

405 EXPRESS LANES FUND
(An Enterprise Fund of the
Orange County Transportation Authority)
FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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

Financial Statements
For the Year Ended June 30, 2025

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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 405 Express Lanes Fund (405 EL), a major enterprise fund of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 405 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 405 EL, a major enterprise fund of OCTA, as of June 30, 2025, 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 405 EL and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2025, 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 405 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 405 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 October 31, 2025 on our consideration of OCTA's internal control over financial reporting, as it relates to the 405 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 405 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 405 EL.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
October 31, 2025

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 405 Express Lanes Fund (405 EL), a major enterprise fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 405 EL's basic financial statements, and have issued our report thereon dated October 31, 2025. As discussed in Note 1, the financial statements present only the 405 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 405 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 405 EL. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control, as it relates to the 405 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 405 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
October 31, 2025

**405 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2025**

As management of the 405 Express Lanes Fund (405 EL), an enterprise fund of the Orange County Transportation Authority, we offer readers of the 405 EL financial statements this narrative overview and analysis of the 405 EL's financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 11.

Financial Highlights

- At the end of fiscal year 2024-25, the total net position of the 405 EL was \$(148,958,725), comprising net investment in capital assets of \$(17,420,331); restricted net position of \$40,318,050; and unrestricted net position of \$(171,856,444). Net position decreased by \$51,489,964, or 52.8%, from the fiscal year 2023-24 ending net position. The decrease was primarily attributable to an interfund transfer to the Orange County Local Transportation Authority (OCLTA) for the allocation of Transportation Infrastructure Finance and Innovation Act (TIFIA) loan proceeds associated with the construction of the general purpose lane for the I-405 Improvement Project.
- In fiscal year 2024-25, total operating revenues of the 405 EL increased by \$40,642,611, representing a 236.6% increase from fiscal year 2023-24. Since tolling on the 405 Express Lanes began on December 1, 2023, the increase in operating revenues was primarily due to a full year of operations in fiscal year 2024-25 compared to seven months in fiscal year 2023-24, along with higher average gross revenue per trip, and an increase in estimated violation receivables.
- Total operating expenses increased by \$12,239,163, which represents a 50.3% increase from fiscal year 2023-24, primarily attributable to higher operating costs, including management and operational services, professional services, and depreciation and amortization expenses associated with the commencement of operations.
- In fiscal year 2024-25, investment earnings increased by \$2,083,757, or 61.1%, compared to fiscal year 2023-24, as a result of higher available cash balances and favorable investment performance during the year. Interest expense increased by \$17,927,030, mainly due to accreted TIFIA loan interest and the completion of deferred gain amortization on defeased Bond Anticipation Notes (BANs).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 405 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 405 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 405 EL is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the 405 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 405 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 15-25 of this report.

405 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2025

405 Express Lanes Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the 405 EL's financial position. At June 30, 2025, the 405 EL's net position was \$(148,958,725), a decrease of \$51,489,964 or 52.8% from June 30, 2024. Our analysis below focuses on net position (Table 1) and changes in net position (Table 2) of the 405 EL's financial activities.

Table 1
405 Express Lanes Fund
Net Position

	2025	2024
Assets		
Current and other assets	\$ 26,968,412	\$ 102,554,296
Restricted assets	38,355,181	—
Noncurrent receivables, net	4,280,232	44,892
Capital assets, net	452,773,034	462,486,871
Total assets	522,376,859	565,086,059
Total deferred outflows of resources	106,434,601	106,810,152
Liabilities		
Current liabilities	16,575,775	15,747,967
Long-term liabilities	761,194,410	746,506,787
Total liabilities	777,770,185	762,254,754
Total deferred inflows of resources	—	7,110,218
Net position		
Net investment in capital assets	(17,420,331)	(12,071,482)
Restricted	40,318,050	—
Unrestricted	(171,856,444)	(85,397,279)
Total net position	\$ (148,958,725)	\$ (97,468,761)

In fiscal year 2024-25, total assets decreased by \$42,709,200, or 7.6%, compared to fiscal year 2023-24. The decrease was primarily attributable to a \$30,387,615 reduction in cash and investments resulting from an interfund transfer to the OCLTA for the I-405 Improvement Project, and a decrease of \$9,713,837 in capital assets driven by depreciation of infrastructure assets and computer hardware. Total liabilities increased by \$15,515,431, or 2.0% primarily due to TIFIA accreted interest being added to the loan principal balance.

