investments</b>	<b>\$ 951,308</b>			

\* 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 1.826 years.

As of June 30, 2023, OCLTA had \$600,307 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, 2023 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2023, OCLTA had \$23,688 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).

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to The Financial Statements**

**Year Ended June 30, 2023**

(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, 2023 (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

<b>Investment</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>% of Portfolio</b>
OCTA Commingled Investment Pool	NR	NR	63.11 %
Money Market Funds	AAA	Aaa	34.40 %
CA Community Foundation Investment Fund	NR	NR	2.49 %
			<b>100.00 %</b>

**3. DUE FROM/TO OTHER GOVERNMENTS**

Amounts due from other governments as of June 30, 2023 in the fund financial statements are \$105,602 which comprised of \$100,451 of sales taxes and project reimbursements, and \$5,151 representing the interest receivable on Build America Bonds.

Amounts due to other governments as of June 30, 2023 are \$31,970 for transportation projects.

**4. RELATED PARTY AND INTERFUND TRANSFERS**

**Related party transactions**

As of June 30, 2023, OCLTA has \$16,359 receivable from other OCTA funds which is related to OC Streetcar, SR-91 Improvement Project, and I-405 Improvement Project.

As of June 30, 2023, OCLTA owes \$8,757 to other OCTA funds as follows:

	<b>Amount</b>	<b>Description</b>
General Fund	\$ 314	Placentia Rail Station and ARTIC
General Capital Project	7,930	OC Streetcar project
OCTD	504	M2 fare stabilization and Stationlink Svcs - Rail Feeder
OC Streetcar	9	OC Streetcar project
<b>Total</b>	<b>\$ 8,757</b>	

**Contributions from Other OCTA Funds**

During fiscal year 2022-23, OCLTA received \$12,467 which is comprised of \$453 from OCTD and \$12,014 from the 91 Express Lanes Fund for freeway improvements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to The Financial Statements**

**Year Ended June 30, 2023**

(in thousands)

**Contributions to Other OCTA Funds**

During fiscal year 2022-23, OCLTA made contributions to the following funds:

- \$44,322 to the General Capital Projects Fund for the OC Streetcar Project
- \$747 to the OC Streetcar Fund for the OC Streetcar Project
- \$11,057 to the OCTD Fund for La Habra service, iShuttle, Commuter Rail, Fare Stabilization and Senior Mobility Program

**Interfund Transfers**

During fiscal year 2022-23, the LTA Fund transferred \$56,290 to the LTA Debt Service Fund for debt service payments. Additionally, the LTA Debt Service Fund transferred \$2,963 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, 2023 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Right-of-way improvements	\$ 7,300	\$ —	\$ —	\$ 7,300
<b>Total capital assets, not being depreciated</b>	<b>7,300</b>	<b>—</b>	<b>—</b>	<b>7,300</b>
<b>Capital assets, being depreciated:</b>				
Machinery and equipment	21	—	—	21
<b>Total capital assets, being depreciated</b>	<b>21</b>	<b>—</b>	<b>—</b>	<b>21</b>
<b>Less accumulated depreciation for:</b>				
Machinery and equipment	(21)	—	—	(21)
<b>Total accumulated depreciation</b>	<b>(21)</b>	<b>—</b>	<b>—</b>	<b>(21)</b>
Total capital assets, being depreciated, net	—	—	—	—
<b>Total governmental activities capital assets, net</b>	<b>\$ 7,300</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 7,300</b>

**6. LONG-TERM DEBT**

**Sales Tax Revenue Bonds**

On December 9, 2010, OCLTA 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. Pursuant to the bond indenture for the 2010 Series Bonds, a reserve fund is not

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to The Financial Statements**

**Year Ended June 30, 2023**

(in thousands)

required. The transaction closed on December 23, 2010. A total of \$75,000 was used to refund outstanding TECP.

On February 12, 2019, OCLTA 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. Pursuant to the bond indenture for the Series 2019 Bonds, a reserve fund is not required. 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 an 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 finance related consequences.

A summary of the bonds outstanding is as follows:

	<b>2010 Series A (Taxable Build America Bonds)</b>	<b>2019 Series B (Tax-Exempt Bonds)</b>	<b>Total</b>
Issuance date	12/9/10	2/12/19	
Original issue amount	\$ 293,540	\$ 376,690	\$ 670,230
Original issue premium	—	69,342	69,342
<b>Net Bond Proceeds</b>	<b>\$ 293,540</b>	<b>\$ 446,032</b>	<b>\$ 739,572</b>
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	\$ 340,235	\$ 590,235
Plus unamortized premium	—	55,664	55,664
<b>Total</b>	<b>\$ 250,000</b>	<b>\$ 395,899</b>	<b>\$ 645,899</b>

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2023, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 20,920	\$ 33,952
2025	21,950	32,906
2026	23,630	31,722
2027	24,755	30,334
2028	25,935	28,881
2029-2033	149,455	120,084
2034-2038	188,445	72,175
2039-2041	135,145	16,049
<b>Total</b>	<b>\$ 590,235</b>	<b>\$ 366,103</b>

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to The Financial Statements**

**Year Ended June 30, 2023**

(in thousands)

**Changes in Long-Term Liabilities**

Long-term liabilities activity for the year ended June 30, 2023, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within one year</b>
Measure M program activities:					
Sales tax revenue bonds	\$ 610,170	\$ —	\$ (19,935)	\$ 590,235	\$ 20,920
Unamortized premium	58,815	—	(3,151)	55,664	—
<b>Total Measure M program activities long-term liabilities</b>	<b>\$ 668,985</b>	<b>\$ —</b>	<b>\$ (23,086)</b>	<b>\$ 645,899</b>	<b>\$ 20,920</b>

**Pledged Revenue**

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2023, 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:

<b>Description of Pledged Revenue</b>	<b>Annual Amount of Net Pledged Revenue</b>	<b>Annual Debt Service Payments</b>	<b>Pledged Revenue Coverage</b>
Measure M2 Net Sales Tax Revenue	\$ 349,480	\$ 54,884	6.37

**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.

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



# ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

## Notes to The Financial Statements

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### Year Ended June 30, 2023

(in thousands)

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.

