

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

**ANNUAL FINANCIAL
AND
COMPLIANCE REPORT**

Year Ended June 30, 2025

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

Audited Financial Statements
Year Ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025 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, 2025

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Management's Discussion and Analysis
(unaudited)
For the Year Ended June 30, 2025

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, 2025. 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

- As of June 30, 2025, the total net position of the OCLTA was \$1,006,551. This amount includes \$175,370 in net investment in capital assets and \$831,181 in restricted net position designated for Measure M projects, the Environmental Mitigation Program, debt service, and Senate Bill (SB) 125 restricted state grant. The net position increased by \$526,871 during fiscal year 2024-25, primarily due to an increase of \$428,083 in grants and contributions to support transportation projects, including the OC Streetcar and I-405 Improvement Project.
- In fiscal year 2024-25, Measure M program expenses decreased by \$147,819 primarily because an interfund transfer to the 405 Express Lanes Fund occurred in fiscal year 2023-24 for the allocation of TIFIA loan proceeds associated with the construction of the express lanes for the I-405 Improvement Project. The decrease also reflected reduced capital spending on the OC Streetcar project, which is nearing completion, as well as lower expenditures for the I-405 Improvement Project.
- The sales tax revenues for fiscal year 2024-25 remained relatively consistent with the prior year, reflecting steady economic activity within Orange County. The investment earnings increased by \$15,482 or 31.1% due to higher average cash balances and stronger investment performance during the fiscal 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, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether 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 16-30 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 31 and the LTA Debt Service fund as other supplementary information on page 33 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, 2025, the OCLTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,006,551, a \$526,871 increase from June 30, 2024. 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	
	2025	2024
Assets		
Current and other assets	\$ 1,542,970	\$ 1,046,520
Assets held for resale	15,965	20,615
Capital assets, net	175,427	175,213
Total assets	1,734,362	1,242,348
Deferred outflows of resources		
Deferred outflows - refunding	23,004	1,153
Liabilities		
Current liabilities	133,507	138,718
Long-term liabilities	614,680	621,827
Total liabilities	748,187	760,545
Deferred inflows of resources		
Deferred inflows - leases	2,628	3,276
Net position		
Net investment in capital assets	175,370	175,213
Restricted	831,181	304,467
Total net position	\$ 1,006,551	\$ 479,680

Total assets increased by \$492,014, or 39.6 percent, from June 30, 2024. The increase was primarily attributable to increase in cash and investments, driven by the Transit and Intercity Rail Capital Program (TIRCP) funding of \$149,841 for OC Streetcar project reimbursement, the allocation of TIFIA loan proceeds of \$72,172 for the I-405 Improvement Project, and Senate Bill (SB) 125 one-time grant funding of \$208,765 which provides additional appropriations to support transit infrastructure, operations, and capital improvements.

Total liabilities decreased by \$12,358, or 1.6 percent, from June 30, 2024. This decrease was primarily the result of refunding all outstanding 2010 Series A bonds through the issuance of Measure M2 Sales Tax Revenue Refunding Bonds, Series 2025.

Total net position from governmental activities increased by \$526,871 or 109.8 percent. This increase was primarily the result of program and general revenues exceeding program expenses during the fiscal year.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Management's Discussion and Analysis

Table 2
Orange County Local Transportation Authority
Changes in Net Position

	Governmental Activities	
	2025	2024
Revenues		
Program revenues:		
Charges for services	\$ 1,455	\$ 1,046
Operating grants and contributions	498,196	70,113
General revenues:		
Sales tax revenues	431,843	431,412
Investment earnings	65,340	49,858
Other miscellaneous expenses	(347)	—
Transfers:	—	192,911
Total revenues and transfers	996,487	745,340
Expenses		
Measure M program expenses	469,616	617,435
Changes in net position	526,871	127,905
Net position – beginning	479,680	351,775
Net position – end of year	\$ 1,006,551	\$ 479,680