The 405 EL's net investment in capital assets was \$(17,420,331) in fiscal year 2024-25 compared to \$(12,071,482) in fiscal year 2023-24. The 405 EL's net position reflects its investment in capital assets (i.e., land; improvements; infrastructure; computer hardware and software; equipment, furniture and fixtures; and intangible right-to-use assets), less any related outstanding debt used to acquire these assets. The 405 EL uses these capital assets to provide improved mobility for 405 EL customers and commuters along the I-405 corridor. The decrease of \$5,348,849 in net investment in capital assets

405 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2025

primarily reflects a reduction in the carrying value of capital assets as a result of monthly depreciation, which decreases the net book value of these assets over time.

Restricted net position, which reflects resources subject to external restrictions on their use, represented (27.1)% of the total net position at June 30, 2025. The \$40,318,050 increase in restricted net position was primarily due to transfers made to designated reserve funds and accounts as required under the TIFIA loan indenture.

Unrestricted net position represents the portion of net position available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position decreased from \$(85,397,279) to \$(171,856,444) at June 30, 2025. The decrease of \$86,459,165 was primarily attributable to the allocation of TIFIA loan proceeds to the OCLTA for the construction of the general purpose lane for the I-405 Improvement Project.

Table 2
405 Express Lanes Fund
Changes in Net Position

	2025	2024
Operating revenues		
Tolls, fees, and fines	\$ 57,822,765	\$ 17,180,154
Operating expenses		
Management and operational services	6,698,662	4,051,845
Administrative overhead	3,208,889	3,353,436
Other operating expenses	16,267	234,335
Insurance claims and premiums	48,196	62,613
Professional services	10,146,353	7,978,487
General and administrative	1,158,854	330,901
Depreciation and amortization	15,287,771	8,314,212
Total operating expenses	36,564,992	24,325,829
Operating income (loss)	21,257,773	(7,145,675)
Nonoperating revenues (expenses)		
Investment earnings	5,494,263	3,410,506
Interest income (expense)	(6,078,613)	11,848,417
Other	9,085	1,492,264
Total nonoperating revenues (expenses)	(575,265)	16,751,187
Income before transfers	20,682,508	9,605,512
Transfers from other OCTA funds	—	125,222,349
Transfers to other OCTA funds	(72,172,472)	—
Changes in net position	(51,489,964)	134,827,861
Total net position—beginning	(97,468,761)	(232,296,622)
Total net position—ending	\$ (148,958,725)	\$ (97,468,761)

405 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2025

The 405 EL's total operating revenues increased by 236.6%, while total operating expenses increased by 50.3%. The significant increase in operating revenues was primarily attributable to a full year of operations in fiscal year 2024–25 compared to seven months in fiscal year 2023–24, higher average gross revenue per trip, and an increase in estimated violation receivables. The increase in operating expenses was largely driven by higher operating costs, including management and operational services, professional services, and depreciation and amortization expenses associated with the commencement of operations. Total traffic volume on the 405 EL in fiscal year 2024-25 was 17,382,992 trips.

Investment earnings increased by \$2,083,757, or 61.1%, compared to fiscal year 2023-24, primarily due to higher available cash balances and favorable investment performance. Interest expense increased by \$17,927,030, primarily due to accreted interest on the TIFIA loan and the completion of deferred gain amortization associated with the defeasance of Bond Anticipation Notes (BANs). This deferred inflow of resources had been amortized as a reduction of interest expense over the remaining life of the BANs, which concluded in October 2024.