On December 15, 2022, given significant shifts in the U.S. Treasury yield curve, OCTA requested a disbursement from the Bureau, which was used to legally defease the 2021 BANs, by funding a defeasance escrow using U.S. Treasury securities. No amount is outstanding under the BAN 2021 Series at June 30, 2023.

## 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, 2023 were \$819,719, 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 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. 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. The implementation of this Statement 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. The implementation of this Statement did not have a material effect on the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to The Financial Statements**

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**Year Ended June 30, 2023**

(in thousands)

**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). The implementation of this Statement did not have a material effect on the financial statements.

**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 implementation of this Statement did not have a material effect on 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. 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, 2023**

<i>(amounts expressed in thousands)</i>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Sales tax	\$ 417,196	\$ 417,196	\$ 439,123	\$ 21,927
Contributions from other agencies	139,851	139,851	86,000	(53,851)
Contributions from other OCTA funds	35,862	35,862	12,467	(23,395)
Investment earnings (loss)	10,766	10,766	17,974	7,208
Miscellaneous	1,052	1,052	1,711	659
<b>Total revenues</b>	<b>604,727</b>	<b>604,727</b>	<b>557,275</b>	<b>(47,452)</b>
<b>Expenditures:</b>				
Current:				
General government - supplies and services	199,429	199,364	148,859	50,505
Transportation:				
Contributions to other local agencies	167,940	163,944	102,315	61,629
Contributions to other OCTA funds	51,894	51,894	56,126	(4,232)
Capital outlay	528,678	528,678	345,237	183,441
<b>Total expenditures</b>	<b>947,941</b>	<b>943,880</b>	<b>652,537</b>	<b>291,343</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(343,214)</b>	<b>(339,153)</b>	<b>(95,262)</b>	<b>243,891</b>
<b>Other financing sources (uses):</b>				
Transfers in	5,857	5,857	2,963	(2,894)
Transfers out	(54,884)	(54,884)	(56,290)	(1,406)
Proceeds from sale of capital assets	2,000	2,000	—	(2,000)
<b>Total other financing sources (uses)</b>	<b>(47,027)</b>	<b>(47,027)</b>	<b>(53,327)</b>	<b>(6,300)</b>
<b>Net change in fund balance</b>	<b>\$ (390,241)</b>	<b>\$ (386,180)</b>	<b>\$ (148,589)</b>	<b>\$ 237,591</b>

**Reconciliation to GAAP:**

Net change in fund balance (budgetary basis)	\$ (148,589)
Less: Estimated revenues for encumbrances outstanding at June 30	20,942
Add: Current year encumbrances outstanding at June 30	118,778
Net change in fund balance (GAAP basis)	<u>\$ (50,753)</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, 2023**  
(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 2023 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, 2023**

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Investment earnings	\$ 5,857	\$ 5,857	\$ 8,698	\$ 2,841
<b>Total revenues</b>	<b>5,857</b>	<b>5,857</b>	<b>8,698</b>	<b>2,841</b>
<b>Expenditures:</b>				
Debt service:				
Principal payments on long-term debt	19,935	19,935	19,935	—
Interest on long-term debt	34,949	34,949	34,949	—
<b>Total expenditures</b>	<b>54,884</b>	<b>54,884</b>	<b>54,884</b>	<b>—</b>
<b>Deficiency of revenues under expenditures</b>	<b>(49,027)</b>	<b>(49,027)</b>	<b>(46,186)</b>	<b>2,841</b>
<b>Other financing sources:</b>				
Transfers in	54,884	54,884	56,290	1,406
Transfers out	(5,857)	(5,857)	(2,963)	2,894
<b>Total other financing sources</b>	<b>49,027</b>	<b>49,027</b>	<b>53,327</b>	<b>4,300</b>
<b>Net change in fund balance</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 7,141</b>	<b>\$ 7,141</b>

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, 2023, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated November 2, 2023.

**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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Costa Mesa, California  
November 2, 2023

**91 EXPRESS LANES FUND**  
**(An Enterprise Fund of the**  
**Orange County Transportation Authority)**  
**FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2023**



**91 Express Lanes Fund**  
**(An Enterprise Fund of the Orange County Transportation Authority)**

**Financial Statements**  
**For the Year Ended June 30, 2023**

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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, 2023, 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, 2023, 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, 2023, 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.

## ***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 2, 2023 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.

The logo for Crowe LLP, featuring the company name in a stylized, handwritten-style script above the text "Crowe LLP" in a clean, sans-serif font.

Crowe LLP  
Crowe LLP

Costa Mesa, California  
November 2, 2023

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, 2023, 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 2, 2023. 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 2, 2023

**91 Express Lanes Fund  
Management's Discussion and Analysis (unaudited)  
For the Year Ended June 30, 2023**

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, 2023. 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 2022-23, the total net position of the 91 EL was \$319,248,768 and consisted of net investment in capital assets of \$60,024,445; restricted net position of \$8,652,893; and unrestricted net position of \$250,571,430. Net position increased \$29,926,402 during fiscal year 2022-23, which represents an increase of 10.3% from the fiscal year 2021-22 ending net position. The increase is primarily due to operating revenues in excess of operating expenses and favorable investment earnings.
- b. In fiscal year 2022-23, total operating revenues increased by \$1,939,773, which represents a 3.2% increase from the fiscal year 2021-22. The increase in operating revenue is primarily due to increase in average gross revenue per trip in fiscal year 2022-23.
- c. Total operating expenses increased by \$1,939,891, which represents a 9.5% increase from fiscal year 2021-22, primarily due to increase in depreciation expense related to 91 EL Back Office system and toll collection site that were placed into service in fiscal year 2022-23.
- d. At the end of fiscal year 2022-23, investment earnings increased by \$11,604,202, which represents a 161.3% increase compared to fiscal year 2021-22. The increase in investment earnings is primarily due to favorable 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 15-28 of this report.

