

LOSSAN RAIL CORRIDOR AGENCY

BASIC FINANCIAL STATEMENTS



**Year Ended
June 30, 2024**

(With Independent
Auditor's Report Thereon)



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**LOS ANGELES - SAN DIEGO - SAN LUIS OBISPO
RAIL CORRIDOR AGENCY**

Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Orange, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the LOSSAN Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the LOSSAN Agency, as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Agency'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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 the Agency'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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2025 on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.



Crowe LLP

Costa Mesa, California
January 15, 2025

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2024

Introduction

The following discussion and analysis of the financial performance and activity of the Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) provides an introduction and understanding of the basic financial statements of the LOSSAN Agency for the year ended June 30, 2024. This discussion was prepared by management. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10.

The Basic Financial Statements

The basic financial statements provide information about the LOSSAN Agency's enterprise fund. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the LOSSAN Agency's financial statements. The financial statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements.

The statement of net position presents information on all 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 LOSSAN Agency is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the LOSSAN Agency'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 statement of cash flows presents information using the direct method and include a reconciliation of cash to the statement of net position. The financial statements can be found on pages 9-11 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-22 of this report.

Statements of Net Position

As noted previously, net position may serve over time as a useful indicator of the LOSSAN Agency's financial position. At June 30, 2024, the LOSSAN Agency's net position was \$3,165,639, an increase of \$2,008,424 from June 30, 2023.

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(unaudited)
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The analysis below focuses on net position (Table 1) and changes in net position (Table 2, page 6) of the LOSSAN Agency’s financial activities.

Table 1
LOSSAN Rail Corridor Agency
Net Position

| | 2024 | 2023 | Difference Increase (Decrease) | % Increase (Decrease) |
|----------------------------------|---------------------|---------------------|--------------------------------------|-----------------------------|
| Assets: | | | | |
| Current assets | \$ 75,732,328 | \$ 62,356,183 | \$ 13,376,145 | 21.5% |
| Noncurrent capital assets, net | 14,408 | 48,988 | (34,580) | (70.6%) |
| Total assets | 75,746,736 | 62,405,171 | 13,341,565 | 21.4% |
| Liabilities: | | | | |
| Current liabilities | 72,581,097 | 61,247,956 | 11,333,141 | 18.5% |
| Total liabilities | 72,581,097 | 61,247,956 | 11,333,141 | 18.5% |
| Net position | | | | |
| Net investment in capital assets | 14,408 | 48,988 | (34,580) | (70.6%) |
| Unrestricted net position | 3,151,231 | 1,108,227 | 2,043,004 | 184.3% |
| Total net position | \$ 3,165,639 | \$ 1,157,215 | \$ 2,008,424 | 173.6% |

In fiscal year 2024, total assets increased by \$13,341,565 primarily due to an increase in due from other governments. Cash and cash equivalents decreased by \$7,034,170, primarily due to decreased state funding needed for train operations. However, receivables increased by \$19,467,135 in due from other governments, primarily from rail improvement projects with Union Pacific Railroad (UPRR).

In fiscal year 2024, noncurrent capital assets decreased by \$34,580 due to the depreciation of rail planning software. Information on capital assets can be found in Note 4 – Capital Assets in the accompanying notes to the basic financial statements.

Total liabilities increased by \$11,333,140 primarily due to an increase in accounts payable, due to other governments, and unearned revenue. Unearned revenue increased by \$2,836,497, which is primarily due to an increase of \$5,992,619 in unearned revenue for train operating funds and an increase of \$187,675 in unearned marketing and administrative funds. The increase in unearned revenue is partially offset by a decrease of \$3,343,797 for grant programs related to SRA state funding. Accounts payable increased by \$5,007,311 primarily due to an increase in amount due to Union Pacific for railroad improvement projects on the northern end of the corridor.

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(unaudited)
For the Fiscal Year Ended June 30, 2024

Additionally, due to other governments increased by \$3,489,333 primarily due to an increase in year-end accruals related to the administrative fees and North County Transit District capital maintenance and incentive agreement.

Net investment in capital assets decreased by \$34,580 due to depreciation. Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position changed from \$1,108,226 at June 30, 2023, to \$3,151,231 at June 30, 2024.

The analysis on changes in net position of the LOSSAN Agency's financial activities can be found in Table 2 on the next page.

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**Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency
Management’s Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2024**