Capital Assets

As of June 30, 2025, the 405 EL had \$452,773,034 net of accumulated depreciation and amortization, invested in a broad range of capital assets including: land, improvements, infrastructure, computer hardware and software, equipment, furniture and fixtures, and intangible right-to-use lease asset (Table 3). The total decrease in the 405 EL's capital assets for fiscal year 2024-25 was \$9,713,837.

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

	2025	2024
Land - PPP assets	\$ 29,764,763	\$ 27,438,468
Construction in progress	—	160,020
Leasehold improvements	1,028,466	1,085,916
Infrastructure - PPP assets	392,395,670	401,682,063
Computer hardware and software	23,883,169	26,199,110
Equipment, furniture, and fixtures	492,718	419,623
Lease assets - building	5,208,248	5,501,671
Total capital assets, net	\$ 452,773,034	\$ 462,486,871

The 405 EL has outstanding capital expense commitments, the most significant of which were \$1,760,933 for the electronic toll and traffic management (ETTM) and \$104,734,283 for the back-office system. Major capital asset additions during fiscal year 2024-25 included \$1,317,220 for the ETTM system. Net capital assets decreased by \$9,713,837 primarily due to depreciation of infrastructure assets and computer hardware and software. Construction in progress decreased by \$160,020 following the placement of equipment into service at the beginning of fiscal year 2024-25. More detailed information about the 405 EL's capital assets is presented in note 5 to the financial statements.

**405 Express Lanes Fund
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2025**

Debt Administration

As of June 30, 2025, the 405 EL had \$644,732,106 in long-term debt outstanding of TIFIA loan compared to \$632,355,394 at June 30, 2024. The increase is due to current year's accreted interest being added to principal in the amount of \$12,376,712. Additional information on long-term debt can be found in note 8 to the financial statements.

Economic and Other Factors

The 405 EL makes up \$53,524,809 or 3.1% of OCTA's fiscal year 2025-26 adopted revenue budget. For fiscal year 2025-26, budgeted toll revenue is forecasted to increase by 9.2% from the fiscal year 2024-25 budgeted value. This increase reflects anticipated toll rate adjustment and increased traffic volumes along the corridor. The budgeted average long term rate of growth for toll road revenue beyond fiscal year 2025-26 is 3.1%.

The majority of expenses related to the 405 EL within the fiscal year 2025-26 budget are on-going general costs related to day to day operations of the toll facility. Since the 405 Express Lanes 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 2024-25, there were 22,143 active customer accounts with 45,712 transponders assigned to those accounts, which represents an increase of 13,077 accounts and 29,441 transponders, respectively from fiscal year 2023-24.

The 405 EL Fund will be responsible for managing the operational and capital expenses associated with the 405 Express Lanes.

Contacting 405 EL's Management

This financial report is designed to provide a general overview of the 405 EL's finances for all those with an interest in the government's finances and to demonstrate the 405 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.

405 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2025

Assets

Current assets:

Cash and investments	\$ 20,963,905
Receivables:	
Interest	723,413
Violations, net	3,605,514
Other, net	1,487,722
Condemnation deposits	136,000
Other assets	51,858

Total current assets	26,968,412
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Noncurrent assets:

Restricted cash and investments	38,355,181
Violations receivable, net	4,280,232
Capital assets, net:	
Nondepreciable	29,764,763
Depreciable and amortizable	423,008,271

Total noncurrent assets	495,408,447
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Total assets	522,376,859
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Deferred outflows of resources

Deferred outflows - PPP	106,434,601
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Total deferred outflows of resources	106,434,601
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Liabilities

Current liabilities:

Accounts payable	14,075,374
Accrued interest payable	30,147
Due to other governments	1,068,116
Unearned revenue	1,272,286
Other liabilities	45,782
Lease liabilities, current	84,070

Total current liabilities	16,575,775
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Noncurrent liabilities:

Lease liabilities	5,676,471
Long-term debt - TIFIA loan	644,732,106
Other long-term liabilities - PPP	110,785,833

Total noncurrent liabilities	761,194,410
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Total liabilities	777,770,185
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Net position

Net investment in capital assets	(17,420,331)
Restricted for:	
Debt service	32,601,920
Operating reserves	7,716,130
Unrestricted	(171,856,444)

Total net position	\$ (148,958,725)
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See accompanying notes to the financial statements.

