

## **MEETING AGENDA**

- 1. Welcome**
- 2. Approval of Minutes for June 23, 2023**
- 3. Public Comments\***
- 4. Action Items**
  - A. External Auditor Communication/Annual Audit and Agreed-upon Procedures Reports - Crowe LLP  
Jennifer Richards, Partner, A. J. Johnson, Manager, Joseph Widjaja, Senior Manager
    - OCLTA (Annual Financial and Compliance Report Year Ended June 30, 2023)
    - Report on Internal Control Over Compliance
    - OCLTA Agreed-Upon Procedures (AUP) Related to Article XIII-B
    - Measure M2 Status Report AUP, Year Ended June 30, 2023
  - B. Second Quarter Measure M2 Revenue and Expenditure Report  
Rima Tan, Department Manager, Accounting and Financial Reporting
- 5. Adjournment**

*A special meeting of the TOC Audit Subcommittee will be scheduled in April or May, 2024*

\*Public Comments: At this time, members of the public may address the Taxpayer Oversight Committee (TOC) regarding any items within the subject matter jurisdiction of the TOC, provided that no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to three (3) minutes per person, unless different time limits are set by the Chairman, subject to the approval of the TOC.

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

**Measure M Taxpayer Oversight Committee  
Audit Subcommittee  
Orange County Transportation Authority  
550 S. Main Street, Orange, CA  
June 23, 2023 @ 3:00 p.m.**

**SPECIAL MEETING MINUTES**

**Committee Members Present:**

Andrew Hamilton, Auditor-Controller, County of Orange  
Mark Kizzar, Second District Representative  
Mark W. Eisenberg, Fifth District Representative  
Naresh D. Patel, First District Representative  
Steve Sloan, Second District Representative

**Committee Members Absent:**

No members were absent.

**Orange County Transportation Authority Staff Present:**

Alice Rogan, Director, External Affairs  
Andrew Oftelie, Chief Financial Officer, Finance and Administration  
Francesca Ching, Measure M Program Manager  
Janet Sutter, Executive Director, Internal Audit  
Kia Mortazavi, Executive Director, Planning  
Sean Murdock, Director, Finance and Administration

**Guests:**

Matt Holder, Executive Assistant, Auditor-Controller's Office, County of Orange,

**Recorder:**

Teri Lepe, Executive Assistant, Internal Audit

**1. Welcome**

Mr. Andrew Hamilton called the Orange County Transportation Authority (OCTA) Taxpayer Oversight Committee (TOC) Audit Subcommittee (AS) meeting to order at 3:01 p.m.

**2. Approval of the Minutes for May 25, 2023**

*A motion was made by Mr. Mark Eisenberg, seconded by Mr. Mark Kizzar, to approve the May 25, 2023, TOC AS minutes. Motion passed unanimously.*

**3. Public Comments**

No public comments were submitted prior to the meeting. There were no members of the public present at the meeting.

#### 4. Action Items

##### A. Request to OCLTA for Provision of a Focused Measure M2 Compliance Audit for Fiscal Year Ending 2023.

Mr. Andrew Hamilton, Orange County Auditor-Controller (OC A-C) and TOC Chairman, presented an overview of his background, education, and business involvements up to his current position as the OC A-C, starting in January 2023. Extensive audit background has led him to view the TOC AS as having the role of oversight, or auditor, of Orange County's Measure M2 (M2). Mr. Hamilton conveyed there are two certifications required under the M2 Ordinance (Ordinance); certification by the TOC, and certification by the OC A-C, that M2 revenues have been spent in compliance with the Ordinance.

Mr. Hamilton asked TOC AS members to approve amending the Audit Charter (Charter) to allow for a compliance audit in fiscal year 2022-23, to enhance the assurance to voters of what was approved for M2 in 2006.

Discussion ensued with questions and comments from TOC AS members regarding Mr. Hamilton's request for changes to the Charter as well as additional audit work.

Mr. Naresh Patel asked why the Charter needs to be changed. Mr. Hamilton explained he had researched the County of Los Angeles Measure M Ordinance and found their ordinance has specific language that requires a compliance audit, and he believes such an audit would be an enhanced safeguard for the taxpayers.

TOC AS members inquired about the cost of such an audit and Ms. Janet Sutter indicated that Crowe had estimated a cost of \$108,000.

TOC AS members also inquired whether Mr. Hamilton had any concerns that OCTA is not proceeding in compliance with the Ordinance and Mr. Hamilton said he did not, but he believes that obtaining an outside auditor's opinion on compliance is best practice. Mr. Kizzar asked to confirm that this request is for the OC A-C's comfort and that the currently provided compliance matrix is not sufficient. Mr. Hamilton reiterated that he would like to rely on an independent outside auditor's compliance opinion.

Mr. Sloan pointed out that the Ordinance requires the OC A-C to be the Chairman of the TOC and to certify annually, and it would be unreasonable to ask the OC A-C to certify if he is uncomfortable, and he believes AS members have no choice but to approve the request. Other TOC AS members agreed.

Mr. Hamilton asked if it was time to make a motion to approve. Ms. Sutter commented that both 4.A and 4.B could be approved in the same motion.

- B. Changes to the Audit Subcommittee Charter, Contingent upon Receiving Approvals for Focused Measure M2 Compliance Audit for Fiscal Year Ending 2023.

*Mr. Eisenberg motioned 4.A. to proceed as indicated and made a separate motion for 4.B. to proceed as indicated. Mr. Sloan seconded both motions. 4.A. passed unanimously, 4.B. passed unanimously.*

5. The special meeting of the TOC AS adjourned at 4:00 p.m.

The next regularly scheduled meeting will be at **4 p.m. Tuesday, October 10, 2023**, in Conference Room 09 of the 550 Building, OCTA Headquarters.

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

**ANNUAL FINANCIAL**  
**AND**  
**COMPLIANCE REPORT**

**Year Ended June 30, 2023**

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

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

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Orange County Local Transportation Authority  
Orange, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of OCLTA as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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



### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023 on our consideration of the OCLTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OCLTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OCLTA's internal control over financial reporting and compliance.

  
Crowe LLP

Costa Mesa, California  
November 2, 2023

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

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As management of the Orange County Local Transportation Authority (OCLTA), we offer readers of the OCLTA's financial statements this narrative overview and analysis of the OCLTA's Measure M financial activities for the fiscal year (FY) ended June 30, 2023. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Financial Highlights**

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

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

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

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

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

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

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### **Fund Financial Statements**

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-29 of this report.

The OCLTA adopts an annual budget for its two funds. A budgetary comparison schedule has been provided for the LTA special revenue fund as required supplementary information on page 30 and the LTA debt service fund as other supplementary information on page 32 to demonstrate compliance with the annual appropriated budget.

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

**Government-wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of the OCLTA's financial position. At June 30, 2023, the OCLTA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$351,775, a \$39,426 decrease from June 30, 2022. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the OCLTA's governmental activities.

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

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

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

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

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

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

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

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

OCLTA expenses shown on the statement of activities consist of:

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

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

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

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

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**Financial Analysis of the OCLTA’s Funds**

As of June 30, 2023, the OCLTA’s governmental funds reported combined ending fund balances of \$960,753, a decrease of \$43,612 compared to FY 2021-22. The majority of fund balances, 92.5 percent, are restricted for transportation projects funded by the Measure M Program. The remaining fund balances are restricted for the Environmental Mitigation Program and for debt service on M2 sales tax revenue bonds issued to accelerate funding for transportation projects.

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

- The LTA fund balance decreased by \$50,753 primarily due to excess of expenses and transfers to LTA Debt Service fund over the sales tax and contributions from other funds.
- The LTA Debt Service fund balance increased by \$7,141, due to the excess of investment earnings and transfers in from LTA fund over the required debt service payments.

**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2023, the OCLTA has \$7,300 net of accumulated depreciation invested in capital assets, including right-of-way improvements and machinery.

A summary of the OCLTA’s capital assets, net of depreciation is as follows:

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

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

OCLTA has outstanding capital expenditure commitments; the most significant of which are \$193,162 for the I-5 Freeway Widening Construction Project, \$178,899 for the Regional Capacity Program, and \$134,093 for the I-405 Improvement Project.

**Debt Administration**

As of June 30, 2023, the OCLTA has \$590,235 in sales tax revenue bonds compared to \$610,170 as of the prior fiscal year.

The OCLTA maintains an “AA+” rating from Standard & Poor’s Corporation (S&P), an “AA+” rating from Fitch Ratings (Fitch) and an “Aa2” rating from Moody’s Investors Services (Moody’s) for its 2010 M2 Sales

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

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Tax Revenue Bonds. The 2019 M2 Sales Tax Revenue Bonds have an "AA+" rating from S&P and an "AA+" from Fitch.