Table 2
LOSSAN Rail Corridor Agency
Changes in Net Position

| | 2024 | 2023 | Difference Increase (Decrease) | % Increase (Decrease) |
|---|---------------|---------------|--------------------------------------|-----------------------------|
| Operating revenues: | | | | |
| Assessments | \$ 50,351 | \$ 103,950 | \$ (53,599) | (51.6%) |
| Total operating revenues | 50,351 | 103,950 | (53,599) | (51.6%) |
| Operating expenses: | | | | |
| Contracted services for train operations | \$ 47,533,634 | \$ 55,141,591 | \$ (7,607,957) | (13.8%) |
| Administrative fees and other expenses | 5,461,707 | 4,928,428 | 533,279 | 10.8% |
| Marketing services | 1,445,439 | 1,231,869 | 213,570 | 17.3% |
| Depreciation | 34,580 | 34,580 | - | 0.0% |
| Total operating expenses | 54,475,360 | 61,336,468 | (6,861,108) | (11.2%) |
| Operating income (loss) | (54,425,009) | (61,232,518) | 6,807,509 | (11.1%) |
| Nonoperating revenues (expenses): | | | | |
| State funding for train operations | 47,476,478 | 55,048,859 | (7,572,381) | (13.8%) |
| State funding for administration and marketing | 6,907,890 | 6,160,297 | 747,593 | 12.1% |
| State funding for railcar equipment improvements | - | 510,669 | (510,669) | (100.0%) |
| Railcar equipment improvement expenses | - | (521,887) | 521,887 | (100.0%) |
| Grants for transit programs and railroad projects | 28,860,236 | 16,728,783 | 12,131,453 | 72.5% |
| Grant expenses for transit programs and railroad projects | (28,440,111) | (16,863,184) | (11,576,927) | 68.7% |
| Other miscellaneous revenue | 2,000 | - | 2,000 | 100.0% |
| Investment income | 1,626,940 | 816,925 | 810,015 | 99.2% |
| Total nonoperating revenues (expenses) | 56,433,433 | 61,880,462 | (5,447,029) | (8.8%) |
| Changes in net position | 2,008,424 | 647,944 | 1,360,480 | 210.0% |
| Total net position – beginning | 1,157,215 | 509,271 | 647,944 | 127.2% |
| Total net position – ending | \$ 3,165,639 | \$ 1,157,215 | \$ 2,008,424 | 173.6% |

The LOSSAN Agency’s operating expenses consist of net Amtrak charges (operating revenue less operating expenses) related to train operations and bus feeder services, marketing and administrative expenses and other expenses. These expenses are partially funded by operating revenue, which includes assessments charged to Amtrak in the performance of train operations. The majority of operating expenses are funded by the California Department of Transportation (Caltrans) Department of Rail and Mass Transportation (DRMT), and this funding is categorized as nonoperating revenue under State Funding for train operations. The net nonoperating revenues of the LOSSAN Agency decreased by

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For the Fiscal Year Ended June 30, 2024

\$5,447,029 primarily due to an overall decrease in funding requirement from the State to operate the Pacific Surfliner passenger rail service as well as the decrease in grants for transit programs and railroad projects. Total operating expenses decreased by \$6,861,108 due to contracted services for train operations and bus feeder services. The decrease in operating expenses is partially offset by an increase of \$746,849 for administrative fees and marketing services.

Budgetary Highlights

Revenues

The primary sources of revenue for the LOSSAN Agency are from Caltrans DRMT. In fiscal year 2023-24, the original budget was \$122,398,294. This includes \$53,641,496 in revenue to fund the operations of train and bus feeder services. It also includes \$9,383,378 in administrative and marketing funding (also includes interest revenue), \$58,540,420 in grant funds, and \$833,000 for minor projects.

Actual revenues were \$37,474,398 below the final budget, primarily due to lower-than-anticipated activity related to grant programs, accounting for \$31.1 million of the variance. State operating revenues for train and bus feeder services were \$5.8 million lower than budgeted, while administrative and marketing funding fell short by \$2.4 million. These decreases were partially offset by a \$1.9 million increase in interest earnings on investments.

Expenses

The original expense budget for fiscal year 2023-24 was \$122,398,294 and consisted of \$53,641,496 for payments to Amtrak for train operations and bus feeder services, \$9,383,378 in administrative and marketing expenses, \$58,540,420 in grant expenses, and \$833,000 for minor projects.

Actual expenses were \$39,482,823 below the final budget, primarily due to lower-than-anticipated grant-related project expenses of \$30.7 million for UPRR-managed rail improvement projects on the northern end of the corridor. Net train operating expenses were \$6.1 million lower than budgeted, driven by adjustments to the PRIIA 209 rates and cost methodology implemented by the State-Amtrak Intercity Passenger Rail Committee (SAIPRC). Administrative expenses also came in under budget, with \$700,000 in salary savings, \$1 million from lower-than-expected managing agency fees, and \$500,000 in savings from project management services.

Economic and Other Factors

Funding for the LOSSAN Agency for administration, marketing, train and bus feeder operations is provided by Caltrans DRMT. This funding is subject to annual budget appropriation by the State Legislature, and to the extent required, programmed by the California Transportation Commission to carry out the purposes of the interagency transfer agreement (ITA) between the LOSSAN Agency and Caltrans.

The LOSSAN Agency has historically negotiated and entered into annual agreements with Amtrak to provide Pacific Surfliner intercity passenger rail service and connecting bus feeder services for the

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LOSSAN Rail Corridor. On June 30, 2018, the LOSSAN Agency and Caltrans entered into the first amended ITA, with a term commencing on July 1, 2018 and ceasing on the third anniversary date, June 30, 2021, with two four-year options for renewal.

The first four-year option term was executed prior to June 30, 2021 which extends the agreement through June 30, 2025. At the end of this term, one four-year option term will remain.

Per the ITA and the LOSSAN Joint Powers Agreement, the LOSSAN Agency must develop an annual business plan to be approved by the LOSSAN Agency Board and submitted to the Secretary of the California State Transportation Agency (CalSTA) by April 1 of each year. The business plan is a two-year planning, operations, and budget document that outlines operating and service goals for the Pacific Surfliner service. The development of the annual budget request and submittal of the business plan for fiscal years 2023-24 and 2024-25 was approved by the LOSSAN Board of Directors on March 18, 2024. The FY 2023-24 and 2024-25 business plan continues building upon the recovery strategy to restore full train service following the service reductions necessary as a result of the Covid-19 pandemic.