405 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, 2025

Operating revenues	
Tolls, fees, and fines	\$ 57,822,765
Operating expenses	
Management and operational services	6,698,662
Administrative overhead	3,208,889
Other operating expenses	16,267
Insurance claims and premiums	48,196
Professional services	10,146,353
General and administrative	1,158,854
Depreciation and amortization	15,287,771
Total operating expenses	36,564,992
Operating income	21,257,773
Nonoperating revenues (expenses)	
Investment earnings	5,494,263
Interest expense	(6,078,613)
Other	9,085
Total nonoperating expenses	(575,265)
Income before transfers	20,682,508
Transfers to other OCTA funds	(72,172,472)
Change in net position	(51,489,964)
Total net position - beginning	(97,468,761)
Total net position - ending	\$ (148,958,725)

See accompanying notes to the financial statements.

405 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash flows from operating activities	
Receipts from customers and users	\$ 61,103,191
Payments to suppliers	(20,324,666)
Payments for OCTA interfund services used	(3,208,889)
Other revenues received	9,085
Net cash provided by operating activities	37,578,721
Cash flows from noncapital financing activities	
Transfers to other funds	(72,172,472)
Net cash used for noncapital financing activities	(72,172,472)
Cash flows from capital and related financing activities	
Arbitrage rebate payment	(448,718)
Interest paid on long-term debt	(56,009)
Acquisition and construction of capital assets	(908,778)
Net cash used for capital and related financing activities	(1,413,505)
Cash flows from investing activities	
Investment earnings	5,619,641
Net cash provided by investing activities	5,619,641
Net decrease in cash and cash equivalents	(30,387,615)
Cash and cash equivalents at beginning of year	89,706,701
Cash and cash equivalents at end of year	\$ 59,319,086
Reconciliation of cash and cash equivalents to statement of net position	
Cash and investments	\$ 20,963,905
Restricted cash and investments	38,355,181
Total cash and cash equivalents	\$ 59,319,086

See accompanying notes to the financial statements.

405 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2025

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 21,257,773
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	15,287,771
Other nonoperating revenues	9,085
Change in assets and liabilities:	
Violations receivables, net	(7,288,410)
Other receivables, net	9,721,788
Other assets	(66,404)
Amortization of prepaid insurance	48,196
Accounts payable	(2,819,385)
Due to other governments	581,259
Unearned revenue	820,005
Other liabilities	27,043
Total adjustments	16,320,948
Net cash provided by operating activities	\$ 37,578,721

Noncash capital, financing and investing activities:

Addition in other long-term liabilities related to PPP	\$ 2,394,981
Amortization of deferred outflows related to PPP	2,770,532
Amortization of deferred inflows on refunding	7,110,218
Capital assets accrued in payables	2,191,414
Change in fair value of investments	125,478
Interest accretion on TIFIA loan	12,376,712

See accompanying notes to the financial statements.

405 Express Lanes Fund

Notes to the Financial Statements

For the Year Ended June 30, 2025

1. REPORTING ENTITY

Officially inaugurated on December 1, 2023, the 405 Express Lanes (405 EL) span a four-lane, High-Occupancy Toll corridor along I-405, extending from SR-55 to I-605. The 405 Express Lanes being under the jurisdiction of Caltrans, OCTA has entered into a cooperative agreement with Caltrans to delineate the roles and responsibilities of each agency. The 405 Express Lanes are owned by Caltrans but transferred to OCTA for a 40-year term, commencing on December 1, 2023, which was the first day of public use and toll operations. See note 6 for further information regarding Public-Public Partnerships (PPP).

These financial statements include only the activities of the 405 Express Lanes Fund, an enterprise fund of OCTA. These financial statements are not intended to present the activities of OCTA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 405 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 405 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 405 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 405 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 405 Express Lanes Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

Cash and Investments

The 405 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, 2024. The Policy complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2025 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.