Additional information on the OCLTA's long-term debt can be found in note 6 to the financial statements.

### **Economic and Other Factors**

The OCLTA is responsible for administering Measure M, the half-cent transportation sales tax, which originally passed in 1990 and was delivered as promised to the residents of Orange County, with over \$4 billion invested in improvements to freeways, streets and roads and transit services. Measure M1 (M1) ended in March 2011, and collection of sales tax under Measure M2 (M2) began in April 2011. M2 was overwhelmingly approved by the voters of Orange County in 2006 because of the tangible results that were realized through M1. The passage of M2 has allowed for the continuation of transportation improvements through March 31, 2041. Allocation of M2 funds remains the same as the original M1 with 43 percent slated for freeway improvements, 32 percent for streets and roads, and 25 percent for transit projects and programs.

Although revenue collection for M2 projects did not begin until April 2011, OCTA began delivering projects early based on the five-year M2 Early Action Plan (EAP) adopted in 2007 and subsequent M2020 Plan adopted in 2012. Both delivery plans were developed to accelerate M2 freeway, streets and roads, transit, and environmental projects. In response to lower actual sales tax revenue, a new forecasting methodology was adopted in March 2016. This prompted the need to revisit the assumptions built into the M2020 plan. A new program/project delivery framework covering FY 2016-17 through FY 2025-26, called the Next 10 Plan, was adopted by the Board of Directors on November 14, 2016. The updated version of the Next 10 Plan was adopted by the Board of Directors in November 2022 and covers FY 2023 - FY 2032.

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

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

### **Contacting the OCLTA's Management**

This financial report is designed to provide a general overview of the OCLTA's finances for all those with an interest in the OCLTA's finances and to demonstrate OCLTA accountability for the money it receives. Questions related to any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division of the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

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

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

See accompanying notes to the financial statements.



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

<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	\$ 564,463	\$ 1,257	\$ 60,105	\$ (503,101)
General revenues:				
Sales tax				439,123
Unrestricted investment earnings				24,564
Other miscellaneous expenses				(12)
Total general revenues				463,675
Change in net position				(39,426)
Net position - beginning				391,201
<b>Net position - ending</b>				<b>\$ 351,775</b>

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Balance Sheet - Governmental Funds**  
**June 30, 2023**

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

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2023**

*(amounts expressed in thousands)*

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

<b>Total fund balances (page 12)</b>		<b>\$ 960,753</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,300
Lease receivables are not financial resources and, therefore, are not reported in the funds.		260
Assets held for resale are not financial resources and, therefore, are not reported in the funds.		15,965
Earned but unavailable revenue is not available to liquidate current liabilities and, therefore, is reported as a deferred inflow of resources in the funds.		24,504
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(12,662)
Deferred outflows of resources related to deferred charge on refunding are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		1,222
Deferred inflows of resources related to leases are not due and payable in the current period and, therefore, are not reported in the funds.		(255)
The effect of elimination entries of internal balances, and therefore, are not reported in the funds.		587
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (590,235)	
Plus unamortized bond issuance premium	<u>(55,664)</u>	<u>(645,899)</u>
<b>Net position of governmental activities (page 10)</b>		<b><u><u>\$ 351,775</u></u></b>

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2023**

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

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2023**

*(amounts expressed in thousands)*

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

**Net change in fund balances - total governmental funds (page 14) \$ (43,612)**

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

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	\$ 19,935	
Change in accrued interest	372	
Amortization of premium and deferred charge on refunding	3,082	23,389

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

See accompanying notes to the financial statements.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Notes to The Financial Statements**  
**Year Ended June 30, 2023**  
(in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M. This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County. The Orange County Local Transportation Authority (OCLTA) is responsible for administering the proceeds of the Measure M sales tax program. The original Measure M Program (M1) commenced on April 1, 1991 for a period of 20 years.

On November 7, 2006, Orange County voters approved the renewal of Measure M for a period of 30 more years from April 1, 2011 to March 31, 2041. Renewed Measure M (M2) allocates funds to freeway, street and road, transit, and environmental improvements.

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging several agencies and funds, including the OCLTA, a component unit of the OCTA. Accordingly, the OCLTA's financial activities are included with the financial activities of the OCTA for financial reporting purposes.

The OCTA governing board (Board) consists of 17 voting members and one non-voting member and also serves as the OCLTA governing board. Measure M requires that an 11-member Taxpayer's Oversight Committee (TOC) monitor the use of Measure M funds and ensure that all revenues collected from Measure M are spent on voter-approved transportation projects.

These financial statements include only the activities of the OCLTA, a component unit of the OCTA. These financial statements are not intended to present the activities of the OCTA.

**Basis of Presentation**

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

*Government-wide Statements:* The statement of net position and the statement of activities report information of the OCLTA. The effect of significant interfund activity has been removed from these statements. The OCLTA provides only governmental activities which are supported principally by sales tax.

The statement of activities demonstrates the degree to which the OCLTA Measure M program expenses are offset by program revenues. Program expenses include direct and indirect expenses, which are identifiable with Measure M. Interest expense related to the sales tax revenue bonds is reported as a direct expense of the Measure M program. The borrowings are considered essential to the creation or continuing existence of the Measure M program. For the fiscal year ended June 30, 2023, interest expense of \$31,494 was included in Measure M program costs. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by Measure M; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Measure M program. Taxes, investment earnings, and other items are not reported as program revenues and instead are reported as general revenues.

# ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

## Notes to The Financial Statements

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### Year Ended June 30, 2023

(in thousands)

*Fund Financial Statements:* The fund financial statements provide information about the OCLTA's governmental funds. The OCLTA considers all of its Measure M funds as major governmental funds, comprised of the following:

- *Local Transportation Authority (LTA) Fund* - This special revenue fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan. Financing is provided by a one-half percent sales and use tax assessed for 20 years pursuant to Measure M, which became effective April 1, 1991, and was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance requires that sales tax revenues only be expended on projects included in the ordinance. A decision to use the revenues for any other purpose must be put to the voters in another election.
- *LTA Debt Service Fund* - This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the OCLTA.

### Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCLTA considers revenues to be available if they are collected within 90 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt of governmental funds are recorded only when payment is due.

Those revenues susceptible to accrual are sales tax collected and held by the state at year-end on behalf of the OCLTA, intergovernmental revenues and interest revenue. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the OCLTA; therefore, revenues are recognized based upon the expenditures incurred and availability criteria met. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

### Cash and Investments

The OCLTA maintains cash and investments in a pool with other OCTA cash and investments and in accordance with the Investment Policy (Policy) originally adopted by the Board on May 8, 1995, and most recently amended July 1, 2022. The Policy complies with, or is more restrictive than, the California Government Code (Code). Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Pooled cash and investment earnings are allocated based on average daily dollar account balances.

OCTA holds investments that are measured at fair value on a recurring basis. OCTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical

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

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**Year Ended June 30, 2023**

(in thousands)

assets; Level 2 inputs are inputs - other than quoted prices included in Level 1 - that are observable including quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active; Level 3 inputs are unobservable inputs.

OCLTA participates in the OCTA comingled investment pool which invests in U.S. government and U.S. agency securities, medium term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities, and corporate notes which are carried at fair value based on quoted prices of similar assets. In addition, OCLTA invests in money market and mutual funds and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value.

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

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

In addition, OCTA has restricted investments held by the California Community foundation (CCF). The amount invested in the CCF investment pool is a restricted asset as approved for funding by the OCTA Board of Directors in October of 2014. The CCF is headquartered in Los Angeles, California. CCF is a community foundation and holds a 501(c) 3 status, which meets California State Government Code requirements for community foundations. Legislation providing for OCTA to use a qualified organization to hold and manage the endowment is provided in Government Code §§65965-65968. An investment committee is responsible for oversight of the foundation's investment pools. The Endowment Pool is a diversified pool invested for long- term growth and appreciation while providing a relatively predictable stream of distributions that keeps the pace with inflation over time. The pool includes a mix of asset classes including equities, fixed income, hedge funds and real assets. The target asset allocation is approximately 50% equities, 22% fixed income, 14% hedge funds and 14% real assets.

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

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



# ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

## Notes to The Financial Statements

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**Year Ended June 30, 2023**

(in thousands)

The fair value of OCTA's investment in this pool is reported in the accompanying financial statements at amounts based upon OCTA's pro-rata share of the fair value provided by the CCF for the entire CCF portfolio (in relation to the amortized cost of that portfolio).