**91 Express Lanes Fund**  
**Management's Discussion and Analysis (unaudited)**  
**For the Year Ended June 30, 2023**

**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, 2023, the 91 EL's net position was \$319,248,768, an increase of \$29,926,402 or 10.3% from June 30, 2022. 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**

	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 272,979,841	\$ 232,293,388
Restricted assets	19,451,418	25,341,605
Noncurrent receivables, net	5,558,650	6,902,814
Capital assets, net	123,498,812	127,201,946
<b>Total assets</b>	<b>421,488,721</b>	<b>391,739,753</b>
 <b>Total deferred outflows of resources</b>	 <b>4,993,814</b>	 <b>5,663,376</b>
 Current liabilities	 35,796,415	 28,170,123
Long-term liabilities	71,437,352	79,910,640
<b>Total liabilities</b>	<b>107,233,767</b>	<b>108,080,763</b>
 <b>Net position:</b>		
Net investment in capital assets	60,024,445	56,308,098
Restricted	8,652,893	14,543,080
Unrestricted	250,571,430	218,471,188
<b>Total net position</b>	<b>\$ 319,248,768</b>	<b>\$ 289,322,366</b>

In fiscal year 2022-23, total assets increased by \$29,748,968 which represents an increase of 7.6% from fiscal year 2021-22, primarily due to an increase of \$33,645,190 in cash and investments offset by a decrease of \$3,703,134 in capital assets. Total liabilities decreased by \$846,996 or 0.8% primarily due to bond principal payments during the fiscal year.

The 91 EL's net investment in capital assets was \$60,024,445 in fiscal year 2022-23 compared to \$56,308,098 in fiscal year 2021-22. 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 \$3,716,347 in net investment in capital assets was primarily due to a reduction in related outstanding debt used to acquire capital assets.

Restricted net position, representing resources subject to external restrictions on how they may be used, represented 2.7% of the total net position at June 30, 2023. The \$5,890,187 decrease in restricted net position is related to investment activity in bond reserve accounts.



**91 Express Lanes Fund**  
**Management's Discussion and Analysis (unaudited)**  
**For the Year Ended June 30, 2023**

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 \$218,471,188 at June 30, 2022 to \$250,571,430 at June 30, 2023. This increase of \$32,100,242 was primarily due to operating revenues in excess of operating expenses and favorable investment earnings.

**Table 2**  
**91 Express Lanes Fund**  
**Changes in Net Position**

	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>		
<b>Operating revenues:</b>		
Tolls, fees, and fines	\$ 63,075,127	\$ 61,135,354
<b>Operating expenses:</b>		
Management and operational services	5,773,860	6,149,459
Administrative overhead	3,784,342	3,002,641
Other operating expenses	453,900	50,911
Insurance claims and premiums	542,938	469,970
Professional services	5,812,583	6,807,099
General and administrative	111,028	287,917
Depreciation and amortization	5,868,269	3,639,032
<b>Total operating expenses</b>	<b>22,346,920</b>	<b>20,407,029</b>
<b>Operating income</b>	<b>40,728,207</b>	<b>40,728,325</b>
<b>Nonoperating revenues (expenses):</b>		
Investment earnings (loss)	4,410,320	(7,193,882)
Interest expense	(3,666,110)	(4,011,977)
Other	468,181	985,529
<b>Total nonoperating revenues (expenses)</b>	<b>1,212,391</b>	<b>(10,220,330)</b>
Income before transfers	41,940,598	30,507,995
Transfers to other OCTA funds	(12,014,196)	(14,101,436)
<b>Changes in net position</b>	<b>29,926,402</b>	<b>16,406,559</b>
Total net position—beginning	289,322,366	272,915,807
<b>Total net position—ending</b>	<b>\$ 319,248,768</b>	<b>\$ 289,322,366</b>

**91 Express Lanes Fund**  
**Management's Discussion and Analysis (unaudited)**  
**For the Year Ended June 30, 2023**

The 91 EL's total operating revenues increased by 3.2%, while total operating expenses increased by 9.5%. The increase in operating revenues is due to toll revenues and the newly implemented DMV collections effort, and offset by a projected decrease in toll violation revenue reflected in the AR analysis done at the end of the fiscal year. Total traffic volume on the 91 EL during fiscal year 2022-23 was 19,736,624 trips reflecting a decrease of 0.4% in comparison to fiscal year 2021-22. Investment earnings increased by \$11,604,202 which represents a 161.3% increase compared to fiscal year 2021-22 resulting from favorable investment performance.

**Capital Assets**

As of June 30, 2023, the 91 EL had \$123,498,812 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 decrease in the 91 EL's capital assets for fiscal year 2022-23 was \$3,703,134.