OCLTA expenses shown on the statement of activities consist of:

	Governmental Activities	
	2025	2024
Supplies and services	\$ 143,308	\$ 114,749
Contributions to other local agencies	119,733	100,935
Contributions to other OCTA funds	46,338	215,166
Capital outlay	134,440	156,102
Interest expense	25,797	30,483
Total expenses	\$ 469,616	\$ 617,435

Total revenues increased by \$251,147 or 33.7 percent, compared to fiscal year 2023-24. The primary driver of this growth was a significant rise in grants and contributions, which provide essential funding for several key transportation projects, including the OC Streetcar and I-405 Improvement Project. Additionally, investment earnings increased by \$15,482 or 31.1 percent reflecting higher average cash balances and favorable investment market conditions during the fiscal year.

Program expenses decreased by \$147,819 primarily due to the interfund transfer to the 405 Express Lanes Fund in prior year for the allocation of TIFIA loan proceeds for the I-405 Improvement Project. The

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

decrease also reflected lower capital expenditures for the OC Streetcar project during fiscal year 2024–25 as the project nears completion.

Financial Analysis of the OCLTA's Funds

As of June 30, 2025, the OCLTA's governmental funds reported combined ending fund balances of \$1,348,776, an increase of \$479,145 compared to FY 2023-24. The majority of fund balances, 83.9 percent, are restricted for transportation projects funded by the Measure M Program. The remaining fund balances are restricted for the Environmental Mitigation Program, debt service on M2 sales tax revenue bonds issued to accelerate funding for transportation projects, and SB 125 state grant.

OCLTA's major governmental funds include the following significant changes:

- The LTA fund balance increased by \$484,339 primarily attributable to increase in cash and investments, driven by the TIRCP funding of \$149,841 for OC Streetcar project reimbursement, the allocation of TIFIA loan proceeds of \$72,172 for general purpose lane construction expenses, and SB 125 grant funding of \$208,765 which provides additional appropriations to support transit infrastructure, operations, and capital improvements. In addition, investment earnings increased by \$15,482 or 31.1 percent reflecting favorable investment performance during the year.
- The LTA Debt Service fund balance decreased by \$5,194, primarily due to the transfer out of excess fund to the LTA fund.

Capital Assets

As of June 30, 2025, the OCLTA has \$175,427 net of accumulated depreciation invested in capital assets, including land, right-of-way improvements, building and improvements, and intangible right-to-use subscription assets. A summary of the OCLTA's capital assets, net of depreciation is as follows:

Table 3
Orange County Local Transportation Authority
Capital Assets, net of Depreciation and Amortization

	2025	2024
Land	\$ 167,913	\$ 167,913
Right-of-way improvements	7,300	7,300
Buildings and improvements	155	—
Subscription assets - SBITA	59	—
Total capital assets, net	\$ 175,427	\$ 175,213

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 \$218,584 for the I-5 Freeway Widening Construction Project, \$102,840 for the Regional Capacity Program, and \$107,650 for the Regional Traffic Signal Synchronization Project.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

Debt Administration

As of June 30, 2025, the OCLTA has \$529,450 in sales tax revenue bonds compared to \$569,315 as of the prior year. The decrease was primarily the result of refunding all outstanding 2010 Series A bonds through the issuance of Measure M2 Sales Tax Revenue Refunding Bonds, Series 2025. Additional information on the OCLTA's long-term debt can be found in note 8 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 2024 and covers FY 2025 - FY 2034.