### **Due To/From Other OCTA Funds**

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered and transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances are reported as due to/from other funds. Any residual balances outstanding between the Measure M Program governmental activities and other OCTA funds are reported in the government-wide financial statements as due to/from other OCTA funds.

### **Contributions To/From Other OCTA Funds**

Transfers between OCLTA and other OCTA funds are reported as program expenses and revenues in the statement of activities and as revenues and expenditures in the statement of revenues, expenditures and changes in fund balances.

### **Administrative Services Costs**

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2022-23, \$26,262 of administrative services were charged to the OCLTA and are reported as general government expenditures in the statement of revenues, expenditures and changes in fund balances and as program expenses in the statement of activities.

### **Leases**

OCLTA adopted GASB Statement No. 87, Leases, for the fiscal year ended June 30, 2022. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. OCLTA is a lessor for a noncancellable lease of land. OCLTA recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements.

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

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

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

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

**Year Ended June 30, 2023**

(in thousands)

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

Remaining receivables associated with these leases are as follows:

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

**Assets Held for Resale**

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

**Capital Assets**

Capital assets including right-of-way improvements, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the OCLTA as assets with an initial, individual cost of more than \$5 and a useful life exceeding one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Freeway construction and certain purchases of right-of-way property, for which title vests with the California Department of Transportation (Caltrans), are included in capital outlay. Infrastructure consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where the OCLTA does not intend to maintain or operate the property when complete.

Right-of-way improvements, which consists of a parcel where the OCLTA is the ground lease holder, is not being depreciated. Machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

# ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

## Notes to The Financial Statements

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**Year Ended June 30, 2023**

(in thousands)

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

OCLTA has one item reported as deferred outflow of resources. This item is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This item is reported in the government-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. OCLTA has one type of deferred inflow, unavailable revenue which occurs only under a modified accrual basis of accounting. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for grant reimbursements and reimbursements from others. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **Long-Term Debt**

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Contributions to Other Local Agencies**

Contributions to other local agencies primarily represent sales tax revenues received by the OCLTA and disbursed to cities for competitive projects, the local fair share program, and the senior mobility program, and to other agencies for projects which are in accordance with the Measure M ordinance.

### **Net Position**

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

- *Net investment in capital assets* - This balance reflects the net position of the OCLTA that is invested in capital assets, net of related debt. This net position is generally not accessible for other purposes.
- *Restricted net position* - This balance represents net position that is not accessible for general use because use is subject to restrictions enforceable by third parties. The OCLTA government-wide

# ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

## Notes to The Financial Statements

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### Year Ended June 30, 2023

(in thousands)

statement of net position reports net position restricted for transportation projects funded by the Measure M Program, debt service, and Environmental Mitigation Program.

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

### Fund Balances

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

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

- *Nonspendable* – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. As of June 30, 2023, OCLTA reported nonspendable balance for condemnation deposits and other assets - prepaids.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. As of June 30, 2023, OCLTA reported restricted fund balance for transportation projects, debt service, and Environmental Mitigation Program.
- *Committed* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Board removes or modifies the use through the adoption of a subsequent resolution.
- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This classification also includes residual amounts assigned for specific projects. The Board establishes and modifies assignments of fund balance through the adoption of the budget and subsequent budget amendments. The Board retains the authority to assign fund balance.

When both restricted and unrestricted resources are available for use, it is the OCLTA's policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, the OCLTA applies the default established by GASB 54, whereby the committed amounts would be reduced first followed by the assigned amounts.

### Use of Estimates

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

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

**Year Ended June 30, 2023**

(in thousands)

**2. CASH AND INVESTMENTS**

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

Investments:

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

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

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

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

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

\* Refer to the OCTA Annual Comprehensive Financial Report for information related to the OCTA Commingled Investment Pool.

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

The Portfolio Weighted Average Maturity is 1.826 years.

As of June 30, 2023, OCLTA had \$600,307 invested in the OCTA's Commingled Investment Pool (CIP). Refer to the OCTA's Annual Comprehensive Financial Report for details on valuation techniques and fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk. Deposits and withdrawals in OCTA's CIP are made on the basis of \$1.00 (absolute dollars) and not fair value. Accordingly, the OCLTA's investment in OCTA's CIP at June 30, 2023 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

As of June 30, 2023, OCLTA had \$23,688 invested in the CA Community Foundation (CCF) investment fund. The amount invested is valued using significant unobservable inputs and, therefore, classified as Level 3. Unobservable inputs used by CCF include the foundations own assumptions, market comparable rates, capitalization and occupancy rates.

**Credit Risk**

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

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(in thousands)

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

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2023 (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

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

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

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

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

**4. RELATED PARTY AND INTERFUND TRANSFERS**

**Related party transactions**

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

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

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

**Contributions from Other OCTA Funds**

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

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

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(in thousands)

**Contributions to Other OCTA Funds**

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

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

**Interfund Transfers**

During fiscal year 2022-23, the LTA Fund transferred \$56,290 to the LTA Debt Service Fund for debt service payments. Additionally, the LTA Debt Service Fund transferred \$2,963 in excess interest earnings to the LTA Fund.

**5. CAPITAL ASSETS**

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

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

**6. LONG-TERM DEBT**

**Sales Tax Revenue Bonds**

On December 9, 2010, OCLTA issued \$293,540 in M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and \$59,030 in 2010 Series B (Tax-Exempt Bonds), to finance and refinance the costs of certain transportation projects located in Orange County, to restructure the Tax Exempt Commercial Paper (TECP) Program, and to fund capitalized interest and costs of issuance related to the 2010 Series Bonds. Pursuant to the bond indenture for the 2010 Series Bonds, a reserve fund is not

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

**Year Ended June 30, 2023**

(in thousands)

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

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

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

A summary of the bonds outstanding is as follows:

	<b>2010 Series A (Taxable Build America Bonds)</b>	<b>2019 Series B (Tax-Exempt Bonds)</b>	<b>Total</b>
Issuance date	12/9/10	2/12/19	
Original issue amount	\$ 293,540	\$ 376,690	\$ 670,230
Original issue premium	—	69,342	69,342
<b>Net Bond Proceeds</b>	<b>\$ 293,540</b>	<b>\$ 446,032</b>	<b>\$ 739,572</b>
Issuance costs	\$ 1,905	\$ 970	\$ 2,875
Interest rates	5.56%-6.91%	3.00%-5.00%	
Maturity range	2021-2041	2021-2041	
Final maturity	2041	2041	
Bonds outstanding	\$ 250,000	\$ 340,235	\$ 590,235
Plus unamortized premium	—	55,664	55,664
<b>Total</b>	<b>\$ 250,000</b>	<b>\$ 395,899</b>	<b>\$ 645,899</b>

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

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



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

**Year Ended June 30, 2023**

(in thousands)

**Changes in Long-Term Liabilities**

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

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

**Pledged Revenue**

OCLTA has debt issuances outstanding that are repaid and secured by the pledging of certain revenues. For the year ended June 30, 2023, debt service payments in relation to the pledged gross revenue net of the local fair share program and other expenses as required by the debt agreement, are indicated in the following table:

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

**Line of Credit (Direct Borrowing)**

On July 26, 2017, OCTA and the Department of Transportation Build America Bureau Credit Programs Office (Bureau) executed a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan of up to \$628,930 for eligible project costs for the I-405 Improvement Project. The Bureau required OCTA to secure a \$900,000 line of credit secured by future M2 debt issuances to be committed at the time of closing on the TIFIA loan. The OCTA Board of Directors selected Bank of America N.A. (BANA) to provide a \$900,000 line of credit to meet the Bureau's requirement.

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

In connection with the rate reset of OCTA's 2017 TIFIA Loan (2021 TIFIA Loan), which occurred on September 9, 2021, OCTA prepaid the amount of funds drawn to date on the 2017 TIFIA Loan, plus accrued interest, totaling \$314,000 (Prepayment), to the United States Department of Transportation to close the transaction. OCTA secured a \$315,000 bridge loan from BANA to fund the Prepayment. The bridge loan was secured by executing the First Amendment to the Amended and Restated 2021 Credit Agreement (Agreement). The bridge loan was repaid on September 30, 2021, utilizing proceeds from the \$662,820 Bonds Anticipation Notes (BAN 2021 Series) issued on September 29, 2021. OCTA issued the BAN 2021 Series as a short-term financing vehicle during the construction of the I-405 Improvement Project to create flexibility by cost-effectively delaying draws on and repayment of the 2021 TIFIA Loan

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

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**Year Ended June 30, 2023**

(in thousands)

until one year beyond substantial completion. The refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The transaction resulted in a reduction of debt service payments of \$274,577 over three fiscal years and an economic gain (difference between the present values of the debt service payments of the 2021 TIFIA Loan and BAN 2021 Series) of \$240,265.