Throughout Fiscal Year 2024, LOSSAN faced several challenges in rail service. Intermittent track closures arising from coastal resiliency issues posed significant obstacles to our operations. These closures affected train services along specific sections of the corridor, hindering our ability to maintain seamless operations. The LOSSAN Agency proactively collaborated with stakeholders to address these resiliency challenges collectively across the corridor. The financial statements clearly illustrate the notable impacts of these service disruptions on the agency's financial landscape. Despite facing revenue and expenditure challenges, LOSSAN remains steadfast in its commitment to partnering with stakeholders along the corridor to continue addressing and overcoming coastal resiliency challenges in the coming years.

The LOSSAN Agency’s FY 2024-25 adopted operating budget approved by the Board on March 18, 2024 includes \$53,260,160 for net Amtrak operating costs. This amount reflects an estimated \$136,832,434 in total Amtrak operating expenses, less \$83,572,274 in estimated total revenue. The total net State operating funding request includes \$57,000 for transit connectivity and integration, which includes estimates for the continuation of the Transit Transfer Program. Additional expenses and revenues of \$500,000 for minor capital projects are included, consistent with prior year requests.

The FY 2024-25 adopted budget includes \$7,370,100 for administrative services and \$2,00,000 for marketing services. Additionally, the adopted budget includes \$74,995,000 for various grant programs.

Contacting the LOSSAN Agency’s Management

This financial report is designed to provide the LOSSAN Agency’s Board of Directors, management, creditors, legislative and oversight agencies, citizens and customers with an overview of the Agency’s finances and to demonstrate its accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the LOSSAN Agency, at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

**LOS ANGELES - SAN DIEGO - SAN LUIS OBISPO
RAIL CORRIDOR AGENCY**

**Statement of Net Position
June 30, 2024**

Assets:

Current Assets

| | |
|---|---------------|
| Cash and cash equivalents | \$ 43,091,627 |
| Prepaid expense | 1,023,929 |
| Receivables: | |
| Due from other governments | 31,566,421 |
| Other receivables - National Railroad Passenger Corporation | 50,351 |
| Total current assets | 75,732,328 |

Noncurrent Assets:

| | |
|---------------------------------|--------|
| Depreciable capital assets, net | 14,408 |
| Total noncurrent assets | 14,408 |

Total Assets

75,746,736

Liabilities:

Current Liabilities

| | |
|--------------------------|------------|
| Accounts payable | 29,722,215 |
| Due to other governments | 5,951,596 |
| Unearned revenue | 36,907,286 |
| Total liabilities | 72,581,097 |

Net position:

| | |
|----------------------------------|--------------|
| Net investment in capital assets | 14,408 |
| Unrestricted net position | 3,151,231 |
| Total net position | \$ 3,165,639 |

See accompanying notes to the financial statements.

**LOS ANGELES - SAN DIEGO - SAN LUIS OBISPO
RAIL CORRIDOR AGENCY**

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2024

| | |
|--|----------------------------|
| Operating Revenues: | |
| Assessment revenue | \$ 50,351 |
| Total Operating Revenue | <u>50,351</u> |
| Operating Expenses: | |
| Contracted services for train operations and bus feeder services | 47,533,634 |
| Administrative fees and other expenses | 5,461,707 |
| Marketing services | 1,445,439 |
| Depreciation | 34,580 |
| Total Operating Expenses | <u>54,475,360</u> |
| Operating Loss | <u>(54,425,009)</u> |
| Nonoperating revenues (expenses) | |
| State funding for train operations | 47,476,478 |
| State funding for administration and marketing | 6,907,890 |
| State funding for railcar equipment improvements | - |
| Railcar equipment improvement expenses | - |
| Grants for transit programs and railroad projects | 28,860,236 |
| Grant expenses for transit programs and railroad projects | (28,440,111) |
| Miscellaneous revenue | 2,000 |
| Interest income | 1,626,940 |
| Total nonoperating revenues (expenses) | <u>56,433,433</u> |
| Change in net position | 2,008,424 |
| Net position, beginning of year | <u>1,157,215</u> |
| Net position, end of year | <u><u>\$ 3,165,639</u></u> |

See accompanying notes to the financial statements.

**LOS ANGELES - SAN DIEGO - SAN LUIS OBISPO
RAIL CORRIDOR AGENCY**

Statement of Cash Flows

Year Ended June 30, 2024

Cash flows from operating activities

| | |
|---|---------------------|
| Payments for train operations and bus feeder services | \$ (58,266,390) |
| Payments for marketing and administrative services | (4,038,340) |
| Net cash used in operating activities | (62,304,730) |

Cash flows from noncapital related financing activities

| | |
|--|-------------------|
| Receipts from State for train operations and bus feeder services | 53,429,097 |
| Receipts from State for marketing and administrative services | 7,103,377 |
| Payments for railroad improvements | (192,068) |
| Receipts from State for railcar equipment improvements | 579,382 |
| Receipts for grant programs | 5,510,851 |
| Payments for grant expenses | (12,787,019) |
| Net cash provided by noncapital financing activities | 53,643,620 |

Cash flows from investing activities

| | |
|--|------------------|
| Interest received on investments | 1,626,940 |
| Net cash provided by investing activities | 1,626,940 |

Net decrease in cash and cash equivalents

| | |
|---|----------------------|
| Cash and cash equivalents at beginning of year | 50,125,797 |
| Cash and cash equivalents at end of year | \$ 43,091,627 |

Reconciliation of operating loss to net cash used in operating activities

| | |
|---|------------------------|
| Operating loss | (54,425,009) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Changes in assets and liabilities: | |
| Depreciation | 34,580 |
| (Increase) decrease in other receivables | 53,599 |
| (Increase) decrease in prepaid assets | (996,779) |
| Increase (decrease) in accounts payables | (10,055,096) |
| Increase (decrease) in due to other governments | 3,056,121 |
| Increase (decrease) in retention payable | 27,854 |
| Net cash used in operating activities | \$ (62,304,730) |

See accompanying notes to the financial statements.

