LOS ANGELES - SAN DIEGO   SAN LUIS O   ISPO
RAIL CORR DOR AGENCY

Basic Financial Statements

Year Ended June 30, 2021

(With Independent Auditor’s Report Thereon)

LOS ANGELES - SAN DIEGO SAN LUIS O ISPO
RAIL CORR DOR AGENCY

Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LOSSAN Agency as of June 30, 2021, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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, although not a part of the basic financial statements, is required by 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 December 22, 2021 on our consideration of the LOSSAN 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 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 LOSSAN 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 LOSSAN Agency's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Costa Mesa, California
December 22, 2021

Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency
Management's Discussion and Analysis
(unaudited)
For the Fiscal Year Ended June 30, 2021

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, 2021. 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 10-12 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 13-24 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, 2021, the LOSSAN Agency's net position was $490,164, a decrease of $281,152 from June 30, 2020.

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

	2021	2020	Difference Increase (Decrease)	% Increase (Decrease)
Assets:				
Current assets	$ 48,716,735	$ 11,767,407	$ 36,949,328	314.0%
Restricted assets	23,183,195	14,109,249	9,073,946	64.3%
Noncurrent capital assets, net	118,148	152,728	(34,580)	-22.6%
Total assets	72,018,078	26,029,384	45,988,694	176.7%
Liabilities:				
Current liabilities	71,527,914	25,258,068	46,269,846	183.2%
Total liabilities	71,527,914	25,258,068	46,269,846	183.2%
Net position				
Net investment in capital assets	118,148	152,728	(34,580)	-22.6%
Unrestricted net position	372,016	618,588	(246,572)	-39.9%
Total net position	$ 490,164	$ 771,316	$ (281,152)	-36.5%

In fiscal year 2021, total assets increased by $45,988,694, primarily due to an increase in receivables and restricted cash, partially offset by a decrease in cash and cash equivalents. Receivables increased by $39,011,989 in due from other governments, primarily from State grant reimbursements for rail projects on the northern end of the corridor managed by the railroad owner, Union Pacific Railroad (UPRR). Restricted cash and cash equivalents increased by $9,073,947 primarily due to a net increase (receipts minus payments) of State Rail Assistance (SRA) funds ($8,929,623), and an increase to the operating reserve fund ($598,250), partially offset by a decrease in restricted cash and cash equivalents for payments related to the California Office of Emergency Services (CalOES) grant program for rail facilities projects ($453,926). Cash decreased by $1,862,131 primarily due to an overall lower operations funding requirement from the State due to Federal relief funding provided directly to Amtrak through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA).

In fiscal year 2021, 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 $46,269,846 primarily due to an increase in accounts payable to Union Pacific and unearned revenue, partially offset by a decrease in due to other governments. The increase of $40,479,891 in accounts payable is primarily due to amounts due to Union Pacific during the fiscal year for railroad improvement projects on the northern end of the corridor. Unearned revenue increased by $6,530,013, which is primarily due to a net increase of $8,817,950 in unearned revenue for grant programs relating to SRA and CalOES funds, and an increase of $1,561,440 in administrative funds. This is partially offset by the recognition of prior year unearned revenue for train operating funds of $3,397,130 and marketing funds of $452,247. Due to other governments decreased by $740,058 primarily due to a decrease in year-end accruals related to the North County Transit District capital maintenance and incentive agreement and Orange County Transportation Authority for administrative fees.

Restricted assets represent cash received from CalOES and SRA grants, which is restricted for use on corridor-wide station safety and improvement projects. Additionally, restricted assets include funds held in the operating reserve fund for use on Amtrak operating expenses.

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 $618,588 at June 30, 2020 to $372,016 at June 30, 2021.

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

The analysis in Table 2 below focuses on the changes in net position. Table 2

LOSSAN Rail Corridor Agency

Changes in Net Position

	2021	2020	Difference Increase (Decrease)	% Increase (Decrease)
Operating revenues:				
Assessments	$ 76,325	$ 51,200	$ 25,125	49.1%
Fare reimbursements	5,020	378,165	(373,145)	-98.7%
Total operating revenues	81,345	429,365	(348,020)	-81.1%
Operating expenses:				
Contracted services for train operations	$ 12,941,671	$ 26,526,543	$ (13,584,872)	-51.2%
Administrative fees and other expenses	4,714,735	3,952,134	762,601	19.3%
Marketing services	452,247	1,834,596	(1,382,349)	-75.3%
Depreciation	34,580	20,172	14,408	71.4%
Total operating expenses	18,143,233	32,333,445	(14,190,212)	-43.9%
Operating income (loss)	(18,061,888)	(31,904,080)	13,842,192	-43.4%
Nonoperating revenues (expenses):				
State funding for train operations	12,745,727	25,354,150	(12,608,423)	-49.7%
State funding for administration and marketing	5,166,982	5,786,730	(619,748)	-10.7%
Contributions from other Agency for train operations	-	753,216	(753,216)	-100.0%
State funding for railcar equipment improvements	386,567	379,824	6,743	1.8%
Railcar equipment improvement expenses	(376,380)	(390,012)	13,632	-3.5%
Grants for transit programs and railroad projects	42,802,854	6,453,530	36,349,324	563.2%
Grant expenses for transit programs and railroad projects	(42,992,889)	(6,287,444)	(36,705,445)	583.8%
Other miscellaneous revenue	312	124	188	152.0%
Investment income	47,563	212,875	(165,312)	-77.7%
Total nonoperating revenues (expenses)	17,780,736	32,262,993	(14,482,257)	-44.9%
Changes in net position	(281,152)	358,913	(640,065)	-178.3%
Total net position—beginning	771,316	412,403	358,913	87.0%
Total net position—ending	$ 490,164	$ 771,316	$ (281,152)	-36.5%