**Table 3**  
**91 Express Lanes Fund**  
**Capital Assets, net of Depreciation and Amortization**

	<b>2023</b>	<b>2022</b>
Toll facility franchise	\$ 109,934,440	\$ 112,521,133
Construction in progress	3,671,559	9,441,400
Improvements	619,854	737,655
Communication equipment	287,722	468,302
Computer hardware and software	5,647,182	19,091
Transponders	425,151	679,259
Intangible right-to-use asset (building)	2,903,405	3,318,207
Equipment, furniture, and fixtures	9,499	16,899
<b>Total capital assets, net</b>	<b>\$ 123,498,812</b>	<b>\$ 127,201,946</b>

The 91 EL has outstanding capital expense commitments, the most significant of which are \$1,887,000 and \$3,779,622 for the electronic toll and traffic management (ETTM) and back-office system, respectively. Major capital asset additions during fiscal year 2022-23 included \$835,718 and \$1,332,812 primarily due to the ETTM system and back-office system, respectively. The ETTM system is still in the construction in progress stage. Net capital assets decreased by \$3,703,134 due to amortization of toll facility franchise and intangible right-to-use asset (building). Total construction in progress decreased by \$5,769,841 as a result of the Toll Collection Site and back office system placed into service in current fiscal year. 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, 2023, the 91 EL had \$71,420,000 in tax-exempt bonds outstanding compared to \$78,515,000 at June 30, 2022. The reduction is due to principal payments in fiscal year 2022-23 in the amount of \$7,095,000. 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, 2023**

**Economic and Other Factors**

The 91 EL makes up \$60,895,575 or 3.69% of OCTA's fiscal year 2023-24 adopted revenue budget. In fiscal year 2023-24, budgeted toll revenue is forecasted to decrease by 3.2% from the fiscal year 2022-23 budgeted value. This decrease is due to a forecasted decrease in revenue and traffic volumes, estimating the start of a recession in FY 2024. The budgeted average long term rate of growth for toll road revenue beyond fiscal year 2023-24 is 3.3%.

The majority of expenses related to the 91 EL within the fiscal year 2023-24 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 2022-23, there were 170,177 active customer accounts, with 667,290 transponders assigned to those accounts, which represents an increase of 8,022 and 26,180, respectively from fiscal year 2021-22.

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 \$495 million. The projects include improvements to the SR-91 between SR-57 and SR-55, Placentia Metrolink rail station, and Metrolink Improvements. The Riverside County projects have a total cost of approximately \$417 million. The improvements include the I-15/91 Express Lanes Connector, 91 Eastbound Express Lane Extension, 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 \$380 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 related to 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, 2023**

**Assets**

Current Assets:

Cash and investments	\$ 266,836,972
Receivables:	
Interest	1,875,204
Violations, net	1,924,601
Other, net	1,538,349
Due from other governments	337,753
Other assets	466,962
<b>Total current assets</b>	<b><u>272,979,841</u></b>

Noncurrent Assets:

Restricted cash and investments:	
Cash equivalents	19,451,418
Receivable violations, net	5,558,650
Capital assets, net:	
Nondepreciable	3,671,559
Depreciable and amortizable	119,827,253
<b>Total noncurrent assets</b>	<b><u>148,508,880</u></b>

<b>Total Assets</b>	<b><u>421,488,721</u></b>
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**Deferred Outflows of Resources**

Deferred charge on refunding	4,993,814
<b>Total Deferred Outflows of Resources</b>	<b><u>4,993,814</u></b>

**Liabilities**

Current Liabilities:

Accounts payable	11,426,736
Accrued interest payable	1,327,045
Due to other funds	3,888,917
Due to other governments	1,056,819
Unearned revenue	10,246,773
Other liabilities	20,771
Lease liabilities - due within one year	369,354
Bonds payable - due within one year	7,460,000
<b>Total current liabilities</b>	<b><u>35,796,415</u></b>

Noncurrent Liabilities:

Lease liabilities - due in more than one year	2,674,654
Bonds payable - due in more than one year	68,762,698
<b>Total noncurrent liabilities</b>	<b><u>71,437,352</u></b>
<b>Total Liabilities</b>	<b><u>107,233,767</u></b>

**Net Position**

Net investment in capital assets	60,024,445
Restricted for:	
Debt service	341,029
Capital	5,000,000
Operating reserves	3,311,864
Unrestricted	250,571,430
<b>Total Net Position</b>	<b><u>\$ 319,248,768</u></b>

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, 2023**

<b>Operating revenues:</b>	
Tolls, fees, and fines	\$ 63,075,127
<b>Operating expenses:</b>	
Management and operational services	5,773,860
Administrative overhead	3,784,342
Other operating expenses	453,900
Insurance claims and premiums	542,938
Professional services	5,812,583
General and administrative	111,028
Depreciation and amortization	5,868,269
<b>Total operating expenses</b>	<b>22,346,920</b>
<b>Operating income</b>	<b>40,728,207</b>
<b>Nonoperating revenues (expenses):</b>	
Investment earnings	4,410,320
Interest expense	(3,666,110)
Other	468,181
<b>Total nonoperating revenues</b>	<b>1,212,391</b>
<b>Income before transfers</b>	<b>41,940,598</b>
Transfers to other OCTA funds	(12,014,196)
<b>Change in net position</b>	<b>29,926,402</b>
Total net position - beginning	289,322,366
<b>Total net position - ending</b>	<b>\$ 319,248,768</b>

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, 2023**

**Cash flows from operating activities:**

Receipts from customers and users	\$ 67,389,444
Payments to suppliers	(10,531,540)
Payments for OCTA interfund services used	(3,784,342)
Other revenues received	468,181
<b>Net cash provided by operating activities</b>	<b>53,541,743</b>

**Cash flows from noncapital financing activities:**

Reimbursement from other governments	437,601
Transfers to other OCTA funds	(10,162,570)
<b>Net cash used for noncapital financing activities</b>	<b>(9,724,969)</b>

**Cash flows from capital and related financing activities:**

Principal payment on long-term debt	(7,095,000)
Interest paid on long-term debt	(3,767,344)
Acquisition and construction of capital assets	(2,237,821)
<b>Net cash used for capital and related financing activities</b>	<b>(13,100,165)</b>