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

## **7. COMMITMENTS AND CONTINGENCIES**

### **Purchase Commitments**

The OCLTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2023 were \$819,719, the majority of which relate to the expansion of Orange County's freeways and road systems.

### **Federal Grants**

The OCLTA receives federal grants for transportation projects and other reimbursable activities which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on the OCLTA's financial position or changes in financial position.

## **8. EFFECT OF NEW PRONOUNCEMENTS**

### **GASB Statement No. 91**

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement was effective for OCTA's fiscal year ending June 30, 2022, but was postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The implementation of this Statement did not have a material effect on the financial statements.

### **GASB Statement No. 94**

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

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

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**Year Ended June 30, 2023**

(in thousands)

**GASB Statement No. 96**

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). The implementation of this Statement did not have a material effect on the financial statements.

**GASB Statement No. 99**

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

**GASB Statement No. 100**

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

**GASB Statement No. 101**

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

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - LTA Fund (Budgetary Basis)**  
**Year Ended June 30, 2023**

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

**Reconciliation to GAAP:**

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

See accompanying notes to the required supplementary information.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2023**  
(in thousands)

**1. Budgetary Data**

The OCLTA establishes accounting control through formal adoption of an annual operating budget for the LTA and the debt service governmental funds. The budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects subject to approval by the Finance and Administration Division. Major objects are defined as Salaries and Benefits, Supplies and Services and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2023 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Orange County Transportation Authority)**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule - LTA Debt Service Fund (Budgetary Basis)**  
**Year Ended June 30, 2023**

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Orange County Local Transportation Authority  
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), a component unit of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise OCLTA's basic financial statements, and have issued our report thereon dated November 2, 2023.

#### **Report on Internal Control Over Financial Reporting**

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

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

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

(Continued)

## Report on Compliance and Other Matters

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

### Purpose of this Report

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



Crowe LLP

Costa Mesa, California  
November 2, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Orange County Transportation Authority  
Orange, California

**Report on Compliance for Major Federal Program**

***Opinion on Major Federal Program***

We have audited Orange County Transportation Authority's (OCTA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on OCTA's major federal program for the year ended June 30, 2023. OCTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, OCTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

***Basis for Opinion on Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of OCTA and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of OCTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to OCTA's federal programs.

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(Continued)

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on OCTA's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about OCTA's compliance with the requirements of the major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 OCTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of OCTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements. We issued our report thereon dated November 2, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Costa Mesa, California  
November 2, 2023

ORANGE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2023

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2023-001 – Deferred Compensation Contribution Calculation (Significant Deficiency)**

Criteria

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

Condition

Management noted that contributions for the OCTA 401(a) and 457(b) deferred compensation plans were being incorrectly calculated due to an issue when setting up the Lawson HR/Payroll system in 2004. Most errors related to proper identification of eligible or included earnings in the calculation of employees' 457(b) plan contributions and/or with the employer match contributions in the 401(a) plans. Other errors identified were related to the occasional resetting of plan dates and miscalculated contributions on final paychecks. Management made a payment in FY24 to correct the approximate \$7.4m in missed contributions and related interest.

Cause

Management did not have effective controls in place over deferred compensation plan contribution calculation inputs or outputs.

Effect

Prior year deferred compensation expense and accounts payable was understated by approximately \$1.9m and \$5.5m in the General fund and Orange County Transit District fund, respectively. Current year deferred compensation expense and accounts payable was understated by approximately \$104k and \$130k in the General fund and Orange County Transit District fund, respectively. The misstatement was corrected by management in the current fiscal year.

Recommendation

We recommend management formalize a periodic review of contribution calculations and plan documents to ensure plan changes (if any) are appropriately reflected within the calculation.

Management's Response

As a result of identifying and correcting systemic issues for contributions made to the OCTA 457(b) and 401(a) plans in the current year, Human Resources has implemented several management controls to identify errors in a timely manner. The first is to implement an annual review of Deferred Compensation Plan documents to determine if administrative practices are compliant with terms defined in the plan.

Secondly, Human Resources will, in collaboration with Payroll, review plan compensation twice a year to determine if earnings codes are compliant with plan documents.

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(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2023

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Thirdly, Human Resources will conduct an annual review of a represented sample of all employee groups for calculation of OCTA and employee contributions in a given payroll check. Examples of employee groups to review for correct deferred contribution plan contributions are:

- Coach Operator at 5 years of service, review 457(b) and Union 401(a) plans
- Coach Operator at 15 years of service, review 457(b) and Union 401(a) plans
- Parts Clerk / Facility Worker at 10 years of service, review 457(b) and Union 401(a) plans
- Administrative employee, salary grade V and above, review 457(b) and Administrative 401(a) plans
- Administrative employee, flat dollar 457(b) election, review 457(b) and Administrative 401(a) plans
- Administrative employee, percent 457(b) election, review 457(b) and Administrative 401(a) plans
- Board member, review OBRA 457(b) and employee contribution to 457(b) Deferred Compensation Plan
- Extra Help employee, review OBRA 457(b) plan
- Maintenance employee, review 457(b) plan

Fourthly, Human Resources will annually review plan entry dates for that particular year's new hires or rehires to determine that the date for plan participation and calculation of years of service is accurate.

Finally, Human Resources will collaborate with payroll as needed on resolution for adjustments or errors that occur to individual employee payroll checks to ensure that OCTA remains compliant with the deferred compensation plan documents.

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(Continued)

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED UPON PROCEDURES RELATED TO**  
**ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION**

For the fiscal year ended June 30, 2023

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Orange County Local Transportation Authority  
Orange, California

We have performed the procedures enumerated below on the Appropriations Limit Calculations Worksheet (Worksheet) of the Orange County Local Transportation Authority ("OCLTA" or "Authority") as of June 30, 2023. OCLTA's management is responsible for the preparation of the Worksheet.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCLTA's appropriations limit and compared the 2022-2023 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCLTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2022-2023 appropriations limit.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

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(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of OCLTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Crowe LLP

Costa Mesa, California  
November 2, 2023



ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
APPROPRIATIONS LIMIT CALCULATIONS WORKSHEET  
Year ended June 30, 2023

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	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 1,981,873,617	
B. Adjustment factors:		
1. Population change	1.0755	State Finance
2. Per capita change	.9977	State Finance
Total adjustments [(B.1 × B.2) – 1.0]	0.07300	
C. Annual adjustment	<u>144,676,774</u>	A × B
D. This year's limit	<u>\$ 2,126,550,391</u>	A + C

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures  
Applied to Measure M2 Status Report**

Year Ended June 30, 2023

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures  
Applied to Measure M2 Status Report**

Year Ended June 30, 2023

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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers' Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

We have performed the procedures enumerated in Attachment A on the Measure M2 Status Report of the Authority. The Orange County Local Transportation Authority ("OCLTA" or "Authority") and the Taxpayers' Oversight Committee of the Authority ("TOC") (the specified parties) are responsible for the Measure M2 Status Report.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and the associated findings are contained in Attachment A.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Measure M2 Status Report. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Authority and the TOC and is not intended to be, and should not be, used by anyone other than the specified parties.

  
Crowe LLP

Costa Mesa, California  
December 20, 2023

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS  
Year ended June 30, 2023

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The procedures and associated findings are as follows:

The Measure M2 Status Report is separated into three sections: Section A describes the procedures applied to Schedule 1; Section B describes the procedures applied to Schedule 2; and Section C describes the procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared Year to Date June 30, 2023 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund (Fund 17) and the OCLTA Debt Service Fund (Fund 72) and additional detailed information from the underlying accounting records.
2. Compared Period from Inception to June 30, 2023 amounts (Column B) by adding the prior year's Period from Inception to June 30, 2022 amounts with Year to Date June 30, 2023 amounts (Column A).
3. Re-computed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared Year to Date June 30, 2023 (Columns C.1 and C.2) to Schedule 1, Column A. For professional services, non-project related amounts, we compared the sum of this caption allocated to Revenues and to Bond Revenues at June 30, 2023 (C.1 and C.2) to Schedule 1, Column A. For Environmental Cleanup, we agreed this amount to the project job ledger.
2. Compared Period from Inception through June 30, 2023 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related, and other non-project related amounts, we compared the total of the amounts allocated to Revenues and to Bond Revenues at June 30, 2023 (D.1 and D.2) to Schedule 1, Column B. For Environmental Cleanup, we agreed this amount to the project job ledger.
3. Compared forecast amounts (Column E.1 and E.2) to Measure M2 Forecast Model Schedule.
4. Re-computed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Net Revenues Inception to June 30, 2023 (Column I) and Total Net Revenues Inception to March 31, 2041 (Column H) amounts to Schedule 2, Column D.1 and Column F.1, Net Revenues (Totals), respectively.
2. Recalculated Net Revenues Inception to June 30, 2023 (Column I) and Total Net Revenues Inception to March 31, 2041 (Column H) amounts, by mode and project description, based on the Measure M2 Transportation Investment Plan (Investment Plan).
3. Reconciled Expenditures Inception to June 30, 2023 (Column J) to Schedule 1, Column B. Agreed Environmental Cleanup to Schedule 2, Column D.1. Agreed Oversight and Annual Audits to the summary of Measure M2 administrative costs inception to June 30, 2023. Agreed Column J, by project description, to the project job ledger by fiscal year.

