

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

**ANNUAL FINANCIAL
AND
COMPLIANCE REPORT**

Year Ended June 30, 2024

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

Audited Financial Statements
Year Ended June 30, 2024

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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, 2024, 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, 2024, 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 October 31, 2024 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
October 31, 2024

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2024

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, 2024. 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 \$479,680 as of June 30, 2024. The net position of the OCLTA is restricted for transportation projects, debt service, and Environmental Mitigation Program.
- Net position increased by \$127,905 during FY 2023-24. This increase is primarily due to the transfer of assets after the closure of the Common Urban Rail Endowment (CURE) Fund previously reported under the Orange County Transportation Authority (OCTA)'s General Fund. The non-depreciable capital assets increased by \$167,913 as a result of transfer of land to LTA Fund. In FY 2023-24, Measure M program expenses increased by \$52,972 mainly related to payments made to SCRRA for operating costs related to the railroad. Sales tax revenue decreased by \$7,711 compared to FY 2022-23 due to declines in consumer spending. In FY 2023-24, unrestricted investment earnings increased by \$25,294 or 103.0 percent resulting from favorable investment performance.
- OCLTA's governmental funds reported combined ending fund balances of \$869,631 reflecting a decrease of \$91,122 from the prior year. The decrease is primarily due to interfund transfer from LTA Fund to 405EL Fund for TIFIA loan allocation between general purpose lanes and express lanes related construction expenses, which was offset by favorable investment performance and the lower capital expenditures related to the I-405 Improvement project in the current year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the OCLTA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements can be found on pages 10-11 of this report.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with Measure M finance-related legal requirements. The OCLTA uses governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental funds financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the OCLTA's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the OCLTA's near-term financing decisions. Both the governmental funds balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The OCLTA maintains two individual governmental funds which are considered to be major funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the OCLTA's major governmental funds.

The governmental funds financial statements and related reconciliations to governmental activities can be found on pages 12-15 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-28 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 29 and the LTA debt service fund as other supplementary information on page 31 to demonstrate compliance with the annual appropriated budget.

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, 2024, the OCLTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$479,680, a \$127,905 increase from June 30, 2023. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the OCLTA's governmental activities.

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

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

	Governmental Activities	
	2024	2023
Current and other assets	\$ 1,046,520	\$ 1,103,465
Assets held for resale	20,615	15,965
Capital Assets, net	175,213	7,300
Total assets	1,242,348	1,126,730
Deferred outflows of resources		
Deferred charge on refunding	1,153	1,222
Current liabilities	138,718	130,023
Long-term liabilities	621,827	645,899
Total liabilities	760,545	775,922
Deferred inflows of resources		
Deferred inflows - leases	3,276	255
Total net position	\$ 479,680	\$ 351,775

Total assets increased by \$115,618, or 10.3 percent, from June 30, 2023. This increase is primarily due to the transfer of land resulted from the closure of the CURE Fund previously reported under the OCTA's General Fund.

Total liabilities decreased by \$15,377, or 2.0 percent, from June 30, 2023. This decrease is primarily due to decreased long-term liabilities resulting from principal payments of M2 Sales Tax Revenue Bonds.

Total net position from governmental activities increased by \$127,905 or 36.4 percent. This increase results from transfer of assets after the closure of the CURE Fund previously reported under the OCTA's General Fund.

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

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

	Governmental Activities	
	2024	2023
Revenues:		
Program revenues		
Charges for services	\$ 1,046	\$ 1,257
Operating grants and contributions	70,113	60,105
General revenues		
Sales tax	431,412	439,123
Unrestricted investment earnings	49,858	24,564
Other miscellaneous expenses	—	(12)
Transfers	192,911	—
Total revenues and transfers	745,340	525,037
Expenses:		
Measure M program expenses	617,435	564,463
Change in net position	127,905	(39,426)
Net position – beginning	351,775	391,201
Net position – end of year	\$ 479,680	\$ 351,775

OCLTA expenses shown on the statement of activities consist of:

	Governmental Activities	
	2024	2023
Supplies and services	\$ 114,749	\$ 93,273
Contributions to other local agencies	100,935	102,306
Capital outlay	156,102	281,263
Interest expense	30,483	31,495
Contributions to other OCTA funds	215,166	56,126
Total expenses	\$ 617,435	\$ 564,463

Total revenues increased by \$220,303, or 42.0 percent, from FY 2022-23. In FY 2023-24, the unrestricted investment earnings increased by \$25,294 or 103.0 percent resulting from favorable investment performance and sales tax revenues decreased by \$7,711. In addition, grants and contributions which ultimately finance a significant portion of the OCLTA's net costs, also increased by \$10,008 or 16.7 percent from the prior year.