**Cash flows from investing activities:**

Investment earnings	2,928,581
<b>Net cash provided by investing activities</b>	<b>2,928,581</b>

**Net increase in cash and cash equivalents**

33,645,190

**Cash and cash equivalents at beginning of year**

252,643,200

**Cash and cash equivalents at end of year**

**\$ 286,288,390**

**Reconciliation of cash and cash equivalents to statement of net position:**

Cash and investments	\$ 266,836,972
Restricted cash and investments	19,451,418
<b>Total cash and cash equivalents</b>	<b>\$ 286,288,390</b>

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, 2023**

**Reconciliation of operating income to net cash**

**provided by operating activities:**

Operating income	\$ 40,728,207
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation & amortization expense	3,281,576
Amortization of toll road franchise agreement	2,586,693
Nonoperating revenues	468,181
Change in assets and liabilities:	
Violations receivables, net	1,387,003
Other receivables, net	(19,300)
Other assets	(673,414)
Amortization of prepaid insurance	542,938
Accounts payable	2,230,590
Due to other governments	62,654
Unearned revenue	2,978,700
Other liabilities	(32,085)
<b>Total adjustments</b>	<b>12,813,536</b>

**Net cash provided by operating activities**

**\$ 53,541,743**

**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	1,425,372

See accompanying notes to the financial statements.

# **91 Express Lanes Fund**

## **Notes to the Financial Statements**

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**For the Year Ended June 30, 2023**

### **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 (91 EL) 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, 2023. The Policy complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2023 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.

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



## **91 Express Lanes Fund**

### **Notes to the Financial Statements**

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#### **For the Year Ended June 30, 2023**

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 \$2,948,189 at June 30, 2023. For unpaid violations in excess of 90 days, the receivable is estimated using a three-year average of violations collected and is recorded net of uncollectible accounts as the majority is not considered probable of collection.

## 91 Express Lanes Fund

### Notes to the Financial Statements

#### For the Year Ended June 30, 2023

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 \$283,240 at June 30, 2023.

An estimated \$5,558,650 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 asset.

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Type	Useful Life
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	7-10 years

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. GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements is not applicable to 91 Express Lanes Fund, as there are no exchange or exchange-like transactions between OCTA and Caltrans, and there are no franchise fees or installment payments payable to Caltrans.

## **91 Express Lanes Fund Notes to the Financial Statements**

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**For the Year Ended June 30, 2023**

### **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.

### **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, 2023, 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

**91 Express Lanes Fund**  
**Notes to the Financial Statements**

**For the Year Ended June 30, 2023**

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 2022-23, \$3,784,342 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.

**3. CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2023:

<b>Cash:</b>		
Petty cash	\$	550
Deposits		20,323,308
<b>Total cash</b>		<b>20,323,858</b>
<b>Investments:</b>		
With OCTA Commingled Investment Pool		254,819,741
With trustee		11,144,791
<b>Total investments</b>		<b>265,964,532</b>
<b>Total cash and investments</b>	<b>\$</b>	<b>286,288,390</b>

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

Unrestricted cash and investments	\$	266,836,972
Restricted cash and investments:		
Cash equivalents		19,451,418
<b>Total cash and investments</b>	<b>\$</b>	<b>286,288,390</b>

As of June 30, 2023, the 91 Express Lanes Fund had the following investments:

Investment	Fair Value	Yield	Interest Rate	Maturity	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$ 254,819,741	Refer to the OCTA Annual Comprehensive Financial Report for information related to the OCTA Commingled Investment Pool.*			
Held by trustee:					
*Money Market Funds	345,452	4.710%	4.69%-4.70%	7/01/2023	0.003
*Commercial Paper	10,799,339	4.960%	0.000%	7/03/2023	0.008
<b>Total investments</b>	<b>\$ 265,964,532</b>				
Portfolio Weighted Average					2.146

\*Money market funds and commercial paper are measured at amortized cost which approximates fair value.

## 91 Express Lanes Fund

### Notes to the Financial Statements

For the Year Ended June 30, 2023

As of June 30, 2023, the 91 Express Lanes Fund had \$254,819,741 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, 2023 is uncategorized, not defined as a Level 1, Level 2, or Level 3 input.

Refer to the OCTA Annual Comprehensive Financial Report for fiscal year 2022-23 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, 2023 (NR means Not Rated):

Investments	S&P	Moody's	% of 91 Express Lanes Fund
OCTA Commingled Investment Pool	NR	NR	95.808 %
Held by trustee:			
Money Market Funds	AAA	Aaa	0.130 %
Commercial Paper:			
Natixis	A-1	P-1	4.062 %
<b>Total</b>			<b>100.000 %</b>

#### Concentration of Credit Risk

At June 30, 2023, 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, 2023.

**91 Express Lanes Fund**  
**Notes to the Financial Statements**

**For the Year Ended June 30, 2023**

**4. INTERFUND ACTIVITIES**

**Due To Other Funds:**

As of June 30, 2023, the 91 EL owes \$3,888,917 to the Orange County Local Transportation Authority (OCLTA) for SR-91 Improvement Project.