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(Continued)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS  
Year ended June 30, 2023

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4. Selected a sample of 40 expenditures from Column J and compared them to invoices and supporting documentation to determine whether the sampled expenditures were properly accrued and classified.
5. Agreed Reimbursements Inception to June 30, 2023 (Column K) to Schedule 1, Column B. Agreed Oversight and Annual Audits line item to summary of Measure M2 administrative costs inception to June 30, 2023.
6. Agreed Column K to the supporting revenue summary by project and fiscal year. Selected a sample of 40 reimbursements from Column K and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly calculated.
7. Recalculated the net M2 cost (Column L) by subtracting Column K from Column J.
8. Recalculated Total Net Revenues Inception to March 31, 2041 (Column H.1) and the Net Revenues Inception to June 30, 2023 (Column I.1) for Environmental Cleanup (2% of revenues) and Oversight and Annual Audits (1% of revenues) by multiplying sales taxes and operating interest per Schedule 2, Column F.1 and Column D.1 by 2% and 1%, respectively.
9. Recalculated Total Net Revenues Inception to March 31, 2041 (Column H.1) and the Net Revenues Inception to June 30, 2023 (Column I.1) for Collect Sales Taxes (1.5% of sales taxes) by multiplying Sales Taxes per Schedule 2, Column F.1 and Column D.1 by 1.5%.
10. Re-computed total and subtotals.

Results: Procedure C.4. Identified the following expenditures with a service period that fell during the fiscal year 2022 and were improperly included in the fiscal year 2023 expenditures: 1) Expenditure in the amount of \$44,180 with a service period that fell during the fiscal year 2022 that management identified as part of their fiscal year 2022 year-end cut-off procedure and deemed to be immaterial for accrual in the prior period, thus reported in the fiscal year 2023 expenditures. 2) Expenditure in the amount of \$20,725 with a service period of that fell during the fiscal year 2022 and invoiced received by management outside of the prior period's year-end cut-off procedure, thus reported in the fiscal year 2023 expenditures. The two expenditures identified above were within management's threshold of passed adjustments for fiscal year 2022. No other exceptions were found as a result of these procedures.

**Measure M2**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**as of June 30, 2023**  
**(Unaudited)**

(\$ in thousands)	Quarter Ended June 30, 2023	Year to Date June 30, 2023	Period from Inception to June 30, 2023
		(A)	(B)
<b>Revenues:</b>			
Sales taxes	\$ 136,344	\$ 439,123	\$ 3,941,058
Other agencies' share of Measure M2 costs:			
Project related	11,796	47,524	838,086
Non-project related	-	-	454
Interest:			
Operating:			
Project related	812	1,598	5,097
Non-project related	5,776	13,245	83,316
Bond proceeds	5,151	8,028	95,246
Debt service	232	671	1,758
Commercial paper	-	-	393
Capital grants	-	-	-
Right-of-way leases			
Project related	91	199	1,665
Non-project related	-	-	17
Proceeds on sale of assets held for resale	-	-	13,428
Donated assets held for resale			
Project related	-	-	2,071
Non-project related	-	-	-
Miscellaneous:			
Project related	-	-	331
Non-project related	-	-	129
Total revenues	<u>160,202</u>	<u>510,388</u>	<u>4,983,049</u>
<b>Expenditures:</b>			
Supplies and services:			
Sales tax administration fees	1,000	3,518	38,899
Professional services:			
Project related	25,881	51,019	538,841
Non-project related	783	1,884	37,930
Administration costs:			
Project related	2,991	11,968	117,214
Non-project related:			
Salaries and Benefits	1,106	4,421	40,350
Other	1,714	6,854	67,454
Other:			
Project related	297	467	6,308
Non-project related	47	84	5,374
Payments to local agencies:			
Project related	32,626	94,766	1,328,214
Non-project related	-	-	-
Capital outlay:			
Project related	154,136	264,641	2,241,891
Non-project related	100	100	131
Debt service:			
Principal payments on long-term debt	-	19,935	95,485
Interest on long-term debt and commercial paper	-	34,950	319,576
Total expenditures	<u>220,681</u>	<u>494,607</u>	<u>4,837,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,479)</u>	<u>15,781</u>	<u>145,382</u>
<b>Other financing sources (uses):</b>			
Transfers out:			
Project related	(19,903)	(51,495)	(497,412)
Non-project related	-	-	-
Transfers in:			
Project related	6,682	12,014	348,683
Non-project related	453	453	453
Bond proceeds	-	-	804,625
Payment to refunded bond escrow agent	-	-	(45,062)
Total other financing sources (uses)	<u>(12,768)</u>	<u>(39,028)</u>	<u>611,287</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ (73,247)</u>	<u>\$ (23,247)</u>	<u>\$ 756,669</u>

**Measure M2**  
**Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)**  
**as of June 30, 2023**  
**(Unaudited)**

<i>(\$ in thousands)</i>	Quarter Ended June 30, 2023 (actual)	Year to Date June 30, 2023 (actual) (C.1)	Period from Inception through June 30, 2023 (actual) (D.1)	Period from July 1, 2023 through March 31, 2041 (forecast) (E.1)	Total (F.1)
<b>Revenues:</b>					
Sales taxes	\$ 136,344	\$ 439,123	\$ 3,941,058	\$ 11,091,283	\$ 15,032,341
Operating interest	5,776	13,245	83,316	429,302	512,618
Subtotal	<u>142,120</u>	<u>452,368</u>	<u>4,024,374</u>	<u>11,520,585</u>	<u>15,544,959</u>
Other agencies share of M2 costs	-	-	454	-	454
Miscellaneous	-	-	129	-	129
Total revenues	<u>142,120</u>	<u>452,368</u>	<u>4,024,957</u>	<u>11,520,585</u>	<u>15,545,542</u>
<b>Administrative expenditures:</b>					
Sales tax administration fees	1,000	3,518	38,899	97,713	136,612
Professional services	783	1,884	34,155	97,299	131,454
<b>Administration costs:</b>					
Salaries and Benefits	1,106	4,421	40,350	113,172	153,522
Other	1,714	6,854	67,454	191,198	258,652
Other	47	84	2,354	6,722	9,076
Capital outlay	100	100	131	-	131
Environmental cleanup	515	1,347	49,306	221,790	271,096
Total expenditures	<u>5,265</u>	<u>18,208</u>	<u>232,649</u>	<u>727,894</u>	<u>960,543</u>
Net revenues	<u>\$ 136,855</u>	<u>\$ 434,160</u>	<u>\$ 3,792,308</u>	<u>\$ 10,792,691</u>	<u>\$ 14,584,999</u>
<b>Bond revenues:</b>					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 804,625	\$ -	\$ 804,625
Interest revenue from bond proceeds	5,151	8,028	95,246	66,351	161,597
Interest revenue from debt service funds	232	671	1,758	2,795	4,553
Interest revenue from commercial paper	-	-	393	-	393
Total bond revenues	<u>5,383</u>	<u>8,699</u>	<u>902,022</u>	<u>69,146</u>	<u>971,168</u>
<b>Financing expenditures and uses:</b>					
Professional services	-	-	3,775	-	3,775
Payment to refunded bond escrow	-	-	45,062	-	45,062
Bond debt principal	-	19,935	95,485	590,235	685,720
Bond debt and other interest expense	-	34,950	319,576	366,103	685,679
Other	-	-	3,020	-	3,020
Total financing expenditures and uses	<u>-</u>	<u>54,885</u>	<u>466,918</u>	<u>956,338</u>	<u>1,423,256</u>
Net bond revenues (debt service)	<u>\$ 5,383</u>	<u>\$ (46,186)</u>	<u>\$ 435,104</u>	<u>\$ (887,192)</u>	<u>\$ (452,088)</u>