Program expenses increased by \$52,972 primarily due to the payment made to SCRRA for operating costs related to the railroad during FY 2023-24.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Management’s Discussion and Analysis

Financial Analysis of the OCLTA’s Funds

As of June 30, 2024, the OCLTA’s governmental funds reported combined ending fund balances of \$869,631, a decrease of \$91,122 compared to FY 2022-23. The majority of fund balances, 92.9 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 \$83,319 primarily due to increase in investment earnings, transfer of assets after the closure of the CURE Fund previously reported under the OCTA’s General Fund, and offset by interfund transfer from LTA Fund to 405EL Fund for TIFIA loan allocation.
- The LTA Debt Service fund balance decreased by \$7,803, due to the transfer out of excess fund from LTA Debt Service fund to LTA fund.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2024, the OCLTA has \$175,213 net of accumulated depreciation invested in capital assets, including land, right-of-way improvements, and machinery. A summary of the OCLTA’s capital assets, net of depreciation is as follows:

	Governmental Activities	
	2024	2023
Land	\$ 167,913	\$ —
Right-of-way improvements	7,300	7,300
Machinery and equipment	15	21
Total capital assets	175,228	7,321
Less accumulated depreciation	(15)	(21)
Total capital assets, net	\$ 175,213	\$ 7,300

More detailed information about the OCLTA’s capital assets is presented in note 5 to the financial statements.

OCLTA has outstanding capital expenditure commitments; the most significant of which are \$162,909 for the I-5 Freeway Widening Construction Project, \$108,079 for the Regional Capacity Program, and \$94,185 for the Regional Traffic Signal Synchronization Project.

Debt Administration

As of June 30, 2024, the OCLTA has \$569,315 in sales tax revenue bonds compared to \$590,235 as of the prior fiscal year.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY Management's Discussion and Analysis

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 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.

The OCLTA adopted its FY 2024-25 annual budget on June 10, 2024. Despite recent declines, an increase is projected in both local and state sales taxes. Looking specifically at our Measure M2 (M2) Program half-cent Local Transportation Authority (LTA) sales tax revenue, the FY 2024-25 projections are cautiously optimistic. The growth rate for the M2 half-cent LTA sales tax revenue is forecasted to be 3.3 percent over FY 2023-24 estimates. Similarly, the growth rate for the quarter-cent Local Transportation Fund sales tax revenue, primarily supporting the bus program, is anticipated to be 3.1 percent over FY 2023-24 estimates.

The M2 Program delineates a clear roadmap for the enhancement of transportation infrastructure across our cities and County. The M2 Program will persist in advancing enhancements across freeways, transit, streets, roads, and environmental initiatives. The FY 2024-25 budget for the M2 Program includes \$405 million for freeway improvement projects and \$158 million for the enhancement of streets and roads. Moreover, the budget earmarks \$146 million for M2 Transit Programs, which comprises \$64 million for the construction of the OC Streetcar Project and \$46 million to bolster regional rail services.

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, 2024

<i>(amounts expressed in thousands)</i>	Governmental Activities
Assets	
Cash and investments	\$ 360,102
Receivables:	
Interest	5,298
Operating grants	26,193
Capital grants	1,960
Other	716
Due from other OCTA funds	9,181
Due from other governments	98,745
Condemnation deposits	8,619
Lease receivable	3,354
Note receivable	3,133
Restricted investments	528,425
Other assets	794
Assets held for resale	20,615
Capital assets:	
Nondepreciable	175,213
Total Assets	1,242,348
Deferred Outflows of Resources	
Deferred charge on refunding	1,153
Total Deferred Outflows of Resources	1,153
Liabilities	
Accounts payable	48,347
Accrued interest payable	12,272
Due to other OCTA funds	42,298
Due to other governments	35,456
Unearned revenue	274
Other liabilities	71
Noncurrent liabilities:	
Due within one year	21,950
Due in more than one year	599,877
Total Liabilities	760,545
Deferred Inflows of Resources	
Deferred inflows - leases	3,276
Total Deferred Inflows of Resources	3,276
Net Position	
Investment in capital assets	175,213
Restricted for:	
Transportation projects	252,542
Debt service	23,500
Environmental Mitigation Program	28,425
Total Net Position	\$ 479,680