The OCLTA adopted its FY 2025-26 annual budget on June 9, 2025. Looking specifically at our Measure M2 (M2) Program half-cent Local Transportation Authority (LTA) sales tax revenue, the FY 2025-26 projections are cautiously optimistic. The growth rate for the M2 half-cent LTA sales tax revenue is forecasted to be flat over FY 2024-25 estimates. Similarly, the growth rate for the quarter-cent Local Transportation Fund sales tax revenue, primarily supporting the bus program, is anticipated to be flat over FY 2024-25 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 2025-26 budget for the M2 Program includes \$464 million for freeway improvement projects and \$166 million for the enhancement of streets and roads. Moreover, the budget earmarks \$100 million for M2 Transit Programs, which comprises \$37 million to support OC Streetcar Project and \$38 million to support 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, 2025

<i>(amounts expressed in thousands)</i>	Governmental Activities
Assets	
Cash and investments	\$ 681,655
Receivables:	
Interest	6,866
Operating grants	57,202
Other	1,047
Due from other OCTA funds	8,848
Due from other governments	84,489
Condemnation deposits	7,883
Lease receivable	2,778
Notes receivable	1,147
Restricted cash and investments	690,261
Other assets	794
Assets held for resale	15,965
Capital assets, net:	
Nondepreciable	175,213
Depreciable	214
Total assets	1,734,362
Deferred outflows of resources	
Deferred outflows - refunding	23,004
Total deferred outflows of resources	23,004
Liabilities	
Accounts payable	71,622
Accrued interest payable	8,477
Due to other OCTA funds	8,712
Due to other governments	44,355
Unearned revenue	270
Other liabilities	71
Noncurrent liabilities:	
Due within one year	20,413
Due in more than one year	594,267
Total liabilities	748,187
Deferred inflows of resources	
Deferred inflows - leases	2,628
Total deferred inflows of resources	2,628
Net position	
Net investment in capital assets	175,370
Restricted for:	
Measure M projects	622,614
Measure M Environmental Mitigation Program	34,085
Debt service	18,306
SB 125 grant	156,176
Total net position	\$ 1,006,551

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, 2025

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Assets			
Cash and investments	\$ 663,401	\$ 18,254	\$ 681,655
Receivables:			
Interest	6,814	52	6,866
Operating grants	57,202	—	57,202
Other	1,047	—	1,047
Due from other OCTA funds	8,848	—	8,848
Due from other governments	84,489	—	84,489
Condemnation deposits	7,883	—	7,883
Lease receivable	2,778	—	2,778
Notes receivable	1,147	—	1,147
Restricted investments	690,261	—	690,261
Other assets	794	—	794
Total assets	1,524,664	18,306	1,542,970
Liabilities			
Accounts payable	71,622	—	71,622
Due to other OCTA funds	8,712	—	8,712
Due to other governments	44,355	—	44,355
Unearned revenue	270	—	270
Other liabilities	71	—	71
Total liabilities	125,030	—	125,030
Deferred inflows of resources			
Deferred inflows - leases	2,628	—	2,628
Unavailable revenue - grant reimbursements	61,403	—	61,403
Unavailable revenue - reimbursements from others	5,133	—	5,133
Total deferred inflows of resources	69,164	—	69,164
Fund balances			
Nonspendable:			
Condemnation deposits	7,883	—	7,883
Other prepaid items	794	—	794
Restricted for:			
Measure M projects	1,131,532	—	1,131,532
Measure M Environmental Mitigation Program	34,085	—	34,085
Debt service	—	18,306	18,306
SB 125 grant	156,176	—	156,176
Total fund balances	1,330,470	18,306	1,348,776
Total liabilities, deferred inflows of resources and fund balances	\$ 1,524,664	\$ 18,306	\$ 1,542,970

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, 2025

(amounts expressed in thousands)

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

Total fund balances (page 12)	\$	1,348,776
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		175,427
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Assets held for resale are not financial resources and, therefore, are not reported in the governmental funds.		15,965
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Long-term debt related liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Deferred outflows - refunding		23,004
Long-term debt and premium		(614,624)
Accrued interest payable		(8,477)

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Subscription liabilities		(57)

Receivables that are measurable, but not available within the availability period, are reported as deferred inflows of resources in the governmental funds.		66,537
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Net position of governmental activities (page 10)	\$	1,006,551
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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, 2025