405 Express Lanes Fund

Notes to the Financial Statements

For the Year Ended June 30, 2025

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs-other than quoted prices included in Level 1-that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs. Refer to the OCTA Annual Comprehensive Financial Report (ACFR) for details on valuation techniques and fair value hierarchy.

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted prices of similar assets, except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value.

The Policy requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal agencies, municipal debt, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term notes, money market and mutual funds, mortgage or asset-backed securities, supranationals, Local Agency Investment Fund (LAIF), Orange County Investment Pool (OCIP), investment pools, variable and floating rate securities, bank deposits and derivatives. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board and as permitted by the Code. OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of the Policy.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, commercial paper, money market funds, certificates of deposit, and the 405 Express Lanes Fund's share of the OCTA Commingled Investment Pool represent cash and cash equivalents for cash flow purposes.

Restricted Cash and Investments

The 405 Express Lanes will have up to two internal reserve accounts as well as three reserve accounts required due to outstanding debt to be held by the trustee. The type and amount of the internal reserve accounts will be determined at a future date as OCTA evaluates the available revenue to fund the accounts based on first satisfying the TIFIA loan requirements. The three reserve accounts required by the TIFIA loan are debt service, major maintenance (capital), and operations and maintenance (operating) reserve funds. Each reserve fund has a formula defined within the loan agreement for the amount required.

Permitted investments per the debt covenants include: government obligations, certificates of deposit that are collaterally secured by government obligations, repurchase agreements, investment agreements, and money market funds that invest solely in obligations of the United States of America.

Receivables

Violations receivables include an estimate for outstanding unpaid violations that the 405 Express Lanes anticipates to collect. Since the 405 Express Lanes has only been in operation for less than two years, there is no sufficient collection history to determine the collection percentage. Due to the similarities

405 Express Lanes Fund

Notes to the Financial Statements

For the Year Ended June 30, 2025

between the 91 and 405 Express Lanes, OCTA used the collection percentage from the 91 Express Lanes to estimate the outstanding unpaid violations for the 405 Express Lanes for fiscal year 2024-25. For violations less than or equal to 90 days old, the receivable is estimated based on a 12-month average of violations collection rate from the 91 Express Lanes, and is recorded net of an allowance for uncollectible accounts of \$3,315,226 at June 30, 2025. For unpaid violations in excess of 90 days, the receivable is estimated using a three-year average of violations collection rate from the 91 Express Lanes and is recorded net of uncollectible accounts as the majority is not considered probable of collection. Violation receivable estimation will utilize collection data of the 405 Express Lanes as historical data becomes available.

Other receivables include amounts due from other California toll road agencies related to their customers' use of the 405 Express Lanes, as well as amounts owed from customers, net of an allowance for uncollectible accounts of \$7,361 at June 30, 2025. An estimated \$4,280,232 of violation and customer receivables are not expected to be collected within one year. The 405 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.

Condemnation Deposits

Condemnation deposits are required by the law for eminent domain acquisition of real property proceedings. Payments are issued to the State Treasury and the amount is determined by the court. Deposits are retained in the State Condemnation Deposits fund until the court orders payment to the grantor (property owner).

Other Assets

Other assets include prepaid expenses.

Capital Assets

Capital assets are tangible and intangible assets, which include land, construction in progress, leasehold improvements, infrastructure, computer and software, equipment, furniture and fixtures, and intangible right-to-use lease asset. Capital assets are defined by the 405 Express Lanes Fund as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of one year. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. The 405 Express Lanes also records the value of intangible right-to-use asset based on the underlying lease asset in accordance with GASB Statement No. 87, Leases. The lease 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
Leasehold improvements	20 years
Infrastructure - PPP	40-50 years
Computer hardware and software	3 years
Equipment, furniture and fixtures	3-10 years
Lease assets - building	20 years

405 Express Lanes Fund

Notes to the Financial Statements

For the Year Ended June 30, 2025

Leases

OCTA adopted GASB Statement No. 87, Leases, effective fiscal year 2021-22. The 405 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 assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

As of June 30, 2025, the 405 Express Lanes Fund reported a deferred outflow related to PPP between OCTA and the State of California, Department of Transportation (Caltrans). Under the agreement, 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 40 years term, all property owned by OCTA and which is related to the toll facility, shall automatically become the property of Caltrans. The estimated carrying value of the I-405 toll facility is recognized as deferred outflows of the PPP arrangement.