**Interfund Transfers:**

During fiscal year 2022-23, the 91 EL transferred \$12,014,196 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, 2023 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ 9,441,400	\$1,133,057	\$ (6,902,898)	\$ 3,671,559
<b>Capital assets, being depreciated:</b>				
Improvements	2,469,220	—	—	2,469,220
Communications equipment	2,861,175	—	—	2,861,175
Computer hardware and software	350,760	7,938,372	(14,600)	8,274,532
Transponders	3,715,676	—	(16,047)	3,699,629
Intangible right-to-use (building)	3,733,011	—	(1)	3,733,010
Equipment, furniture and fixtures	63,867	—	(16,977)	46,890
Toll facility franchise	205,263,668	—	—	205,263,668
<b>Total capital assets, being depreciated and amortized</b>	<b>218,457,377</b>	<b>7,938,372</b>	<b>(47,625)</b>	<b>226,348,124</b>
<b>Less accumulated depreciation and amortization for:</b>				
Improvements	(1,731,565)	(117,801)	—	(1,849,366)
Communications equipment	(2,392,873)	(180,580)	—	(2,573,453)
Computer hardware and software	(331,669)	(2,310,281)	14,600	(2,627,350)
Transponders	(3,036,417)	(254,108)	16,047	(3,274,478)
Intangible right-to-use (building)	(414,804)	(414,801)	—	(829,605)
Equipment, furniture and fixtures	(46,968)	(4,005)	13,582	(37,391)
Toll facility franchise	(92,742,535)	(2,586,693)	—	(95,329,228)
<b>Total accumulated depreciation and amortization</b>	<b>(100,696,831)</b>	<b>(5,868,269)</b>	<b>44,229</b>	<b>(106,520,871)</b>
<b>Total capital assets, being depreciated and amortized, net</b>	<b>117,760,546</b>	<b>2,070,103</b>	<b>(3,396)</b>	<b>119,827,253</b>
<b>Total capital assets, net</b>	<b>\$ 127,201,946</b>	<b>\$3,203,160</b>	<b>\$ (6,906,294)</b>	<b>\$ 123,498,812</b>

## **91 Express Lanes Fund**

### **Notes to the Financial Statements**

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**For the Year Ended June 30, 2023**

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. There are no franchise fees or installment payments payable to Caltrans.

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.

In fiscal year 2023, OCTA assessed GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements and determined that 91 Express Lanes agreement was not applicable to this standard, wherein exchange or exchange-like transactions does not exist between OCTA and Caltrans.

## **6. LEASES**

OCTA adopted GASB Statement No. 87, Leases, effective fiscal year ended June 30, 2022. 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. The 91 express lanes has several leasing arrangements, summarized below:

### **Lessee:**

The 91 Express Lanes entered into a lease agreement for the use of 91 Express Lanes Anaheim office space for 180-months, beginning September 2015. The lease terminates August 2030. At June 30, 2023, the balance of intangible right to use asset and lease liabilities were \$2,621,941 and \$2,753,120, respectively. During fiscal year 2023, the 91 Express Lanes recorded \$365,852 in amortization expense and \$61,905 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 for the use of 91 Express Lanes (91 EL) RCTC office space for 120-months, beginning April 2019. The lease terminates March 2029. At June 30, 2023, the balance of intangible right to use asset and lease liabilities were \$281,464 and \$290,888, respectively. During fiscal year 2023, the 91 Express Lanes recorded \$48,950 in amortization expense and \$5,737 in

**91 Express Lanes Fund**  
**Notes to the Financial Statements**

**For the Year Ended June 30, 2023**

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.

Remaining obligations associated with these leases are as follows:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 369,354	\$ 60,181	\$ 429,535
2025	389,800	52,306	442,106
2026	411,015	43,997	455,012
2027	432,877	35,237	468,114
2028	455,267	26,016	481,283
2029-2031	985,695	23,267	1,008,962
<b>Total</b>	<b>\$ 3,044,008</b>	<b>\$ 241,004</b>	<b>\$ 3,285,012</b>

The amortized right-to-use assets activity for the year ended June 30, 2023, is as follows:

<b>Lessee activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Intangible right-to-use assets:				
Office space	\$ 3,318,207	\$ (414,802)	\$ —	\$ 2,903,405
<b>Total</b>	<b>\$ 3,318,207</b>	<b>\$ (414,802)</b>	<b>\$ —</b>	<b>\$ 2,903,405</b>

Lease liability activities associated with these leases are as follows:

<b>Lease Liabilities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Buildings:					
91 EL RCTC Office	\$ 335,192	\$ —	\$ 44,303	\$ 290,888	\$ 45,862
91 EL Anaheim Office	3,058,925	—	305,805	2,753,120	323,493
<b>Total lease liabilities</b>	<b>\$ 3,394,117</b>	<b>\$ —</b>	<b>\$ 350,108</b>	<b>\$ 3,044,008</b>	<b>\$ 369,354</b>

## **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



## 91 Express Lanes Fund

### Notes to the Financial Statements

#### For the Year Ended June 30, 2023

\$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.

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	\$	19,451,418 **
Interest rate		2%-5%
Maturity		December 2030
Principal payment date		August 15
Balance as of 06/30/23	\$	71,420,000
Unamortized premium	\$	4,802,698
Deferred amount on refunding	\$	(4,993,814)

\* 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, 2023, all reserve requirements have been satisfied, with \$6,047,989 reserved in current cash and investment account for Senior Lien Toll Road Revenue Refunding Bonds, Series 2023, issued on July 6, 2023.

The Toll Road Revenue Refunding Bonds have ratings of "Aa3" by Moody's, "AA-" from Fitch, and "AA-" by Standard & Poor's.