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, 2024

<i>(amounts expressed in thousands)</i>	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Program revenues				
<u>Governmental activities</u>				
Measure M program	\$ 617,435	\$ 1,046	\$ 70,113	\$ (546,276)
General revenues				
Sales tax				431,412
Unrestricted investment earnings				49,858
Other miscellaneous expenses				—
Transfers				192,911
Total general revenues and transfers				674,181
Change in net position				127,905
Net position - beginning				351,775
Net position - ending				\$ 479,680

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, 2024

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	\$ 338,797	\$ 21,305	\$ 360,102
Receivables:			
Interest	5,229	69	5,298
Operating grants	26,193	—	26,193
Capital grants	1,960	—	1,960
Other	716	—	716
Due from other OCTA funds	16,848	—	16,848
Due from other governments	96,619	2,126	98,745
Condemnation deposits	8,619	—	8,619
Lease receivables	3,354	—	3,354
Note receivable	3,133	—	3,133
Restricted investments	528,425	—	528,425
Other assets	794	—	794
Total Assets	1,030,687	23,500	1,054,187
Liabilities			
Accounts payable	48,347	—	48,347
Due to other OCTA funds	49,963	—	49,963
Due to other governments	35,456	—	35,456
Unearned revenue	274	—	274
Other liabilities	71	—	71
Total Liabilities	134,111	—	134,111
Deferred Inflows of Resources			
Deferred inflows - leases	3,276	—	3,276
Unavailable revenue - grant reimbursements	43,062	—	43,062
Unavailable revenue - reimbursements from others	2,852	—	2,852
Unavailable revenue - ARTIC	1,255	—	1,255
Total Deferred Inflows of Resources	50,445	—	50,445
Fund Balances			
Nonspendable:			
Condemnation deposits	8,619	—	8,619
Other assets - prepaids	794	—	794
Restricted for:			
Transportation projects	808,293	—	808,293
Debt service	—	23,500	23,500
Environmental Mitigation Program	28,425	—	28,425
Total Fund Balances	846,131	23,500	869,631
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,030,687	\$ 23,500	\$ 1,054,187

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, 2024

(amounts expressed in thousands)

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

Total fund balances (page 12)		\$ 869,631
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		175,213
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		20,615
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.		47,167
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(12,272)
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.		1,153
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	\$ (569,315)	
Unamortized bond issuance premium	<u>(52,512)</u>	<u>(621,827)</u>
Net position of governmental activities (page 10)		<u><u>\$ 479,680</u></u>

See accompanying notes to the financial statements.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
(A Component Unit of the Orange County Transportation Authority)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2024

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Revenues			
Sales tax	\$ 431,412	\$ —	\$ 431,412
Contributions from other agencies	29,100	—	29,100
Contributions from other OCTA funds	19,647	—	19,647
Investment earnings	44,725	7,012	51,737
Miscellaneous	1,013	—	1,013
Total revenues	525,897	7,012	532,909
Expenditures			
Current:			
General government:			
Supplies and services	114,749	—	114,749
Transportation:			
Contributions to other local agencies	100,935	—	100,935
Contributions to other OCTA funds	215,166	—	215,166
Capital outlay	160,479	—	160,479
Debt service:			
Principal payments on long-term debt	—	20,920	20,920
Interest	4	33,952	33,956
Total expenditures	591,333	54,872	646,205
Excess (deficiency) of revenues over (under) expenditures	(65,436)	(47,860)	(113,296)
Other financing sources (uses)			
Transfers in	33,514	51,397	84,911
Transfers out	(51,397)	(11,340)	(62,737)
Total other financing sources (uses)	(17,883)	40,057	22,174
Net change in fund balances	(83,319)	(7,803)	(91,122)
Fund balances - beginning	929,450	31,303	960,753
Fund balances - ending	\$ 846,131	\$ 23,500	\$ 869,631

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, 2024

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14) \$ (91,122)

The transfer of capital assets (land) from the OCTA's General Fund is an increase to net position. 167,913

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. 2,548

The net effect of various miscellaneous transactions involving assets held for resale is to increase net position. 4,650

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 19,522

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	\$ 20,920	
Change in accrued interest	390	
Amortization of premium and deferred charge on refunding	3,084	24,394

Change in net position of governmental activities (page 11) \$ 127,905

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, 2024
(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, 2024, interest expense of \$30,483 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, 2024

(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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to The Financial Statements

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(in thousands)

accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs.

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

Year Ended June 30, 2024

(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 2023-24, \$30,096 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 and governmental fund financial statements.

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

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

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2024

(in thousands)

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.