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

1. Reporting Entity

The Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) is a joint powers authority originally formed in 1989 that works to increase ridership, revenue, capacity, reliability, coordination and safety on the 351-mile coastal rail line between San Diego, Los Angeles and San Luis Obispo, California. The Agency consists of eleven member agencies which include the Los Angeles County Metropolitan Transportation Authority, North County Transit District, San Luis Obispo Council of Governments, Santa Barbara County Association of Governments, Ventura County Transportation Commission, Orange County Transportation Authority, Riverside County Transportation Commission, San Diego Metropolitan Transit System and San Diego Association of Governments. The governing board of the Agency is comprised of eleven voting members representing the member agencies, as well as four non-voting, ex-officio members representing Amtrak, California Department of Transportation (Caltrans) Division of Rail and Mass Transit (DRMT), California High Speed Rail and Southern California Association of Governments.

On September 29, 2012, Governor Jerry Brown signed SB1225 which authorized the LOSSAN Agency to oversee the state-supported intercity passenger rail service, commonly referred to as the Pacific Surfliner, subject to approval of an interagency transfer agreement (ITA) with the State of California. The ITA commenced on July 1, 2015, along with the transition of administrative responsibility for the Pacific Surfliner service to the LOSSAN Agency. The overall goal of the governance change is to transform the existing Pacific Surfliner intercity rail service into a service under local control that is more responsive to local needs, issues and consumer desires.

The LOSSAN Agency receives funding from Caltrans DRMT for the administration and management of the Pacific Surfliner train service. The train equipment used in the LOSSAN Rail Corridor service is owned by both the State of California and the National Railroad Passenger Corporation (Amtrak), while the train service is operated by Amtrak under contract to the LOSSAN Agency. The railroad track is owned by Burlington Northern and Santa Fe Railway (BNSF), Union Pacific Railroad Company (UPRR), Ventura County Transportation Commission (VCTC), Los Angeles County Metropolitan Transportation Authority (LA Metro), Orange County Transportation Authority (OCTA), North County Transit District (NCTD), and San Diego Metropolitan Transit System (SDMTS). The Southern California Regional Rail Authority (SCRRA), also known as Metrolink, maintains and operates portions of the railroad track owned by VCTC, LA Metro, and OCTA, while NCTD maintains and operates the portion of the track owned by SDMTS. The LOSSAN Agency is staffed by the Orange County Transportation Authority (OCTA) under a management services agreement.

2. Summary of Significant Accounting Policies

The accounting policies of the LOSSAN Agency are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

(a) Basis of Accounting and Presentation

The basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues, consisting primarily of funding from Caltrans DRMT, are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
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cash flows. Revenues received from Caltrans DRMT are received in advance and used by the LOSSAN Agency to fund train operations provided by Amtrak.

The financial statements are reported using an Enterprise fund and full accrual method of accounting. The LOSSAN Agency has the authority to set and modify fares as the governing body managing the Pacific Surfliner intercity passenger rail service. As the managing agency of the service, the LOSSAN Agency also has control over train schedules and corridor-wide improvements that will maximize revenue and ridership. Due to this unique responsibility provided to the LOSSAN Agency through SB1225, the LOSSAN Agency reports the financial statements as an Enterprise Fund.

(b) Proprietary Accounting and Financial Reporting

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. Operating revenue includes assessment fees charged to Amtrak in the performance of the train operations. The primary funding source of the LOSSAN Agency is funding received by the Caltrans DRMT for both train operations and marketing and administration. This revenue is considered nonoperating revenue. Operating expenses for the LOSSAN Agency include the cost of train operations and bus feeder services, charges for marketing and administration, depreciation of capital assets, and other operating expenses. All expenses not meeting this definition are reported as nonoperating expenses.

(c) Cash and Investments

The LOSSAN Agency currently does not have a written investment policy. The treasurer of the managing agency, the Orange County Transportation Authority (OCTA), serves as the Agency's treasurer. The treasurer serves as the depository of funds and has custody of funds for the Agency.

The LOSSAN Agency's cash and investments consist of a checking account and a money marketing deposit account. The LOSSAN Agency did not have any other investments as of June 30, 2024. See Note 3.

(d) Cash and Cash Equivalents

The LOSSAN Agency considers all short-term investments with an initial maturity of three months or less to be cash equivalents.

(e) Restricted Cash and Cash Equivalents

The ITA allows for the use of an Operating Reserve Fund. Funds provided by the state for train operations which exceed the actual billings, are considered surplus funds and can be used to fund future variability in operating costs that may vary from the budgeted amount. The maximum level of funds allowed to be retained is 12.5% of the state subsidy level in the most recently completed Amtrak contract year. The California State Transportation Agency has directed the LOSSAN Agency to use surplus funds to fund Amtrak current operating payments prior to using annually appropriated operating funding. Therefore, as of June 30, 2024, the Operating Reserve Fund balance is \$0.