The LOSSAN Agency's operating expenses consist of net Amtrak charges (operating revenue less operating expenses) for train operations and bus feeder services, marketing and administrative expenses and other expenses. Operating expenses are partially funded by operating revenue that includes assessments charged to Amtrak in the performance of train operations, and fare subsidies provided by the Santa Barbara County Association of Governments. The majority of operating expenses are financed from funds received from California Department of Transportation (Caltrans) Department of Rail and Mass Transportation (DRMT). This funding is reported as nonoperating revenue under State funding for train operations. The LOSSAN Agency's net nonoperating revenues decreased by $14,482,257 primarily due to an overall lower funding requirement from the State resulting from overall lower net Amtrak operating expenses. Total operating expenses decreased by $14,190,212 primarily due to a decrease in net Amtrak operating expenses resulting from Amtrak directly receiving Federal relief funding through the CARES, CRRSAA, and ARPA Act funds.

Budgetary Highlights

<u>Revenues</u>

The primary sources of revenue for the LOSSAN Agency are from Caltrans DRMT. In fiscal year 2020-21, the original budget was $80,820,677. This includes $50,567,505 in revenue to fund the operations of train and bus feeder services. It also includes $10,071,172 in administrative and marketing funding (also includes interest revenue), $19,682,000 in grant funds, and $500,000 for minor projects. Two budget amendments were completed during fiscal year 2020-21 which adjusted the total original revenue and expense budget from $80,820,677 up to $93,202,464.

Actual revenues were lower than the final budget by $32,158,372. This is primarily due to lower than anticipated activity associated with grant programs ($19.7 million), lower state operating revenues recognized due to lower than anticipated operating expenses ($11 million) and lower marketing revenues recognized due to lower than anticipated marketing activity ($1.2 million).

<u>Expenses</u>

The original expense budget for fiscal year 2020-21 was $80,820,677 and consisted of $50,567,505 for payments to Amtrak for train operations and bus feeder services, $10,071,172 in administrative and marketing expenses, $19,682,000 in grant expenses, and $500,000 for minor projects. Two budget amendments were completed during fiscal year 2020-21 which adjusted the total original revenue and expense budget from $80,820,677 up to $93,202,464.

Actual expenses were lower than the final budget by $35,327,873. This is primarily due to lower than anticipated grant related ($29.5 million) project expenses for UPRR managed rail improvement projects on the northern end of the corridor, transit security improvement projects, and North County Transit District activity for on-time performance and track maintenance. Net train operating expenses were lower than budgeted by $4 million due to less than anticipated net Amtrak operating expenses due to Federal relief funding provided directly to Amtrak to reduce state supported route costs. Administrative expenses underran the budget by $0.9 million primarily due to position vacancies. Marketing expenses came in lower than budgeted by $0.6 million primarily due to reductions in advertising expenses and professional 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 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 2021-22 and 2022-23 was approved by the LOSSAN Board of Directors on March 15, 2021. The FY 2021-22 and 2022-23 business plan presents a recovery strategy to restore full service following the service reductions necessary as a result of the Covid-19 pandemic.

In December 2019, a novel strain of coronavirus (COVID-19) spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California issued a statewide shelter-in-place order that continues to have significant impact on the operations and business results of the LOSSAN Agency. Also, in March 2020, the LOSSAN Agency directed Amtrak to reduce Pacific Surfliner train service, following direction by CalSTA to operate no more than 60% of train miles approved in the fiscal year 2019 annual business plan. The Pacific Surfliner service continued to operate at reduced levels through June 30, 2021.

The ability to expand Pacific Surfliner service has historically been constrained by both equipment availability as well as existing access and shared-use agreements with the host railroads on which the Pacific Surfliner service operates. While this constraint remains along several segments of the rail corridor, the ability to restore service to pre-Covid 19 levels is now primarily dependent on equipment availability, ridership, revenue and the availability of state funding.