Due to other Governments

Due to other governments include payables due to other government agencies.

Risk Management

The 405 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 405 Express Lanes Fund participates in OCTA's self-insurance general liability program. Liability claims are resolved by OCTA and are an expense of the 405 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 405 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 for the 405 Express Lanes is restricted by the TIFIA Loan Master Indenture for debt service, major maintenance (capital), and operations and maintenance (operating) reserves.
- *Unrestricted net position* - Represents net position available for general use.

405 Express Lanes Fund

Notes to the Financial Statements

For the Year Ended June 30, 2025

Use of Estimates

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

Administrative Services Costs

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2024-25, \$3,208,889 of administrative services were charged to the 405 Express Lanes Fund 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, 2025:

Cash	
Petty cash	\$ 550
Deposits	417,040
Total cash	417,590
Investments	
With OCTA Commingled Investment Pool	16,074,961
With trustee	42,826,535
Total investments	58,901,496
Total cash and investments	\$ 59,319,086

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

Unrestricted cash and investments	\$ 20,963,905
Restricted cash and investments	38,355,181
Total cash and investments	\$ 59,319,086

As of June 30, 2025, the 405 Express Lanes Fund had the following investments:

Investments	Fair Value	Yield	Interest Rate	Maturity	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$ 16,074,961	Refer to the OCTA Annual Comprehensive Financial Report for information related to the OCTA Commingled Investment Pool.*			
Held by trustee:					
*Money Market Funds	42,826,535	3.96% - 4.15%	3.96% - 4.15%	07/01/2025	0.003
Total investments	\$ 58,901,496				

Portfolio Weighted Average 2.488

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

405 Express Lanes Fund

Notes to the Financial Statements

For the Year Ended June 30, 2025

As of June 30, 2025, the 405 Express Lanes Fund had \$16,074,961 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 405 Express Lanes Fund's investment in the OCTA's CIP at June 30, 2025 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 2024-25 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 405 Express Lanes Fund's portfolio at June 30, 2025 (NR means Not Rated):

Investments	S&P	Moody's	% of 405 EL Fund
OCTA Commingled Investment Pool	N/A	N/A	27.29 %
Held by trustee:			
Money Market Funds	AAA	Aaa	72.71 %
Total investments			100.00 %

Concentration of Credit Risk

At June 30, 2025, OCTA did not exceed the Policy maximum concentrations. 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 405 Express Lanes Fund's portfolio at June 30, 2025.

405 Express Lanes Fund
Notes to the Financial Statements

For the Year Ended June 30, 2025

4. INTERFUND ACTIVITIES

During fiscal year 2024-25, the 405 Express Lanes Fund transferred \$72,172,472 to the OCLTA. The transfer represents the allocation of TIFIA loan proceeds associated with the construction of general purpose lane for the I-405 Improvement Project.