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

(f) Capital Assets

Capital assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. The LOSSAN Agency follows the Orange County Transportation Authority's capitalization policy which is to capitalize assets with a unit cost in excess of \$5,000 and an estimated useful life greater than one year. The costs associated with the renovation or improvement of an existing capital asset shall also be capitalized if the cost exceeds \$5,000 per unit and it either substantially enhances the asset's performance or productivity or extends the useful life of the asset.

(g) Unearned Revenue

The LOSSAN Agency receives advance funding from the State to pay for Amtrak provided train operations and bus feeder services, as well as administrative and marketing services. The LOSSAN Agency recognizes revenues in the period in which the related expenses are incurred. Any funds received in advance or amounts due from the State that are not used to offset current expenses are classified as unearned revenue. Unearned revenue also includes various grant funding received that has not been used to offset current expenses.

(h) Net Position

Net position represents the residual interest in the LOSSAN Agency's assets after liabilities are deducted. The statement of net position reports total net position in three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation and include amounts restricted for debt service and other liabilities. As of June 30, 2024, the LOSSAN Agency has \$0 in restricted net position. The amount reported in unrestricted net position is accessible for general use and is not invested in capital assets or restricted by third parties, constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the LOSSAN Agency's policy to use restricted resources first and then unrestricted resources as needed and in accordance with the ITA.

(i) 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.

3. Cash and Cash Equivalents

(a) Cash and Investments

The LOSSAN Agency has a checking account with Bank of Montreal (BMO). As of June 30, 2024, the interest rate was 0%.

The LOSSAN Agency has a money market deposit account with Bank of Montreal (BMO). As of June 30, 2024, the interest rate was 3.71%.

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

(b) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. California Government Code Section 53652 requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the agency's deposits.

The funds held in the LOSSAN Agency's checking and money market accounts are considered deposits and the amounts are covered by federal depository insurance or were collateralized by the pledging financial institution as required by Section 53652 of the California Government Code. Such collateral is held by the pledging financial institution's trust department or agent in the Agency's name.

4. Capital Asset

The changes in capital assets for the year ended June 30, 2024 are summarized as follows:

| | Lives (Years) | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------|------------------|----------------------|-------------|-----------|-------------------|
| Depreciable capital assets: | | | | | |
| Software | 5 | \$ 172,900 | \$ - | \$ - | \$ 172,900 |
| Total depreciable capital assets | | 172,900 | - | - | 172,900 |
| Less accumulated depreciation | | (123,912) | (34,580) | - | (158,492) |
| Total depreciable capital assets, net | | 48,988 | (34,580) | - | 14,408 |
| Total capital assets, net | | \$ 48,988 | \$ (34,580) | \$ - | \$ 14,408 |

5. Prepaid Expense

As of June 30, 2024, prepaid expenses total \$1,023,929. This balance includes an annual membership, sponsorship payment and annual license for a digital asset management platform which all extend through fiscal year 2025. The balance also includes advance payments for Amtrak net train operations.

6. Due From Other Governments

Due from other governments primarily consists of amounts owed to the LOSSAN Agency by Caltrans DRMT for grant revenue related to railroad improvements along the northern end of the corridor. The grant reimbursements category also includes funds for on-time performance and track maintenance, professional services for layover facility enhancements, and support for the transit transfer program. The railroad improvements category includes reimbursements for minor capital projects along the corridor, such as lighting and facility upgrades. The other government agencies category includes payments from the Ventura Visitors & Bureau for advertising costs associated with the X Games. The amounts due from other governments are detailed in the following table.

| | |
|--|----------------------|
| Due from Caltrans DRMT for railroad improvements | \$ 298,406 |
| Due from Caltrans DRMT grant reimbursements | 31,266,015 |
| Due from other government agencies | 2,000 |
| Total | \$ 31,566,421 |

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

7. Due To Other Governments

Due to other governments consists of amounts due to the North County Transit District (NCTD) for train on time performance and track maintenance, amounts due to OCTA for administrative services, amounts due to the City of Camarillo for costs associated with a pedestrian undercrossing project, and to various other government agencies for transit services provided under the transit transfer program. The table below provides detail of due to other governments as of June 30, 2024.

| | | |
|--|-----------|------------------|
| Due to NCTD for performance and maintenance | \$ | 1,021,444 |
| Due to OCTA for administrative services | | 4,670,285 |
| Due to SJJPA for legislative services | | 13,405 |
| Due to transit agencies for transit transfer program | | 14,834 |
| Due to City of Camarillo for pedestrian crossing | | 231,628 |
| Total | <u>\$</u> | <u>5,951,596</u> |

8. Unearned Revenue

Unearned revenue consists of amounts received from the State for fiscal year 2024 operating, administrative and marketing funding, in advance of incurring the expenses. It also includes unearned revenues from prior-year State operating and marketing funding received. It includes SRA grant revenues. The table below shows detail of unearned revenue as of June 30, 2024.

| | | |
|--|-----------|-------------------|
| Unearned advance train operating funds | \$ | 9,541,556 |
| Unearned grant revenue | | 22,656,836 |
| Unearned administrative funds | | 2,039,177 |
| Unearned advanced marketing funds | | 2,669,717 |
| Total | <u>\$</u> | <u>36,907,286</u> |

9. Contracted Services for Train Operations

The LOSSAN Agency negotiates and enters into annual agreements with Amtrak to provide Pacific Surfliner intercity passenger rail service and connecting bus feeder services for the LOSSAN Rail Corridor. These agreements align with the federal fiscal year, spanning October 1 through September 30. The latest agreement covers the period from October 1, 2023, to September 30, 2024. Following the end of the term, the agreement allows for the continuation of service for up to six months or until a new annual agreement is executed.