<i>(amounts expressed in thousands)</i>	LTA	LTA Debt Service	Total OCLTA
Revenues			
Sales tax revenues	\$ 431,843	\$ —	\$ 431,843
Contributions from other agencies	245,622	—	245,622
Contributions from other OCTA funds	231,917	—	231,917
Investment earnings	61,875	4,721	66,596
Miscellaneous	1,621	—	1,621
Total revenues	972,878	4,721	977,599
Expenditures			
Current:			
General government: supplies and services	142,492	—	142,492
Transportation:			
Contributions to other local agencies	119,733	—	119,733
Contributions to other OCTA funds	46,339	—	46,339
Capital outlay	134,598	—	134,598
Debt service:			
Principal payments on long-term debt	—	21,950	21,950
Interest	—	32,906	32,906
Bond issuance costs	816	—	816
Total expenditures	443,978	54,856	498,834
Excess (deficiency) of revenues over (under) expenditures	528,900	(50,135)	478,765
Other financing sources (uses)			
Transfers in	14,025	58,966	72,991
Transfers out	(58,966)	(14,025)	(72,991)
Proceeds from sale of capital assets	4,169	—	4,169
Bond issuance	227,565	—	227,565
Bond premium	36,413	—	36,413
Payment to refunded bond escrow agent	(267,767)	—	(267,767)
Total other financing sources (uses)	(44,561)	44,941	380
Net change in fund balances	484,339	(5,194)	479,145
Fund balances - beginning	846,131	23,500	869,631
Fund balances - ending	\$ 1,330,470	\$ 18,306	\$ 1,348,776

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, 2025

(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)	\$	479,145
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Capital assets related expenses or revenues are not included as financial resources or uses in the governmental funds.

Proceeds sale of fixed assets		(4,650)
Depreciation and amortization expense		(20)

Long-term debt related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Issuance of new debt		(263,978)
Principal and interest payments		21,950
Premium and deferred loss of refunding amortization		7,109

Revenues that are earned but not collected within the availability period have not been recognized in the governmental funds.		19,368
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Expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		267,947
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Change in net position of governmental activities (page 11)	\$	526,871
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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, 2025
(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, 2025, interest expense of \$25,797 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, 2025

(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. In addition to sales tax proceeds, the LTA fund is supported by other funding sources, including investment income, state and federal grants, other contributions, and miscellaneous revenues.
- *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.

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Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

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

OCLTA participates in the OCTA commingled 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.

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Notes to The Financial Statements

Year Ended June 30, 2025

(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 2024-25, administrative services of \$31,022 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, effective fiscal year 2021-22. 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 receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, 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 leases receivable is composed of fixed payments from the lessee.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

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

Subscription-Based Information Technology Arrangements (SBITAs)

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

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

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, buildings and 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 capitalize 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.

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Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

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

Capital Asset Type	Useful Life
Buildings and improvements	10-30 years
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 assets 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 a deferred outflow related to loss 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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. OCLTA has two types of deferred inflows, 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. OCLTA also has deferred inflows related to leases, which represent value of the leases receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

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.

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Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

Net Position

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

- *Net investment in capital assets* - This balance reflects the net position of the OCLTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.
- *Restricted net position* - This balance represents net position that is not accessible for general use because use is subject to restrictions enforceable by third parties. The OCLTA government-wide statement of net position reports net position restricted for Measure M projects, Measure M Environmental Mitigation Program, debt service, and SB 125 state grant.
- *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, 2025, OCLTA reported nonspendable balance for condemnation deposits and other prepaid assets.
- *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, 2025, OCLTA reported restricted fund balance for Measure M projects, Measure M Environmental Mitigation Program, debt service, and SB 125 state grant.
- *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 Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, whereby the committed amounts would be reduced first followed by the assigned amounts.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

Use of Estimates

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

2. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2025:

Cash	\$	24
Investments		
With OCTA Commingled Investment Pool		772,447
With Trustee		565,360
With CA Community Foundation		34,085
Total investments		1,371,892
Total cash and investments	\$	1,371,916