5. CAPITAL ASSETS

Capital asset activity for the 405 Express Lanes Fund for the year ended June 30, 2025 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land - PPP assets	\$ 27,438,468	\$ 2,326,295	\$ —	\$ 29,764,763
Construction in progress	160,020	—	(160,020)	—
Total capital assets, not being depreciated and amortized	27,598,488	2,326,295	(160,020)	29,764,763
Capital assets, being depreciated:				
Leasehold improvements	1,183,645	1,867	—	1,185,512
Infrastructure - PPP assets	406,287,092	285,174	(1,470,924)	405,101,342
Computer hardware and software	27,910,896	3,833,673	(2,172,681)	29,571,888
Equipment, furniture and fixtures	521,294	160,019	—	681,313
Lease assets - building	5,868,449	—	—	5,868,449
Total capital assets, being depreciated and amortized	441,771,376	4,280,733	(3,643,605)	442,408,504
Less accumulated depreciation and amortization for:				
Leasehold improvements	(97,729)	(59,317)	—	(157,046)
Infrastructure - PPP assets	(4,605,029)	(8,100,643)	—	(12,705,672)
Computer hardware and software	(1,711,786)	(3,976,933)	—	(5,688,719)
Equipment, furniture and fixtures	(101,671)	(86,924)	—	(188,595)
Lease assets - building	(366,778)	(293,423)	—	(660,201)
Total accumulated depreciation and amortization	(6,882,993)	(12,517,240)	—	(19,400,233)
Total capital assets, being depreciated and amortized, net	434,888,383	(8,236,507)	(3,643,605)	423,008,271
Total capital assets, net	\$ 462,486,871	\$ (5,910,212)	\$ (3,803,625)	\$ 452,773,034

405 Express Lanes Fund
Notes to the Financial Statements

For the Year Ended June 30, 2025

6. PUBLIC-PUBLIC PARTNERSHIPS (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.

The I-405 Improvement Project achieved substantial completion on December 1, 2023, marking the opening of the 405 Express Lanes for public use. As of June 30, 2025, OCTA has recognized a liability of \$110,785,833 measured based on the estimated carrying value of the toll facility at the end of the 40-year term, and a deferred outflows of resources of \$106,434,601 related to the I-405 Improvement Project. Expense is also recognized by OCTA in a systematic and rational manner over the PPP term.

7. 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 a lease asset (intangible right-to-use), and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The 405 Express Lanes has one leasing arrangement, summarized below:

The 405 Express Lanes entered into a 240-month lease agreement for office space in Costa Mesa to house the 405 Express Lanes Customer Service Center, effective April 1, 2023, and ending on March 31, 2043. At June 30, 2025, the balance of intangible right to use asset and lease liabilities were \$5,208,248 and \$5,760,541, respectively. During fiscal year 2024-25, the 405 Express Lanes recorded \$293,423 in amortization expense and \$363,696 in interest expense for the right to use the office space. The 405 Express Lanes used an incremental discount rate of 6.28%, based on an estimated incremental borrowing rate.

Remaining obligations associated with these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 84,070	\$ 359,555	\$ 443,625
2027	97,801	353,699	451,500
2028	112,633	347,333	459,966
2029	146,258	339,105	485,363
2030	155,712	329,651	485,363
2031-2035	1,238,361	1,449,410	2,687,771
2036-2040	2,182,074	923,982	3,106,056
2041-2043	1,743,632	160,415	1,904,047
Total	\$ 5,760,541	\$ 4,263,150	\$ 10,023,691

405 Express Lanes Fund
Notes to the Financial Statements

For the Year Ended June 30, 2025

The amortized lease asset activities, net of accumulated depreciation and amortization for the year ended June 30, 2025, are as follows:

Lease Assets	Beginning Balance	Additions	Reductions	Ending Balance
405 EL Customer Service Center	\$ 5,501,671	\$ —	\$ (293,423)	\$ 5,208,248
Total lease assets	\$ 5,501,671	\$ —	\$ (293,423)	\$ 5,208,248

Lease liability activities associated with the lease are as follows:

Lease Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
405 EL Customer Service Center	\$ 5,816,845	\$ —	\$ (56,304)	\$ 5,760,541	\$ 84,070
Total lease liabilities	\$ 5,816,845	\$ —	\$ (56,304)	\$ 5,760,541	\$ 84,070

8. LONG-TERM DEBT

TIFIA Loan

On September 9, 2021, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a TIFIA loan for \$628,930,000 as a direct borrowing with an interest rate of 1.95%. The proceeds financed a portion of the costs for the I-405 Improvement Project.

During the construction of the I-405 Improvement Project, and for a period of up to five years following the substantial completion, interest on the TIFIA loan is accreted and added to the initial TIFIA loan. 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.

The TIFIA loan is secured solely by toll revenues of the I-405 Express Lanes, which commenced operations 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.