**Measure M2**  
**Schedule of Revenues and Expenditures Summary**  
**as of June 30, 2023**  
**(Unaudited)**

Project	Description	(J) - (K) = (L)				
		Total Net Revenues Inception to March 31, 2024 (actual) + (forecast)	Net Revenues Inception to June 30, 2023 (actual)	Expenditures Inception to June 30, 2023 (actual)	Reimbursements Inception to June 30, 2023 (actual)	Net M2 Cost Inception to June 30, 2023 (actual)
	(G)	(H)	(I)	(J)	(K)	(L)
<i>(\$ in thousands)</i>						
<b>Freeways (43% of Net Revenues)</b>						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 574,870	\$ 149,474	\$ 10,908	\$ 8,786	\$ 2,122
B	I-5 Santa Ana/SR-55 to El Toro	367,183	95,473	30,174	19,114	11,060
C	I-5 San Diego/South of El Toro	766,900	199,405	358,167	52,953	305,214
D	I-5 Santa Ana/San Diego Interchange Upgrades	315,567	82,052	2,942	527	2,415
E	SR-22 Garden Grove Freeway Access Improvements	146,775	38,164	5	-	5
F	SR-55 Costa Mesa Freeway Improvements	447,664	116,399	106,814	43,049	63,765
G	SR-57 Orange Freeway Improvements	316,423	82,274	55,115	13,714	41,401
H	SR-91 Improvements from I-5 to SR-57	171,238	44,524	34,959	824	34,135
I	SR-91 Improvements from SR-57 to SR-55	509,432	132,460	56,959	54,296	2,663
J	SR-91 Improvements from SR-55 to County Line	430,785	112,010	18,404	16,937	1,467
K	I-405 Improvements between I-605 to SR-55	1,312,169	341,182	1,472,131	294,970	1,177,161
L	I-405 Improvements between SR-55 to I-5	391,034	101,674	9,243	6,954	2,289
M	I-605 Freeway Access Improvements	24,463	6,361	6,301	16	6,285
N	All Freeway Service Patrol	183,469	47,705	6,362	-	6,362
	Freeway Mitigation	313,577	81,535	60,537	5,943	54,594
	Subtotal Projects	6,271,549	1,630,692	2,229,021	518,083	1,710,938
	Net (Bond Revenue)/Debt Service	-	-	157,169	-	157,169
	<b>Total Freeways</b>	<b>\$ 6,271,549</b>	<b>\$ 1,630,692</b>	<b>\$ 2,386,190</b>	<b>\$ 518,083</b>	<b>\$ 1,868,107</b>
	<b>%</b>					<b>50.5%</b>
<b>Street and Roads Projects (32% of Net Revenues)</b>						
O	Regional Capacity Program	\$ 1,458,518	\$ 379,236	\$ 809,195	\$ 507,884	\$ 301,311
P	Regional Traffic Signal Synchronization Program	583,382	151,688	108,614	19,302	89,312
Q	Local Fair Share Program	2,625,300	682,615	665,109	77	665,032
	Subtotal Projects	4,667,200	1,213,539	1,582,918	527,263	1,055,655
	Net (Bond Revenue)/Debt Service	-	-	46,051	-	46,051
	<b>Total Street and Roads Projects</b>	<b>\$ 4,667,200</b>	<b>\$ 1,213,539</b>	<b>\$ 1,628,969</b>	<b>\$ 527,263</b>	<b>\$ 1,101,706</b>
	<b>%</b>					<b>29.8%</b>

**Measure M2**  
**Schedule of Revenues and Expenditures Summary**  
**as of June 30, 2023**  
**(Unaudited)**

Project	Description	Total Net Revenues Inception to March 31, 2041 (actual) + (forecast)	Net Revenues Inception to June 30, 2023 (actual)	Expenditures Inception to June 30, 2023 (actual)	Reimbursements Inception to June 30, 2023 (actual)	(J) - (K) = (L) Net M2 Cost Inception to June 30, 2023 (actual)
(G)		(H)	(I)	(J)	(K)	(L)
	<i>(\$ in thousands)</i>					
	<b>Transit Projects (25% of Net Revenues)</b>					
R	High Frequency Metrolink Service	\$ 1,454,637	\$ 365,638	\$ 433,363	\$ 98,964	\$ 334,399
S	Transit Extensions to Metrolink	1,287,518	334,773	194,320	2,133	192,187
T	Metrolink Gateways	74,547	37,739	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	505,737	125,732	122,558	88	122,470
V	Community Based Transit/Circulators	291,623	75,826	18,720	1,537	17,183
W	Safe Transit Stops	32,188	8,369	1,454	26	1,428
	Subtotal Projects	3,646,250	948,077	868,635	163,704	704,931
	Net (Bond Revenue)/Debt Service	-	-	25,754	-	25,754
	<b>Total Transit Projects</b>	<b>\$ 3,646,250</b>	<b>\$ 948,077</b>	<b>\$ 894,389</b>	<b>\$ 163,704</b>	<b>\$ 730,685</b>
	<b>%</b>					<b>19.7%</b>

**Measure M2 Program**

<b>\$ 14,584,999</b>	<b>\$ 3,792,308</b>	<b>\$ 4,909,548</b>	<b>\$ 1,209,050</b>	<b>\$ 3,700,498</b>
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Project	Description	Total Net Revenues Inception to March 31, 2041 (actual) + (forecast)	Net Revenues Inception to June 30, 2023 (actual)	Expenditures Inception to June 30, 2023 (actual)	Reimbursements Inception to June 30, 2023 (actual)	Net M2 Cost Inception to June 30, 2023 (actual)
(G)		(H.1)	(I.1)	(J)	(K)	(L)
	<i>(\$ in thousands)</i>					
	<b>Environmental Cleanup (2% of Revenues)</b>					
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 310,899	\$ 80,487	\$ 49,306	\$ 311	\$ 48,995
	Net (Bond Revenue)/Debt Service	-	-	-	-	-
	<b>Total Environmental Cleanup</b>	<b>\$ 310,899</b>	<b>\$ 80,487</b>	<b>\$ 49,306</b>	<b>\$ 311</b>	<b>\$ 48,995</b>
	<b>%</b>					<b>1.2%</b>

**Taxpayer Safeguards and Audits**

Collect Sales Taxes (1.5% of Sales Taxes)	\$ 225,485	\$ 59,116	\$ 38,899	\$ -	\$ 38,899
<b>%</b>					<b>1.0%</b>
Oversight and Annual Audits (1% of Revenues)	\$ 155,450	\$ 40,244	\$ 40,350	\$ 106	\$ 40,244
<b>%</b>					<b>1.0%</b>

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

**Measure M2 Summary**

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M (M1). This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County for 20 years. On November 7, 2006, Orange County voters approved the renewal of Measure M, known as Renewed Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. In August 2007, the Orange County Local Transportation Authority Board of Directors approved the M2 Early Action Plan to advance the completion of projects prior to the start of sales tax collection in April 2011. A Plan of Finance was adopted in November 2007 identifying a tax-exempt commercial paper program as the preferred method of funding Early Action Plan projects.

The Orange County Local Transportation Authority (OCLTA) is responsible for administering the M2 sales tax program, which commenced on April 1, 2011 for a period of 30 years. The M1 sales tax program was completed and closed out in June 2015.

Demonstrating accountability for the receipt and expenditure of M2 funds is accomplished through the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2023 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance**

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined M2 special revenue and debt service funds. Such financial information is derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2023 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the fiscal year ended June 30, 2023. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of (\$23,247) agrees with the combined change in fund balances of (\$30,388) in the M2 special revenue fund and \$7,141 in the M2 debt service fund in the trial balance for the year ended June 30, 2023.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Period from Inception through June 30, 2023 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the period from inception through June 30, 2023. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$756,669 agrees with the combined ending fund balances of \$725,365 in the M2 special revenue fund and \$31,304 in the M2 debt service fund, as presented in the trial balance for the year ended June 30, 2023.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues and other financing sources are presented as "Reimbursements" (Column K) in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" (Column J) in Schedule 3.

**Schedule 2—Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)**

This schedule presents calculations of net revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Orange County Transportation Investment Plan (Investment Plan). Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from non-project related amounts on Schedule 1. Environmental cleanup expenditures were obtained from the project job ledger. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years going forward, and for the combined total of actual and forecast amounts for the period from inception going forward.