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

Unrestricted cash and investments	\$	681,655
Restricted cash and investments		690,261
Total cash and investments	\$	1,371,916

As of June 30, 2025, OCLTA had the following investments:

Investments	Fair Value	Interest Rate	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$ 772,447	Refer to the OCTA Annual Comprehensive Financial Report for information related to the OCTA Commingled Investment Pool.		
Money Market Funds*	513,140	4.07% - 4.25%	07/01/2025	0.003
Commercial Paper	52,220	4.33% - 4.39%	07/07/25 - 8/22/25	0.081
CA Community Foundation Investment Fund	34,085	N/A	N/A	N/A
Total investments	\$ 1,371,892			

The Portfolio Weighted Average Maturity is 2.023 years.

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

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Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

As of June 30, 2025, OCLTA had \$772,447 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, 2025 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2025, OCLTA had \$34,085 invested in the CA Community Foundation (CCF) investment fund. The amount invested is valued using significant unobservable inputs and, therefore, classified as Level 3. Unobservable inputs used by CCF include the foundations own assumptions, market comparable rates, capitalization and occupancy rates.

Credit Risk

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

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, 2025 (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S&P	Moody's	% of OCLTA's Portfolio
OCTA Commingled Investment Pool	NR	NR	56.31 %
Money Market Funds	AAA	Aaa	37.40 %
Commercial Paper	A-1	P-1	3.81 %
CA Community Foundation Investment Fund	NR	NR	2.48 %
Total			100.00 %

3. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2025 in the fund financial statements are \$84,489 which comprised of sales tax and project reimbursements.

Amounts due to other governments as of June 30, 2025 are \$44,355 for transportation projects.

4. RELATED PARTY AND INTERFUND TRANSFERS

Related Party Transactions

As of June 30, 2025, OCLTA has \$8,848 receivable from other OCTA funds which is related to SR-91 Improvement Project.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

As of June 30, 2025, OCLTA owes \$8,712 to other OCTA funds as follows:

	Amount	Description
General Capital Project	\$ 5,946	OC Streetcar project
OCUTT	88	Placentia loan
OCTD	2,678	Irvine Connect and iShuttle service
Total due to other funds	\$ 8,712	

Contributions from Other OCTA Funds

During fiscal year 2024-25, OCLTA received contributions from the following funds:

	Amount	Description
OCTD	\$ 1,788	State of Good Repair program
General Capital Project	149,841	OC Streetcar project
91 EL	8,116	Freeway Project I and J
405 EL	72,172	TIFIA loan allocation for general purpose lanes construction expenses
Total contributions from other funds	\$ 231,917	

Contributions to Other OCTA Funds

During fiscal year 2024-25, OCLTA made contributions to the following funds:

	Amount	Description
General Capital Project	\$ 27,548	OC Streetcar project
SAFE	4,910	Freeway service patrol and emergency roadside program
OCTD	12,583	Irvine Connect, iShuttle service, M2 Fare Stabilization, and M2 Senior Mobility Program
OC Streetcar	1,298	OC Streetcar project
Total contributions to other funds	\$ 46,339	

Interfund Transfers

During fiscal year 2024-25, the LTA fund transferred \$58,966 to the LTA Debt Service fund for debt service payments. Additionally, the LTA Debt Service fund transferred \$14,025 in excess interest earnings to the LTA fund.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

5. CAPITAL ASSETS

Capital assets activity for the OCLTA governmental activities for the year ended June 30, 2025 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	175,213	—	—	175,213
Capital assets, being depreciated:				
Buildings and improvements	—	158	—	158
Machinery and equipment	15	—	(15)	—
Subscription assets - SBITA	—	76	—	76
Total capital assets, being depreciated	15	234	(15)	234
Less accumulated depreciation for:				
Buildings and improvements	—	(3)	—	(3)
Machinery and equipment	(15)	—	15	—
Subscription assets - SBITA	—	(17)	—	(17)
Total accumulated depreciation	(15)	(20)	15	(20)
Total capital assets, being depreciated, net	—	214	—	214
Total capital assets, net	\$ 175,213	\$ 214	\$ —	\$ 175,427

6. LEASES

OCLTA adopted GASB Statement No. 87, Leases, effective fiscal year 2021-22. Under this Statement, OCTA, as a lessee, is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor, OCTA is required to recognize a lease receivable and a deferred inflow of resources.