For the year ended June 30, 2024, the lease receivable and deferred inflow of resources associated with these leases were \$3,354 and \$3,276, respectively. OCLTA recognized lease revenue of \$255 during the fiscal year. Remaining receivables associated with these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2025	\$ 469	\$ 95	\$ 564
2026	504	75	579
2027	498	62	560
2028	492	49	541
2029	331	35	366
2030-2034	1,054	44	1,098
2035-2039	5	—	5
2040-after	1	—	1
Total	\$ 3,354	\$ 360	\$ 3,714

Assets Held for Resale

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

Capital Assets

Capital assets including land, right-of-way improvements, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than \$5 and a useful life exceeding one year. OCLTA also capitalizes assets whose individual acquisition costs are less than the threshold for an individual asset, but are significant in aggregate. 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:

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2024

(in thousands)

Asset Type	Useful Life
Machinery and equipment	3-10 years

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.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to The Financial Statements

Year Ended June 30, 2024

(in thousands)

- *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 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, 2024, 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, 2024, 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, 2024

(in thousands)

2. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2024:

Investments:

With OCTA Commingled Investment Pool	\$	457,760
With Trustee		402,342
With CA Community Foundation		28,425
Total Cash and Investments	\$	888,527

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

Unrestricted Cash and Investments	\$	360,102
Restricted Cash and Investments		528,425
Total Cash and Investments	\$	888,527

As of June 30, 2024, OCLTA had the following investments:

Investment	Fair Value	Interest Rate	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$ 457,760	*	*	*
Money Market Funds **	353,328	5.17% - 5.24%	07/01/2024	0.003
Commercial Paper	49,014	5.31% - 5.37%	09/10/2024 - 12/27/2024	0.344
CA Community Foundation Investment Fund	28,425	NA	NA	NA
Total Investments	\$ 888,527			

* 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 1.888 years.

As of June 30, 2024, OCLTA had \$457,760 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, 2024 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2024, OCLTA had \$28,425 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.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

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(in thousands)

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, 2024 (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investment	S&P	Moody's	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	51.52 %
Money Market Funds	AAA	Aaa	39.76 %
Commercial Paper	A-1	P-1	5.52 %
CA Community Foundation Investment Fund	NR	NR	3.20 %
			100.00 %

3. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2024 in the fund financial statements are \$98,745 which comprised of \$96,619 of sales taxes and project reimbursements, and \$2,126 representing the interest receivable on Build America Bonds.

Amounts due to other governments as of June 30, 2024 are \$35,456 for transportation projects.

4. RELATED PARTY AND INTERFUND TRANSFERS

Related party transactions

As of June 30, 2024, OCLTA has \$16,848 receivable from other OCTA funds which is related to OC Streetcar and SR-91 Improvement Project

As of June 30, 2024, OCLTA owes \$49,963 to other OCTA funds as follows:

	Amount	Description
General Capital Project	\$ 49,875	OC Streetcar project
OC Streetcar	10	OC Streetcar project
OCUTT	78	Placentia loan
Total	\$ 49,963	

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2024

(in thousands)

Contributions from Other OCTA Funds

During fiscal year 2023-24, OCLTA received \$19,647 which is comprised of \$4,402 from OCTD and \$15,245 from the 91 Express Lanes Fund for freeway improvements.

Contributions to Other OCTA Funds

During fiscal year 2023-24, OCLTA made contributions to the following funds:

- \$73,664 to the General Capital Projects Fund for the OC Streetcar Project
- \$950 to OC Streetcar Fund for OC Streetcar Project
- \$9,920 to the OCTD Fund for La Habra service, iShuttle, Commuter Rail, Fare Stabilization and Senior Mobility Program
- \$5,410 to the SAFE Fund for motorist emergency aid system
- \$125,222 to 405 Express Lanes Fund for construction related expenses

Interfund Transfers

During fiscal year 2023-24, the LTA Fund transferred \$51,397 to the LTA Debt Service Fund for debt service payments. Additionally, the LTA Debt Service Fund transferred \$11,340 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, 2024 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ —	\$ 167,913	\$ —	\$ 167,913
Right-of-way improvements	7,300	—	—	7,300
Total capital assets, not being depreciated	7,300	167,913	—	175,213
Capital assets, being depreciated:				
Machinery and equipment	21	—	(6)	15
Total capital assets, being depreciated	21	—	(6)	15
Less accumulated depreciation for:				
Machinery and equipment	(21)	—	6	(15)
Total accumulated depreciation	(21)	—	6	(15)
Total capital assets, being depreciated, net	—	—	—	—
Total governmental activities capital assets, net	\$ 7,300	\$ 167,913	\$ —	\$ 175,213