405 Express Lanes Fund
Notes to the Financial Statements

For the Year Ended June 30, 2025

In accordance with the projected TIFIA loan maturity schedule, the annual debt service requirements to maturity for the TIFIA loan payable throughout the term of the loan are as follows:

Year ending June 30,	Principal*	Interest	Total
2026	\$ —	\$ —	\$ —
2027	—	—	—
2028	—	6,588,588	6,588,588
2029	—	13,159,126	13,159,126
2030	—	13,177,177	13,177,177
2031-2035	23,603,317	65,434,560	89,037,877
2036-2040	75,105,681	60,130,130	135,235,811
2041-2045	101,790,668	51,514,281	153,304,949
2046-2050	133,742,863	40,092,613	173,835,476
2051-2055	171,839,042	25,248,173	197,087,215
2056-2058	169,671,074	6,366,870	176,037,944
Total	\$ 675,752,645	\$ 281,711,518	\$ 957,464,163

*Total reflects future accreted interest capitalized to the principal balance.

Changes in Long-Term Debt

Long-term debt activity for the year ended June 30, 2025, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
TIFIA loan principal	\$ 613,711,295	\$ —	\$ —	\$ 613,711,295	\$ —
TIFIA loan accreted interest	18,644,099	12,376,712	—	31,020,811	—
Total long-term debt	\$ 632,355,394	\$ 12,376,712	\$ —	\$ 644,732,106	\$ —

Pledged Revenue

The 405 Express Lanes debt issuance outstanding is secured solely by the pledging of toll revenues. The amount and term of the remainder of this commitment are presented 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.

In accordance with the TIFIA loan agreement, OCTA has covenanted that, beginning with the first full fiscal year following substantial completion of the I-405 Improvement Project, it will adopt a toll policy sufficient to generate net revenues in each fiscal year of at least 1.35 times the annual debt service requirements on all outstanding Senior Lien Bonds. Annual debt service payments on the TIFIA loan are scheduled to commence on June 1, 2028.

405 Express Lanes Fund

Notes to the Financial Statements

For the Year Ended June 30, 2025

Pledged revenue for the year ended June 30, 2025, is as follows:

Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage	Required Debt Coverage*
405 EL net toll road revenues	\$ 41,691,517	\$ —	0.00	1.35

*TIFIA loan debt service payments begin on June 1, 2028; therefore, the debt coverage ratio does not apply for fiscal year 2025.

9. COMMITMENTS AND CONTINGENCIES

Operator Agreement

OCTA entered into an agreement with WSP USA Services on January 14, 2022 to provide operating services and back-office system implementation services for the 405 Express Lanes. The initial term of the agreement is for eight years and six months through July 14, 2030 with a maximum obligation of \$106,069,864. The agreement carried two extension options with option term 1 for up to three years and option term 2 for up to two years.

Purchase Commitments

The 405 Express Lanes has various outstanding contracts. Total purchase commitments at June 30, 2025 were \$260,328,455, the most significant are with WSP USA Services for the operations of the 405 Express Lanes and implementation of back-office system, with Kapsch TrafficCom for toll lanes integrator services, with C.J. Segerstrom & Sons for the 405 Express Lanes customer service center building lease, and with California Highway Patrol (CHP) for patrol services.

10. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 101 – Compensated Absences

In June 2022, GASB issued Statement No. 101, Compensated Absences. The primary objective of this Statement is to better align the recognition and measurement of compensated absences with the definitions of liabilities and accounting principles established in the GASB Conceptual Framework. The Statement requires governments to recognize a liability for compensated absences when the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid to employees. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 102 – Certain Risk Disclosures

In April 2023, GASB issued Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide financial statement users with essential information about risks that could affect a government's ability to meet its obligations. Specifically, it requires disclosures related to certain concentrations and constraints that limit a government's ability to raise resources or reduce spending, if those risks are known to the government prior to the issuance of the financial statements, are currently vulnerable to the risk, and it is at least reasonably possible that an event associated with the risk could occur in the near term. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The implementation of this Statement did not have a material effect on the financial statements.