**91 Express Lanes Fund**  
**Notes to the Financial Statements**

**For the Year Ended June 30, 2023**

Annual debt service requirements on the tax-exempt bonds to maturity are as follows:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	9,115,000	1,683,450	10,798,450
2029-2031	30,085,000	2,303,213	32,388,213
<b>Total</b>	<b>\$ 71,420,000</b>	<b>\$ 14,954,713</b>	<b>\$ 86,374,713</b>

**Changes in Long-Term Obligations**

Long-term liabilities activity for the year ended June 30, 2023, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Tax-exempt bonds	\$ 78,515,000	\$ —	\$ (7,095,000)	\$ 71,420,000	\$ 7,460,000
Unamortized premium	5,446,635	—	(643,937)	4,802,698	-
<b>Total long-term debt</b>	<b>\$ 83,961,635</b>	<b>\$ —</b>	<b>\$ (7,738,937)</b>	<b>\$ 76,222,698</b>	<b>\$ 7,460,000</b>

**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, 2023, is as follows:

<b>Pledged Revenue</b>	<b>Annual Amount of Net Pledged Revenue</b>	<b>Annual Debt Service Payments</b>	<b>Pledged Revenue Coverage</b>	<b>Required Debt Coverage</b>
91 Express Lanes Net Toll Road Revenue	\$50,489,362	\$10,794,700	4.68	1.30

## **91 Express Lanes Fund Notes to the Financial Statements**

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**For the Year Ended June 30, 2023**

### **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.

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, 2023 were \$64,022,395, 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.

### **9. EFFECT OF NEW PRONOUNCEMENTS**

#### **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. The implementation of this Statement did not have a material effect on the financial statements.

## **91 Express Lanes Fund**

### **Notes to the Financial Statements**

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**For the Year Ended June 30, 2023**

#### **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. The implementation of this Statement did not have a material effect on the financial statements.

#### **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). OCTA implemented this statement for fiscal year ending June 30, 2023. The implementation of this Statement did not have a material effect on the financial statements.

#### **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 implementation of this Statement did not have a material effect on 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.

**91 Express Lanes Fund**  
**Notes to the Financial Statements**

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**For the Year Ended June 30, 2023**

**10. SUBSEQUENT EVENT**

On July 6, 2023, OCTA issued \$47,545,000 in Senior Lien Toll Road Revenue Refunding Bonds, Series 2023 ("91EL 2023 Bonds"). The All-In True Interest Cost (TIC) is 2.80%. With the proceeds of the 91EL 2023 Bonds, OCTA refunded and defeased the outstanding the Series 2013 Bonds, which resulted in net present value cumulative savings of \$5,521,000.

**ORANGE COUNTY  
TRANSPORTATION AUTHORITY  
LOCAL TRANSPORTATION FUND**

**FINANCIAL STATEMENTS**

Year ended June 30, 2023

ORANGE COUNTY TRANSPORTATION AUTHORITY  
LOCAL TRANSPORTATION FUND

FINANCIAL STATEMENTS  
JUNE 30, 2023

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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, 2023, 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, 2023, 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, 2023, 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.

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(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.

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(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 2, 2023 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 2, 2023

ORANGE COUNTY TRANSPORTATION AUTHORITY  
LOCAL TRANSPORTATION FUND  
BALANCE SHEET  
June 30, 2023

---

**ASSETS**

Cash and investments	\$ 299,423,359
Interest receivable	3,517,190
Due from other governments (Note 3)	<u>38,781,345</u>

Total assets	<u><u>\$ 341,721,894</u></u>
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**LIABILITIES**

Accounts payable	\$ 57,957
Due to other governments (Note 4)	235,965
Due to other OCTA funds (Note 5)	<u>377,267</u>
Total liabilities	671,189

**FUND BALANCE**

Restricted for transportation programs	<u>341,050,705</u>
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Total liabilities and fund balance	<u><u>\$ 341,721,894</u></u>
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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, 2023

---

**REVENUES**

Local transportation sales tax allocations	\$ 222,451,501
Investment income	<u>7,205,298</u>
Total revenues	229,656,799

**EXPENDITURES**

Current:	
Supplies and services	2,132,869
Contributions to other agencies	<u>3,115,249</u>
Total expenditures	<u>5,248,118</u>

Excess of revenues over expenditures	224,408,681
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**OTHER FINANCING USES**

Transfers to other OCTA funds (Note 6)	<u>(190,943,358)</u>
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Net change in fund balance	33,465,323
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Fund balance, beginning of year	<u>307,585,382</u>
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<b>Fund balance, end of year</b>	<b><u>\$ 341,050,705</u></b>
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See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY  
LOCAL TRANSPORTATION FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**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, 2023, 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.

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(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY  
LOCAL TRANSPORTATION FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**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, 2023 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 \$38,781,345 represents a TDA receivable due from the State of California.

**NOTE 4 – DUE TO OTHER GOVERNMENTS**

Due to other governments of \$235,965 represents amounts due to other agencies for use in transit projects.

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(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY  
LOCAL TRANSPORTATION FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**NOTE 5 – DUE TO OTHER OCTA FUNDS**

Due to other OCTA funds as of June 30, 2023 consisted of the following:

OCTA for planning and administration	<u>\$ 377,267</u>
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**NOTE 6 – TRANSFERS**

Transfers to other OCTA funds during the fiscal year ended June 30, 2023 consisted of the following:

OCTA for planning and administration	<u>\$ 190,943,358</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, 2023

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	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Local transportation sales				
tax allocations	\$ 212,568,231	\$ 212,568,231	\$ 222,451,501	\$ 9,883,270
Investment income	<u>45,535</u>	<u>45,535</u>	<u>7,205,298</u>	<u>7,159,763</u>
Total revenues	212,613,766	212,613,766	229,656,799	17,043,033
<b>EXPENDITURES</b>				
Current:				
Supplies and services	2,104,636	2,104,636	2,132,869	(28,233)
Contributions to other local agencies	<u>2,966,864</u>	<u>2,966,864</u>	<u>3,115,249</u>	<u>(148,385)</u>
Total expenditures	5,071,500	5,071,500	5,248,118	(176,618)
Excess of revenues over expenditures	207,542,266	207,542,266	224,408,681	16,866,415
<b>OTHER FINANCING USES</b>				
Transfers to other OCTA funds	<u>(207,542,266)</u>	<u>(207,542,266)</u>	<u>(190,943,358)</u>	<u>16,598,908</u>
Net change in fund balance	-	-	33,465,323	33,465,323
Fund balance, beginning of year	<u>307,585,382</u>	<u>307,585,382</u>	<u>307,585,382</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 307,585,382</u>	<u>\$ 307,585,382</u>	<u>\$ 341,050,705</u>	<u>\$ 33,465,323</u>