OCLTA is a lessor in several lease agreements for the use of land. For the year ended June 30, 2025, the lease receivable and deferred inflow of resources associated with these leases were \$2,778 and \$2,628, respectively. OCLTA recognized lease revenues of \$534 during the fiscal year.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

Remaining receivables associated with these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 433	\$ 74	\$ 507
2027	462	62	524
2028	492	49	541
2029	331	35	366
2030	351	25	376
2031-2035	704	19	723
2036-2040	5	—	5
Total lease receivable	\$ 2,778	\$ 264	\$ 3,042

7. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

OCLTA adopted GASB Statement No. 96, SBITAs, effective fiscal year 2022-23. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

In fiscal year 2024-25, OCLTA recorded subscription payable comprised of one agreement, which OCLTA is a lessee for the use of IT arrangements. As of June 30, 2025, OCTA has a subscription liability in the amount of \$56. The value of the right-to-use subscription assets as of the end of the current fiscal year is \$76 with accumulated amortization of \$17.

The following is a schedule of future minimum subscription liabilities as of June 30, 2025:

Year ending June 30,	Principal	Interest	Total
2026	\$ 18	\$ 2	\$ 20
2027	19	1	20
2028	19	1	20
Total subscription liabilities	\$ 56	\$ 4	\$ 60

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Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

8. LONG-TERM DEBT

Sales Tax Revenue Bonds

On December 23, 2010, OCLTA issued \$293,540 of Measure M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and \$59,030 of 2010 Series B (Tax-Exempt Bonds), to finance transportation projects, restructure the Tax-Exempt Commercial Paper Program, and fund capitalized interest and issuance costs. A total of \$75,000 was used to retire outstanding commercial paper.

On February 26, 2019, OCLTA issued \$376,690 of Measure M2 Sales Tax Revenue Bonds, Series 2019, to finance the I-405 Improvement Project, refund \$43,540 of the 2010 Series A Bonds, and pay issuance costs. The refunding generated net present value savings of \$2,584.

On March 26, 2025, OCLTA issued \$227,565 of Measure M2 Sales Tax Revenue Refunding Bonds, Series 2025, to refund all outstanding 2010 Series A Bonds under the extraordinary optional redemption provision. The refunding generated gross cumulative cash flow savings of \$13,002 and net present value savings of \$10,505.

The OCLTA's outstanding sales tax revenue bonds are limited obligations of the Authority, payable solely from pledged Measure M2 sales tax revenues, and contain a provision that, in the event of default, bondholders may seek legal remedies to compel the OCLTA to cure the default, which could have finance-related consequences. The sales tax revenue bonds are rated AA+ by Fitch and AAA by Standard & Poor's.

A summary of the bonds outstanding is as follows:

	2019 Series B		2025 Series		
	(Tax-Exempt Bonds)		(Limited Tax Bonds)		Total
Issuance date	2/12/2019		3/4/2025		
Original issue amount	\$	376,690	\$	227,565	\$ 604,255
Original issue premium		69,342		36,413	105,755
Net bond proceeds	\$	446,032	\$	263,978	\$ 710,010
Issuance costs	\$	970	\$	490	\$ 1,460
Interest rates	3.00%-5.00%		6.908%		
Maturity range	2021-2041		2026-2041		
Final maturity	2041		2041		
Bonds outstanding	\$	301,885	\$	227,565	\$ 529,450
Plus unamortized premium		49,360		35,814	85,174
Total long-term debt	\$	351,245	\$	331,962	\$ 614,624