Payment to Amtrak by the LOSSAN Agency is based on a projected amount mutually agreed to by both parties as part of the agreement. This projected amount is net of related fare revenues. The actual amounts are reconciled and provided to the LOSSAN Agency on a monthly basis. Any surplus or deficits are applied to a future invoice. The actual net expense for train operations as of June 30, 2024, is \$47,477,028, net of adjustments due to year-end reconciliation with Amtrak from results of operations.

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

10. Charges for Marketing and Administration

Effective November 21, 2013, the Agency entered into an agreement with OCTA to provide administrative support services through the initial term of the ITA (June 30, 2018). In accordance with the agreement, OCTA is reimbursed by the Agency for administrative staff time including an agreed upon overhead rate. A new administrative services agreement with OCTA was entered into on June 25, 2018, effective July 1, 2018 for a three-year term through June 30, 2021. The agreement has been extended by mutual agreement through June 30, 2024. The agreement may be extended for one more three-year option term through June 30, 2027. Charges from OCTA for administrative services as well as other administrative and marketing related expenses the LOSSAN Agency incurred as of June 30, 2024 are detailed below.

| | |
|-------------------------|----------------------------|
| Administrative Services | \$ 4,860,092 |
| Marketing Expenses | 1,445,439 |
| Professional Services | 371,287 |
| Other Business Expenses | 73,291 |
| Legal Services | 36,752 |
| Insurance | 67,602 |
| Audit Services | 23,800 |
| Travel | 28,883 |
| Total | <u>\$ 6,907,146</u> |

11. State Funding for Train Operations and Administrative and Marketing

Effective July 1, 2015, the LOSSAN Agency and the State of California Department of Transportation (Caltrans) entered into an interagency transfer agreement (ITA), which transferred the administrative responsibility for the operation of rail services along the LOSSAN corridor. The ITA carried an initial three-year term through June 30, 2018. As part of the ITA, the LOSSAN Agency entered into a Master Fund Transfer Agreement (MFTA) with the State. The MFTA provides for State funding, appropriated by the State Budget Act and allocated to the LOSSAN Agency in accordance with the provisions of the MFTA and ITA, for the LOSSAN corridor rail service. In accordance with the MFTA and ITA provisions, funding is contributed towards actual marketing and administrative costs, as well as train operations.

On June 30, 2018, the LOSSAN Agency and Caltrans entered into the first amended ITA, with a term commencing on July 1, 2018 and ceasing on the third anniversary date, June 30, 2021, with two four-year options for renewal.

The first four-year option term was executed prior to June 30, 2021 which extends the agreement through June 30, 2025. At the end of this term, one four-year option term will remain.

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

12. Grants for Transit Programs

(a) Transit and Intercity Rail Capital Program (TIRCP)

2016 TIRCP

In fiscal year 2016, the LOSSAN Agency was awarded \$82 million in 2016 TIRCP grant funds to advance several improvement projects on the LOSSAN rail corridor. These projects include replacing five railway bridges, constructing additional double track, enhancing station and safety features, upgrading signals and switches, conducting planning studies to improve train coordination, and funding on-time performance incentives and host railroad access on the northern end of the corridor. The original grant award included funding for rail equipment leasing, which has since been reallocated to these projects.

For some projects, other transportation agencies served as the lead and received grant funding directly, while the LOSSAN Agency managed planning studies, as well as on-time performance incentives and host railroad access projects. During fiscal year 2024, total expenses for these activities amounted to \$5,828,724, fully attributable to on-time performance incentives and host railroad access with Union Pacific. The remaining balance of \$2,311,276 will be utilized for an ongoing agreement with Union Pacific to continue supporting on-time performance and host railroad access.

2018 TIRCP

In fiscal year 2018, the LOSSAN Agency was awarded \$188 million in 2018 TIRCP grant funds to advance capital improvements and planning studies on both the northern and southern ends of the LOSSAN rail corridor. The funding was provided through SB 1 and the proceeds from the Cap-and-Trade program. On the northern end of the corridor, the program of projects includes the construction of additional double track and siding extensions, station and layover facility enhancements, incentives for improved on-time performance, and upgrades to signal systems and switches. On the southern end, the program includes signal improvements, host railroad on-time performance incentives, and the installation of new fencing in San Diego County.

The LOSSAN Agency received an additional \$17 million in supplemental 2018 TIRCP funding through cycle 6 to leverage federal and local resources. Among the projects supported by this funding, the Narlon Bridge replacement began in fiscal year 2020 and was fully completed in fiscal year 2024. Final invoices for the project were processed and paid during fiscal year 2024, marking the closeout of the project. Additional funding for the Narlon Bridge replacement was provided through Proposition 1B, as described in the Proposition 1B section.