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ORANGE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the year ended June 30, 2023

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**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 \$28,233 and contributions to other local agencies in the amount of \$148,385. 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, 2023

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<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	\$ -	\$ -	\$ 1,451,536	\$ -	\$ 1,451,536	\$ 1,451,536
County of Orange	6,155	-	-	-	6,155	6,155
Orange County Transit District	-	-	202,051,645	10,710,694	212,762,339	185,813,286
Orange County Transportation Authority	157,400	4,972,672	-	-	5,130,072	5,130,072
Southern California Association of Governments	-	1,657,558	-	-	1,657,558	1,657,558
	<u>-</u>	<u>1,657,558</u>	<u>-</u>	<u>-</u>	<u>1,657,558</u>	<u>1,657,558</u>
Total disbursements	<u>\$ 163,555</u>	<u>\$ 6,630,230</u>	<u>\$ 203,503,181</u>	<u>\$ 10,710,694</u>	<u>\$ 221,007,660</u>	<u>\$ 194,058,607</u>

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**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, 2023, 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 2, 2023. 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.

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(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.



Crowe LLP

Costa Mesa, California  
November 2, 2023

**ORANGE COUNTY  
TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE FUND**

**FINANCIAL STATEMENTS**

Year ended June 30, 2023

ORANGE COUNTY TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE FUND

FINANCIAL STATEMENTS  
JUNE 30, 2023

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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, 2023, 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, 2023, 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, 2023, 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.

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(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.

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(Continued)

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023 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.

A handwritten signature in black ink, appearing to read "Crowe LLP", is positioned above the printed name.

Crowe LLP

Costa Mesa, California  
November 2, 2023

ORANGE COUNTY TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE FUND  
BALANCE SHEET  
June 30, 2023

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**ASSETS**

Cash and investments	\$ 35,654,043
Interest receivable	311,022
Due from other governments (Note 3)	<u>15,787,779</u>
 Total assets	 <u><u>\$ 51,752,844</u></u>

**LIABILITIES**

Accounts payable	\$ 5,003
Due to other OCTA funds (Note 4)	<u>9,314,172</u>
Total liabilities	9,319,175

**FUND BALANCE**

Restricted for transportation programs	<u>42,433,669</u>
 Total liabilities and fund balance	 <u><u>\$ 51,752,844</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, 2023

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**REVENUES**

State transit assistance sales tax allocations	\$ 56,447,206
Transportation improvement fee	6,618,267
Interest and investment income	<u>656,227</u>
Total revenues	63,721,700

**EXPENDITURES**

Supplies and services	<u>22,735</u>
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Excess of revenues over expenditures	63,698,965
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**OTHER FINANCING USES**

Transfers to other OCTA funds (Note 5)	<u>(37,613,918)</u>
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Net change in fund balance	26,085,047
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Fund balance, beginning of year	<u>16,348,622</u>
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<b>Fund balance, end of year</b>	<u><u>\$ 42,433,669</u></u>
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See accompanying notes to financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**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, 2023, 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.

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(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**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, 2023 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 \$15,787,779 represents a TDA receivable due from the State of California.

**NOTE 4 – DUE TO OTHER OCTA FUNDS**

Due to other OCTA funds of \$9,314,172 represents a TDA payable due to OCTD.

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(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**NOTE 5 – TRANSFERS TO OTHER OCTA FUNDS**

Transfers to OCTD of \$37,613,918 for the year ended June 30, 2023 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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
State transit assistance sales				
tax allocations	\$ 39,982,552	\$ 39,982,552	\$ 56,447,206	\$ 16,464,654
Transportation improvement fee	6,585,423	6,585,423	6,618,267	32,844
Interest and investment income	20,558	20,558	656,227	635,669
Total revenues	<u>46,588,533</u>	<u>46,588,533</u>	<u>63,721,700</u>	<u>17,133,167</u>
<b>EXPENDITURES</b>				
Supplies and services	<u>-</u>	<u>-</u>	<u>22,735</u>	<u>(22,735)</u>
Excess of revenues over expenditures	46,588,533	46,588,533	63,698,965	17,110,432
<b>OTHER FINANCING USES</b>				
Transfers to other OCTA funds	<u>(46,588,533)</u>	<u>(46,588,533)</u>	<u>(37,613,918)</u>	<u>8,974,615</u>
Net change in fund balance	-	-	26,085,047	26,085,047
Fund balance, beginning of year	<u>110,509</u>	<u>110,509</u>	<u>16,348,622</u>	<u>16,238,113</u>
<b>Fund balance, end of year</b>	<u><u>\$ 110,509</u></u>	<u><u>\$ 110,509</u></u>	<u><u>\$ 42,433,669</u></u>	<u><u>\$ 42,323,160</u></u>

ORANGE COUNTY TRANSPORTATION AUTHORITY  
STATE TRANSIT ASSISTANCE FUND  
NOTES TO SUPPLEMENTARY INFORMATION  
For the year ended June 30, 2023

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**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 \$22,735. 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, 2023, 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 2, 2023. 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 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 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. 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.

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(Continued)

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether STAFs 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 2, 2023

**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, 2023, 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, 2023, 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.

***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 2, 2023 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 2, 2023