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 20,395	\$ 24,847
2027	23,650	25,123
2028	24,835	23,940
2029	26,075	22,699
2030	27,380	21,395
2031-2035	158,800	85,074
2036-2041	248,315	44,333
Total	\$ 529,450	\$ 247,411

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
Sales tax revenue bonds	\$ 569,315	\$ 227,565	\$ (267,430)	\$ 529,450	\$ 20,395
Unamortized premium	52,512	36,412	(3,750)	85,174	—
Total long-term debt	\$ 621,827	\$ 263,977	\$ (271,180)	\$ 614,624	\$ 20,395

Pledged Revenue

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2025, 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:

	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M2 net sales tax revenues	\$ 335,762	\$ 54,856	6.12

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to The Financial Statements

Year Ended June 30, 2025

(in thousands)

9. 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, 2025 were \$1,119,434, the majority of which relate to the expansion of Orange County's freeways and street and road projects.

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.

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.

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, 2025

<i>(amounts expressed in thousands)</i>	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Sales tax revenues	\$ 441,875	\$ 441,875	\$ 431,843	\$ (10,032)
Contributions from other agencies	152,502	152,502	254,830	102,328
Contributions from other OCTA funds	55,040	55,040	231,917	176,877
Investment earnings	41,376	41,376	61,875	20,499
Miscellaneous	1,444	1,444	1,621	177
Total revenues	692,237	692,237	982,086	289,849
Expenditures				
Current:				
General government: supplies and services	218,115	218,861	176,592	42,269
Transportation:				
Contributions to other local agencies	214,082	213,006	119,742	93,264
Contributions to other OCTA funds	125,000	125,000	46,339	78,661
Capital outlay	431,484	540,180	217,662	322,518
Debt service:				
Bond issuance costs	—	—	816	(816)
Total expenditures	988,681	1,097,047	561,151	535,896
Excess (deficiency) of revenues over (under) expenditures	(296,444)	(404,810)	420,935	825,745
Other financing sources (uses)				
Transfers in	52,505	52,505	14,025	(38,480)
Transfers out	(54,874)	(54,874)	(58,966)	(4,092)
Proceeds from sale of capital assets	1,883	1,883	4,169	2,286
Bond issuance	—	—	227,565	227,565
Bond premium	—	—	36,413	36,413
Payment to refunded bond escrow agent	—	—	(267,767)	(267,767)
Total other financing uses	(486)	(486)	(44,561)	(44,075)
Net change in fund balances	\$ (296,930)	\$ (405,296)	\$ 376,374	\$ 781,670

Reconciliation to GAAP:

Net change in fund balance (budgetary basis)	\$ 376,374
Less: Estimated revenues for encumbrances outstanding at June 30	9,208
Add: Current year encumbrances outstanding at June 30	117,173
Net change in fund balance (GAAP basis)	\$ 484,339

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, 2025
(in thousands)

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 2025 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, 2025

<i>(amounts expressed in thousands)</i>	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Investment earnings	\$ 6,658	\$ 6,658	\$ 4,721	\$ (1,937)
Total revenues	6,658	6,658	4,721	(1,937)
Expenditures				
Debt service:				
Principal payments on long-term debt	21,950	21,950	21,950	—
Interest on long-term debt	32,924	32,924	32,906	18
Total expenditures	54,874	54,874	54,856	18
Deficiency of revenues under expenditures	(48,216)	(48,216)	(50,135)	(1,919)
Other financing sources (uses)				
Transfers in	54,874	54,874	58,966	4,092
Transfers out	(6,658)	(6,658)	(14,025)	(7,367)
Total other financing sources	48,216	48,216	44,941	(3,275)
Net change in fund balances	\$ —	\$ —	\$ (5,194)	\$ (5,194)

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, 2025, 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, 2025.

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, 2025