In fiscal year 2020, the LOSSAN Agency entered into an agreement with host railroad track owner Union Pacific to utilize 2018 TIRCP funding for additional projects on the northern end of the corridor to support future service expansion. These projects have progressed significantly, with most now completed. In fiscal year 2024, expenses included upgrades to centralized traffic control systems, non-powered switches, and bridge replacements. Of these, \$602,177 in expenses for the Canada Honda Bridge were funded under 2018 TIRCP, with additional expenses for this project detailed in the Proposition 1B section.

In fiscal year 2024, the LOSSAN Agency entered into a separate \$10.4 million agreement with Union Pacific to utilize 2018 TIRCP funding for stabilization efforts on two bluffs in the Hollister Ranch area of Santa Barbara County. The project includes installing drilled piers, lagging walls, and tiebacks to secure the tracks

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

in this geologically vulnerable area. Construction began in April 2024, with \$2,054,589 in expenses incurred during fiscal year 2024.

In fiscal year 2022, the LOSSAN Agency entered into an agreement with NCTD to utilize 2018 TIRCP funding for on-time performance incentives and track maintenance. For fiscal year 2024, expenses under this agreement totaled \$3,942,246.

2020 TIRCP

In fiscal year 2020, the LOSSAN Agency was awarded \$38 million in 2020 TIRCP grant funds for the environmental review, design, and construction of a dedicated layover facility in San Diego, as well as the environmental review, design, and construction of an expanded maintenance and layover facility in San Luis Obispo (Central Coast Layover Facility). In early 2023, LOSSAN requested and received an additional \$14 million in supplemental 2020 TIRCP funding for the Central Coast Layover Facility.

During fiscal year 2023, work began on completing the design phase for the Central Coast Layover Facility, funded by State Rail Assistance and TIRCP. Significant progress has been made, with the design phase scheduled for completion by June 2025. During fiscal year 2024, \$1,499,051 in expenses were incurred for this project, with \$1,280,039 recorded as receivables.

Additionally, during fiscal year 2021, a site feasibility study for the San Diego layover facility was completed, initiating the project report and environmental document (PR&ED) phase. However, the selected sites are no longer available, and the feasibility study has been restarted, delaying the PR&ED phase. The TIRCP funding allocated to this phase was deallocated in early 2024.

(b) State Rail Assistance (SRA)

The LOSSAN Agency has received multiple allocations of State Rail Assistance (SRA) funding under Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017. These funds support various rail service improvements along the LOSSAN corridor.

2018-2020 SRA

The LOSSAN Agency was initially awarded \$13,100,000 in 2018-2020 SRA funding to address several priority projects. These include the San Luis Obispo platform repair, a refresh of business class equipment, improvements at the Grover Beach station, and the implementation of corridor optimization software. Additionally, the LOSSAN Agency obtained approval to use Cycle 1 funds for the continued operation of the Pacific Surfliner service if necessary. A subsequent allocation increased the total award to \$13,854,547.

During fiscal year 2024, the LOSSAN Agency incurred \$5,469,613 in 2018-2020 SRA-related expenses, including \$4,162,329 for on-time performance incentives and host railroad access with Union Pacific.

2018-2020 Competitive SRA

In fiscal year 2019, CalSTA awarded the LOSSAN Agency \$718,750 in competitive SRA funds for a corridor-wide integrated signage and wayfinding program. This project is ongoing and is scheduled for completion by June 2025.

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2021-2025 SRA

In fiscal year 2021, the LOSSAN Agency was awarded \$29,800,000 in 2021-2025 SRA funding to support four key initiatives: an update to the LOSSAN Strategic Plan, various safety and corridor hardening improvements along the northern corridor, the Interregional Connectivity Improvement Project, and equipment replacement. As of June 30, 2024, the LOSSAN Agency has received \$25,247,447 in 2021-2025 SRA funds.

During fiscal year 2024, \$581,518 in 2021-2025 SRA expenses were incurred. The remaining balance of unspent SRA funds, including amounts from all SRA allocations, was reclassified as unearned revenue, totaling \$22,656,836 as of June 30, 2024.

(c) State Transportation Improvement Program (STIP)

The California Transportation Commission (CTC) awarded \$31,500,000 in State Transportation Improvement Program (STIP) funds for the Central Coast Layover Facility and Leesdale Passing Siding projects. This funding is designated for the construction phase of both projects and is provided on a reimbursement basis. During fiscal year 2024, no eligible expenses were incurred that utilized STIP funding.

(d) Proposition 1B Funds

The LOSSAN Agency has been awarded \$35 million by the California Air Resources Board to support several projects. These include \$15,526,000 for the Los Alamos Creek (Narlon) bridge replacement, \$11,000,000 for the Canada Honda bridge replacement, \$4,745,000 for the Camarillo Station pedestrian undercrossing, \$3,400,000 for the Central Coast Layover Facility, and \$300,000 for the interim expansion of the San Luis Obispo Layover Facility.

The Narlon bridge replacement project, which replaced a bridge built in 1895 at the San Antonio Creek crossing at Vandenberg Air Force Base, was completed in February 2023. The Canada Honda bridge replacement project, located 13 miles from the Narlon bridge, will replace another 100+ year-old bridge. Construction on the Canada Honda bridge began in April 2024.