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
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(in thousands)

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 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:

	2010 Series A (Taxable Build America Bonds)	2019 Series B (Tax-Exempt Bonds)	Total
Issuance date	12/9/10	2/12/19	
Original issue amount	\$ 293,540	\$ 376,690	\$ 670,230
Original issue premium	—	69,342	69,342
Net Bond Proceeds	\$ 293,540	\$ 446,032	\$ 739,572
Issuance costs	\$ 1,905	\$ 970	\$ 2,875
Interest rates	5.56%-6.91%	3.00%-5.00%	
Maturity range	2021-2041	2021-2041	
Final maturity	2041	2041	
Bonds outstanding	\$ 250,000	\$ 319,315	\$ 569,315
Plus unamortized premium	—	52,512	52,512
Total	\$ 250,000	\$ 371,827	\$ 621,827

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
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Year Ended June 30, 2024

(in thousands)

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2024, are as follows:

Year Ending June 30,	Principal		Interest	
2025	\$	21,950	\$	32,906
2026		23,630		31,722
2027		24,755		30,334
2028		25,935		28,881
2029		27,170		27,359
2030-2034		156,585		111,323
2035-2039		197,110		61,479
2040-2041		92,180		8,146
Total	\$	569,315	\$	332,150

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2024, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Measure M program activities:					
Sales tax revenue bonds	\$ 590,235	\$ —	\$ (20,920)	\$ 569,315	\$ 21,950
Unamortized premium	55,664	—	(3,152)	52,512	—
Total Measure M program activities long-term liabilities	\$ 645,899	\$ —	\$ (24,072)	\$ 621,827	\$ 21,950

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2024, debt service payments in relation to the pledged gross revenue net of the local fair share program and other expenses as required by the debt agreement, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 Net Sales Tax Revenue	\$ 340,337	\$ 54,872	6.20

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2024

(in thousands)

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, 2024 were \$795,391, 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. 99

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

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, 2024

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Sales tax	\$ 461,560	\$ 461,560	\$ 431,412	\$ (30,148)
Contributions from other agencies	96,082	96,082	56,878	(39,204)
Contributions from other OCTA funds	31,305	31,305	19,647	(11,658)
Investment earnings	38,229	38,229	44,725	6,496
Miscellaneous	76	76	1,013	937
Total revenues	627,252	627,252	553,675	(73,577)
Expenditures:				
Current:				
General government - supplies and services	244,464	238,239	163,684	74,555
Transportation:				
Contributions to other local agencies	197,384	227,153	100,944	126,209
Contributions to other OCTA funds	112,909	112,909	215,166	(102,257)
Capital outlay	410,065	410,065	207,364	202,701
Debt service:				
Interest	—	—	4	(4)
Total expenditures	964,822	988,366	687,162	301,204
Excess (deficiency) of revenues over (under) expenditures	(337,570)	(361,114)	(133,487)	227,627
Other financing sources (uses):				
Transfers in	51,051	51,051	33,514	(17,537)
Transfers out	(54,872)	(54,872)	(51,397)	3,475
Proceeds from sale of capital assets	1,883	1,883	—	(1,883)
Total other financing sources (uses)	(1,938)	(1,938)	(17,883)	(15,945)
Net change in fund balance	\$ (339,508)	\$ (363,052)	\$ (151,370)	\$ 211,682
Reconciliation to GAAP:				
Net change in fund balance (budgetary basis)			\$ (151,370)	
Less: Estimated revenues for encumbrances outstanding at June 30			27,778	
Add: Current year encumbrances outstanding at June 30			95,829	
Net change in fund balance (GAAP basis)			\$ (83,319)	

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, 2024
(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 2024 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, 2024

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 6,212	\$ 6,212	\$ 7,012	\$ 800
Total revenues	6,212	6,212	7,012	800
Expenditures:				
Debt service:				
Principal payments on long-term debt	20,920	20,920	20,920	—
Interest on long-term debt	33,952	33,952	33,952	—
Total expenditures	54,872	54,872	54,872	—
Deficiency of revenues under expenditures	(48,660)	(48,660)	(47,860)	800
Other financing sources:				
Transfers in	54,872	54,872	51,397	(3,475)
Transfers out	(6,212)	(6,212)	(11,340)	(5,128)
Total other financing sources	48,660	48,660	40,057	(8,603)
Net change in fund balance	\$ —	\$ —	\$ (7,803)	\$ (7,803)

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, 2024, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCLTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Crowe LLP

Costa Mesa, California
October 31, 2024