Calculation of Net Revenues

Year to Date June 30, 2023 (actual) (Column C.1)

This column presents net revenues, consisting of total revenues less total administrative expenditures, capital outlay, and environmental cleanup, for year ended June 30, 2023. Revenues, administrative expenditures, and capital outlay for the year ended June 30, 2023 were obtained from Column A in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, and other agencies' share of M2 costs. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Period from Inception through June 30, 2023 (actual) (Column D.1)

This column presents net revenues, consisting of total cumulative revenues less total cumulative administrative expenditures, capital outlay, and environmental cleanup, for the period from inception through June 30, 2023. Revenues, administrative expenditures, and capital outlay for the period from inception through June 30, 2023 were obtained from Column B in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Total net revenues for the period from inception through June 30, 2023 are presented in Schedule 3 as “Net Revenues inception to June 30, 2023” (Column I). Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, other agencies’ share of M2 costs, and miscellaneous revenue. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2023 through March 31, 2041 (forecast) (Column E.1)

This column presents net revenues, consisting of total projected revenues less total projected administrative expenditures and environmental cleanup expenditures, for subsequent years from July 1, 2023 through March 31, 2041. Revenues and administrative expenditures for subsequent years from July 1, 2023 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model, which is updated quarterly. Revenues and administrative expenditures utilized in the calculation of net revenues for subsequent years from July 1, 2023 through March 31, 2041 are non-project and non-financing related. Revenues consist of projected sales taxes and operating interest. Administrative expenditures consist of projected sales tax administration fees, professional services, administration costs, and other expenditures.

Total (Column F.1)

This column presents total net revenues, calculated as the sum of columns D.1 and E.1. Total net revenues are presented in Schedule 3 as “Total Net Revenues inception to March 31, 2041” (Column H).

Calculation of Net Bond Revenues (Debt Service)

Year to Date June 30, 2023 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2023. Bond revenues and financing expenditures and uses for the year ended June 30, 2023 were obtained from Column A in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of interest revenue from bond proceeds and debt service funds.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from Inception through June 30, 2023 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2023. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2023 were obtained from Column B in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds, debt service funds, and commercial paper. Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2023 through March 31, 2041 (forecast) (Column E.2)

This column presents bond revenues (debt service), consisting of total projected bond revenues less total projected financing expenditures and uses, for subsequent years from July 1, 2023 through March 31, 2041. Bond revenues and financing expenditures and uses for subsequent years from July 1, 2023 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds and debt service funds. Financing expenditures and uses consist of bond debt principal and bond debt and other interest expense.

Total (Column F.2)

This column presents total net bond revenues (debt service), calculated as the sum of columns D.2 and E.2.

**Schedule 3—Schedule of Revenues and Expenditures Summary**

This schedule presents a summary of actual and projected revenues and expenditures, by mode and project description, as specified in the Investment Plan. Total M2 program amounts agree with amounts on Schedules 1 and 2. Amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

This column presents project descriptions by mode in accordance with the Investment Plan.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Total Net Revenues Inception to March 31, 2041 (actual) + (forecast) (Column H)

This column presents total actual and projected net revenues (total net revenues) during the life of M2, which agrees with total net revenues in Column F.1 in Schedule 2. Such total net revenues are allocated to each of the three modes based on the allocations specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Net Revenues Inception to June 30, 2023 (actual) (Column I)

This column presents total M2 program net revenues for the period from inception through June 30, 2023, which agrees with net revenues in Column D.1 in Schedule 2. Such net revenues are allocated to each of the three modes based on the allocation percentages specified in M2.

The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Expenditures Inception to June 30, 2023 (actual) (Column J)

This column presents total expenditures plus net (bond revenue)/debt service. Total expenditures, excluding oversight and annual audit expenditures, agree with the sum of project related expenditures including transfers out from Column B in Schedule 1. Oversight and annual audit expenditures agree with the administrative costs for salaries and benefits derived from the annual cost allocation plan. Total net (bond revenue)/debt service agrees with the total net bond revenue (debt service) expenditures from Column D.2 in Schedule 2. Project related expenditures are comprised of professional services, administration costs, other expenditures, payments to local agencies, capital outlay, and transfers out. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger.

Reimbursements Inception to June 30, 2023 (actual) (Column K)

This column presents total reimbursements for the period from inception through June 30, 2023, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M2 costs, right-of-way leases, proceeds on sale of assets held for resale, donated assets held for resale, transfers in and miscellaneous revenue. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger. Reimbursements for oversight and annual audits agree with the principal balance of the amount advanced from the Orange County Unified Transportation Trust (OCUTT) to cover administrative costs for salaries and benefits exceeding more than one percent of revenues.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Net M2 Cost Inception to June 30, 2023 (actual) (Column L)

Net M2 cost is a calculation of Column J minus Column K. For each mode, a percentage is calculated as the net project cost per mode divided by the total M2 Program net project cost. Such percentage can be compared to the required percentage included in M2 as an indication of the progress to date for each mode.

Total Net Revenues Inception to March 31, 2041 (actual) + (forecast) (Column H.1)

The total environmental cleanup actual and projected revenues during the life of M2 represent 2% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2. The total collect sales taxes actual and projected revenues during the 30-year life of M2 represent 1.5% of sales tax revenues found in Column F.1 in Schedule 2. The total oversight and annual audits actual and projected revenues during the 30-year life of M2 represent 1% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2

Net Revenues Inception to June 30, 2023 (actual) (Column I.1)

The total environmental cleanup revenue for the period from inception through June 30, 2023, represents two percent (2%) of revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total oversight and annual audits revenues for the period from inception through June 30, 2023, represent one percent (1%) of the revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total collect sales taxes revenue for the period from inception through June 30, 2023, represents one and one-half percent (1.5%) of the sales tax revenues in Column D.1 in Schedule 2.



**Measure M2**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**as of December 31, 2023**  
**(Unaudited Quarterly Report)**

<i>(\$ in thousands)</i>	Quarter Ended Dec 31, 2023	Year to Date Dec 31, 2023	Period from Inception to Dec 31, 2023
		(A)	(B)
<b>Revenues:</b>			
Sales taxes	\$ 108,060	\$ 218,675	\$ 4,159,733
Other agencies' share of Measure M2 costs:			
Project related	2,899	7,104	845,190
Non-project related	-	-	454
Interest:			
Operating:			
Project related	(85)	(21)	5,076
Non-project related	5,711	11,122	94,438
Bond proceeds	2,850	3,574	98,820
Debt service	390	638	2,396
Commercial paper	-	-	393
Right-of-way leases			
Project related	19	37	1,702
Non-project related	-	-	17
Proceeds on sale of assets held for resale	-	-	13,428
Donated assets held for resale			
Project related	-	-	2,071
Miscellaneous:			
Project related	-	-	331
Non-project related	-	-	129
Total revenues	<u>119,844</u>	<u>241,129</u>	<u>5,224,178</u>
<b>Expenditures:</b>			
Supplies and services:			
Sales tax administration fees	882	1,764	40,663
Professional services:			
Project related	10,198	11,216	550,057
Non-project related	647	649	38,579
Administration costs:			
Project related	2,991	5,982	123,196
Non-project related:			
Salaries and Benefits	1,106	2,212	42,562
Other	1,714	3,428	70,882
Other:			
Project related	123	129	6,437
Non-project related	7	48	5,422
Payments to local agencies:			
Project related	18,069	32,554	1,360,768
Capital outlay:			
Project related	24,893	28,565	2,270,456
Non-project related	-	(100)	31
Debt service:			
Principal payments on long-term debt	-	-	95,485
Interest on long-term debt and commercial paper	-	16,976	336,552
Total expenditures	<u>60,630</u>	<u>103,423</u>	<u>4,941,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,214</u>	<u>137,706</u>	<u>283,088</u>
<b>Other financing sources (uses):</b>			
Transfers out:			
Project related	(9,317)	(10,903)	(508,315)
Transfers in:			
Project related	1,778	1,969	350,652
Non-project related	(453)	(453)	-
Bond proceeds	-	-	804,625
Payment to refunded bond escrow agent	-	-	(45,062)
Total other financing sources (uses)	<u>(7,992)</u>	<u>(9,387)</u>	<u>601,900</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ 51,222</u>	<u>\$ 128,319</u>	<u>\$ 884,988</u>

**Measure M2**  
**Schedule of Calculations of Net Revenues and Net Financing Expenditures**  
**as of December 31, 2023**  
**(Unaudited Quarterly Report)**