These projects, along with preliminary engineering for the San Luis Obispo Layover Facility expansion, were implemented by Union Pacific under an agreement for infrastructure improvement projects on the northern end of the corridor to support future service expansion. Additionally, the environmental phase for a new pedestrian undercrossing at the Camarillo Station began in fiscal year 2024.

As of June 30, 2023, total Proposition 1B-funded expenses include \$11,000,000 for work on the Canada Honda Bridge and \$231,628 for the Camarillo Station Pedestrian Undercrossing project. Additional expenses for the Canada Honda Bridge, totaling \$602,177, were funded under 2018 TIRCP, as detailed in the TIRCP section. The Central Coast Layover Facility appropriation is scheduled to be allocated in fiscal year 2025.

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

13. Commitments and Contingencies

(a) Commitments

The LOSSAN Agency has various outstanding contracts. Total outstanding purchase commitments as of June 30, 2024, were \$145,115,333. The most significant commitment is with Union Pacific, totaling \$110,785,962, for a program of railroad improvement projects necessary for service expansion along the rail corridor in Ventura, Santa Barbara, and San Luis Obispo counties. Purchase commitments with Amtrak total \$10,424,160, which includes \$9,683,830 for train operations and bus feeder services, \$311,898 for minor capital projects, and \$428,432 for design services related to the expansion of the Goleta layover facility. Purchase commitments for professional marketing services total \$2,998,296, while administrative and other professional services amount to \$192,172. This total does not include the value of the administrative services agreement with OCTA, as it is an actual cost-based reimbursable agreement.

Other purchase commitments with various vendors total \$14,900,482 and include professional services for design and environmental services for a pedestrian undercrossing at the Camarillo Train Station, the San Diego layover facility environmental document, the Central Coast layover facility environmental document, and on-call program management support services. Outstanding cooperative agreements are in place with NCTD for an on-time incentive and maintenance agreement totaling \$5,372,486 and with other transit agencies for the Transit Transfer Program totaling \$441,775 as of June 30, 2024. The Transit Transfer Program agreements are on a reimbursement basis, meaning the LOSSAN Agency is only billed when passengers use the program.

(b) Contingencies

Since fiscal year 2019, the LOSSAN Agency has been disputing marketing related additive charges under the operating agreement with Amtrak. The dispute involves Amtrak's compliance with the Passenger Rail Investment and Improvement Act of 2020 (PRIIA 209) policy's definition of activities associated with the marketing additive charge to the LOSSAN Agency. The LOSSAN Agency's position is that Amtrak removed certain marketing services without amending the policy or mutually agreeing to a reduction of the marketing additive charge proportional to the services being provided. For fiscal year 2024, the amount being disputed is approximately \$235,022. This amount has been recorded as an expense in the financial statements until the dispute is resolved. The cumulative amount being disputed from fiscal year 2019 through fiscal year 2024 is approximately \$3,325,211.

14. Risk Management

As part of the annual operating agreement with Amtrak, Amtrak is responsible to pay any settlement or final judgment of claims against the LOSSAN Agency arising directly from Amtrak's operations of the rail passenger and bus feeder service. The LOSSAN Agency pays an allocated share of the cost of Amtrak's master insurance policies as they relate to the services being provided by Amtrak under contract. The LOSSAN Agency also purchases general liability and excess liability insurance with an aggregate limit of \$4,000,000, errors and omissions public officials' liability of \$1,000,000 and crime liability of \$2,000,000. There have been no claims or settlements that have exceeded insurance coverages within the past three fiscal years.

Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

15. Concentration of Funding

Funding for the administration of the LOSSAN Agency as well as funding for marketing, train and bus feeder operations is provided by Caltrans DRMT, and is subject to annual budget appropriation by the California State Legislature (Legislature) and programming by the California Transportation Commission (CTC). This represents approximately 52% of total LOSSAN Agency budgeted revenue. There is no guaranty that funding will actually be appropriated by the Legislature and to the extent required, programmed by the CTC. The remaining budgeted revenues are primarily grant related revenues.

16. Effect of New Pronouncements:

GASB Statement No. 100

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62. The statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The LOSSAN Agency has determined the implementation of this Statement did not have a material impact on the financial statements.

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, Compensated Absences. This Statement updates recognition and disclosure requirements for compensated absences, allowing for net changes in liabilities to be disclosed. It also eliminates the requirement to disclose which governmental funds typically have been used to liquidate the liability. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The LOSSAN Agency has determined the implementation of this Statement did not have a material impact on the financial statements.

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
Los Angeles - San Diego - San Luis Obispo Rail Corridor Agency
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 Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the LOSSAN Agency's basic financial statements, and have issued our report thereon dated January 15, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LOSSAN Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LOSSAN Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the LOSSAN Agency'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.

Report on Compliance and Other Matters

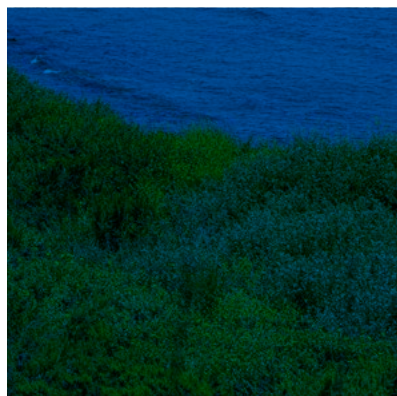
As part of obtaining reasonable assurance about whether the LOSSAN Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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
January 15, 2025



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Orange, CA 92868

LOSSAN.org