<i>(\$ in thousands)</i>	Quarter Ended Dec 31, 2023 (actual)	Year to Date Dec 31, 2023 (actual)	Period from Inception through Dec 31, 2023 (actual)	Period from January 1, 2024 through March 31, 2041 (forecast)	Total
		(C.1)	(D.1)	(E.1)	(F.1)
<b>Revenues:</b>					
Sales taxes	\$ 108,060	\$ 218,675	\$ 4,159,733	\$ 10,598,439	\$ 14,758,172
Operating interest	5,711	11,122	94,438	556,428	650,866
Subtotal	<u>113,771</u>	<u>229,797</u>	<u>4,254,171</u>	<u>11,154,867</u>	<u>15,409,038</u>
Other agencies share of M2 costs	-	-	454	-	454
Miscellaneous	-	-	129	-	129
Total revenues	<u>113,771</u>	<u>229,797</u>	<u>4,254,754</u>	<u>11,154,867</u>	<u>15,409,621</u>
<b>Administrative expenditures:</b>					
Sales tax administration fees	882	1,764	40,663	87,136	127,799
Professional services	647	649	34,804	89,348	124,152
<b>Administration costs:</b>					
Salaries and Benefits	1,106	2,212	42,562	108,441	151,003
Other	1,714	3,428	70,882	180,931	251,813
Other	7	48	2,402	6,265	8,667
Capital outlay	-	(100)	31	-	31
Environmental cleanup	1,390	1,472	50,778	211,935	262,713
Total expenditures	<u>5,746</u>	<u>9,473</u>	<u>242,122</u>	<u>684,056</u>	<u>926,178</u>
Net revenues	<u>\$ 108,025</u>	<u>\$ 220,324</u>	<u>\$ 4,012,632</u>	<u>\$ 10,470,811</u>	<u>\$ 14,483,443</u>
<hr/>					
<i>(C.2)</i> <i>(D.2)</i> <i>(E.2)</i> <i>(F.2)</i>					
<b>Financing expenditures:</b>					
Debt interest expense	-	16,976	336,552	349,127	685,679
Professional services	-	-	3,775	-	3,775
Other	-	-	3,020	-	3,020
Total financing expenditures	<u>-</u>	<u>16,976</u>	<u>343,347</u>	<u>349,127</u>	<u>692,474</u>
<b>Interest revenue:</b>					
Interest revenue from bond proceeds	2,850	3,574	98,820	60,733	159,553
Interest revenue from debt service funds	390	638	2,396	4,868	7,264
Interest revenue from commercial paper	-	-	393	-	393
Total bond revenues	<u>3,240</u>	<u>4,212</u>	<u>101,609</u>	<u>65,601</u>	<u>167,210</u>
Net financing expenditures:	<u>\$ (3,240)</u>	<u>\$ 12,764</u>	<u>\$ 241,738</u>	<u>\$ 283,526</u>	<u>\$ 525,264</u>

**Measure M2**  
**Schedule of Revenues and Expenditures Summary**  
**as of December 31, 2023**  
**(Unaudited Quarterly Report)**

Project	Description	(J) - (K) = (L)				
		Total Net Revenues Inception to March 31, 2041 (actual) + (forecast)	Net Revenues Inception to Dec 31, 2023 (actual)	Expenditures Inception to Dec 31, 2023 (actual)	Reimbursements Inception to Dec 31, 2023 (actual)	Net M2 Cost Inception to Dec 31, 2023 (actual)
(G)		(H)	(I)	(J)	(K)	(L)
(\$ in thousands)						
<b>Freeways (43% of Net Revenues)</b>						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 570,867	\$ 158,158	\$ 10,910	\$ 8,786	\$ 2,124
B	I-5 Santa Ana/SR-55 to El Toro	364,626	101,019	31,409	19,114	12,295
C	I-5 San Diego/South of El Toro	761,560	210,990	375,765	53,014	322,751
D	I-5 Santa Ana/San Diego Interchange Upgrades	313,369	86,819	3,090	527	2,563
E	SR-22 Garden Grove Freeway Access Improvements	145,753	40,381	5	-	5
F	SR-55 Costa Mesa Freeway Improvements	444,547	123,162	105,077	46,128	58,949
G	SR-57 Orange Freeway Improvements	314,220	87,054	56,480	13,714	42,766
H	SR-91 Improvements from I-5 to SR-57	170,045	47,111	34,959	824	34,135
I	SR-91 Improvements from SR-57 to SR-55	505,885	140,155	57,706	55,779	1,927
J	SR-91 Improvements from SR-55 to County Line	427,786	118,518	18,432	16,963	1,469
K	I-405 Improvements between I-605 to SR-55	1,303,035	361,006	1,491,485	296,547	1,194,938
L	I-405 Improvements between SR-55 to I-5	388,311	107,581	9,244	6,954	2,290
M	I-605 Freeway Access Improvements	24,292	6,730	6,600	16	6,584
N	All Freeway Service Patrol	182,191	50,476	6,434	-	6,434
	Freeway Mitigation	311,394	86,272	61,208	5,923	55,285
	Subtotal Projects	6,227,881	1,725,432	2,268,804	524,289	1,744,515
	Net financing expenditures	-	-	165,930	-	165,930
	<b>Total Freeways</b>	<b>\$ 6,227,881</b>	<b>\$ 1,725,432</b>	<b>\$ 2,434,734</b>	<b>\$ 524,289</b>	<b>\$ 1,910,445</b>
	<b>%</b>					<b>50.4%</b>
<b>Street and Roads Projects (32% of Net Revenues)</b>						
O	Regional Capacity Program	\$ 1,448,362	\$ 401,268	\$ 810,316	\$ 507,884	\$ 302,432
P	Regional Traffic Signal Synchronization Program	579,319	160,500	112,107	21,714	90,393
Q	Local Fair Share Program	2,607,020	722,274	691,589	77	691,512
	Subtotal Projects	4,634,701	1,284,042	1,614,012	529,675	1,084,337
	Net financing expenditures	-	-	48,618	-	48,618
	<b>Total Street and Roads Projects</b>	<b>\$ 4,634,701</b>	<b>\$ 1,284,042</b>	<b>\$ 1,662,630</b>	<b>\$ 529,675</b>	<b>\$ 1,132,955</b>
	<b>%</b>					<b>29.9%</b>

**Measure M2**  
**Schedule of Revenues and Expenditures Summary**  
**as of December 31, 2023**  
**(Unaudited Quarterly Report)**

Project	Description	Total Net Revenues	Net Revenues	Expenditures	Reimbursements	(J) - (K) = (L)
		Inception to March 31, 2041 (actual) + (forecast)	Inception to Dec 31, 2023 (actual)	Inception to Dec 31, 2023 (actual)	Inception to Dec 31, 2023 (actual)	Net M2 Cost Inception to Dec 31, 2023 (actual)
(G)		(H)	(I)	(J)	(K)	(L)
(\$ in thousands)						
<b>Transit Projects (25% of Net Revenues)</b>						
R	High Frequency Metrolink Service	\$ 1,444,509	\$ 387,612	\$ 433,964	\$ 98,974	\$ 334,990
S	Transit Extensions to Metrolink	1,278,553	354,222	204,609	2,133	202,476
T	Metrolink Gateways	74,028	38,865	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	502,215	133,372	127,636	88	127,548
V	Community Based Transit/Circulators	289,592	80,231	19,742	1,998	17,744
W	Safe Transit Stops	31,964	8,856	1,464	26	1,438
	Subtotal Projects	3,620,861	1,003,158	885,635	164,175	721,460
	Net financing expenditures	-	-	27,190	-	27,190
	<b>Total Transit Projects</b>	<b>\$ 3,620,861</b>	<b>\$ 1,003,158</b>	<b>\$ 912,825</b>	<b>\$ 164,175</b>	<b>\$ 748,650</b>
	%					19.7%

**Measure M2 Program**

<b>\$ 14,483,443</b>	<b>\$ 4,012,632</b>	<b>\$ 5,010,189</b>	<b>\$ 1,218,139</b>	<b>\$ 3,792,050</b>
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Project	Description	Total Net Revenues	Net Revenues	Expenditures	Reimbursements	Net M2 Cost
		Inception to March 31, 2041 (actual) + (forecast)	Inception to Dec 31, 2023 (actual)	Inception to Dec 31, 2023 (actual)	Inception to Dec 31, 2023 (actual)	Inception to Dec 31, 2023 (actual)
(G)		(H.1)	(I.1)	(J)	(K)	(L)
(\$ in thousands)						
<b>Environmental Cleanup (2% of Revenues)</b>						
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 308,181	\$ 85,083	\$ 50,778	\$ 311	\$ 50,467
	Net financing expenditures	-	-	-	-	-
	<b>Total Environmental Cleanup</b>	<b>\$ 308,181</b>	<b>\$ 85,083</b>	<b>\$ 50,778</b>	<b>\$ 311</b>	<b>\$ 50,467</b>
	%					1.2%

**Taxpayer Safeguards and Audits**

Collect Sales Taxes (1.5% of Sales Taxes)	\$ 221,373	\$ 62,396	\$ 40,663	\$ -	\$ 40,663
%					1.0%
Oversight and Annual Audits (1% of Revenues)	\$ 154,090	\$ 42,542	\$ 42,562	\$ 20	\$ 42,542
%					1.0%