On March 27, 2020, the CARES Act was signed into law. Following the CARES act, the CRRSAA and ARPA funding acts were signed into law on December 27, 2020 and March 11, 2021 respectively. The CARES Act legislation placed a cap on the amount states must pay Amtrak; actual state supported payments in FFY 2020 can be no more than 80 percent of the FFY 2019 amounts. Amtrak received federal CARES Act funds directly to cover the monthly difference between the cap and the actual net operating amount. The CARES Act funding was applied by Amtrak beginning in March 2020 and lasted through January 2021. Amtrak began applying the CRRSAA federal funds in full to each month's net operating expenses during fiscal year 2021. Amtrak intends to continue to apply the CRRSAA and ARPA federal funds to each month's net operating expenses until the funds are fully exhausted.

The LOSSAN Agency's FY 2021-22 adopted operating budget approved by the Board on March 15, 2021 includes $31,699,200 for net Amtrak operating costs. This amount reflects an estimated $98,899,200 in total Amtrak operating expenses, less $67,200,000 in estimated total revenue. The total net State operating funding request includes $50,000 for transit connectivity and integration, which includes estimates for the continuation of the Transit Transfer Program ($30,000) and emergency bus bridge service with NCTD and OCTA ($10,000 each). The budget also includes a revenue contribution assumption of $941,820 from the Santa Barbara County Association of Governments pending the re-introduction of peak-period service into Santa Barbara and Goleta. Additional expenses and revenues of $500,000 are included for minor capital projects, consistent with prior year approved amounts.

The FY 2021-22 adopted budget includes $6,615,547 for administrative services and $1,600,000 for marketing services. Additionally, the adopted budget includes $74,022,000 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, 2021

A ets:		
Current A ets		
Cash n cash equivalents	$	6,333,597
Restricte cash and cas equivalents		23,183,195
Prepaid expense		455,871
Receivables:		
Due from other governments		41,743,841
Other receivables - National Railroa Passenger Corporation		183,426
Tot l current asset		71,899,930
Noncurrent A ets:		
Depreciable capital a ets, net		118,148
Tot l non urrent asset		118,148
Total A ets		72,018,078
Liabilitie :		
Current Liabilities		
A ount pa yable		41,558,901
Due to other government		1,976,581
Unearned revenue		27,992,432
Total liabilitie		71,527,914
et position:		
Net investment in capital ets		118,148
Unrestricte net position		372,016
Total net position	$	490,16

See a omp nying note to t e fin n ial s t tements.

LOS ANGELES - SAN DIEGO - SAN LUIS OBISPO
RAIL CORRIDO AGENCY

Statement of Reven e , Expenses and Changes in Net Position

Year Ended June 30, 2021

perating Revenue :		
Assessment revenue	$	,325
Fare reimbursements		5,020
Total perating Revenue		81,345
perating Expense :		
Contracted services for train operations and bus feeder services		12,941, 1
Administrative fees and other expenses		4,714,735
Marketing services		452 24
Depreciation		34,580
Total perating Expense		18,143,233
perating Lo		(18 0 1 ,888)
Nonoperating revenues (expenses)		
State funding for train operations		12 45 27
State funding for administration and marketing		5,16 982
State funding for railcar equipment improvements		38 5
Railcar equipment improvement expenses		(37 380)
Grants for transit programs and railroad projects		42 802 854
Grant expenses for transit programs and railroad projects		(42 2,889)
Miscellaneous revenue		312
Interest income		47 5 3
Total nonoperating revenues (expense)		17 80 36
Change in net position		(281,152)
Net position, beginning of year		1 31
Net position, end of year	$	490,164

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, 2021

ash flow s from operating activities	
Payments for t a n operations and bus feeder services	$ (12,784,927)
Payments for marketing and administrative services	(4,849,190)
et cash used in operating activities	(17,634,117)
ash flow s from noncapital related inancing activities	
Receipts om State for tra n operations and bus feeder services	9,947,743
Receipts om State for marketing and administrative services	6,514,743
Payments for a lcar equipment imp ovements	(168,614)
Receipts grant programs	12,225,258
Payments for grant expenses	(3,720,760)
et cash provided by noncapital financing activities	24,798,370
ash flow s from inve ting activities	
Interest received n investments	47,562
et cash provided by investing activities	47,562
et decrease in cash and cash equivalents	7,211,815
Cash and cash equivalents at beginning of year	22,304,977
Cash and cash equivalents at end of year	$ 29,516,792
Reconciliation of operating loss to net cash used in operating activities	
Operating l ss	(18,061,888)
Adjustments t reconcile operat ng loss t net cash used in pe rating act vit es:	
Changes in assets and liab lities:	
Depreciat n	34,580
(Increase) decrease in due from other governments	3 8,176
(Increase) decrease in prepaid assets	(276,856)
Increase (decrease) in accounts payables	565,568
Increase (decrease) in due to ther g overnments	(258,507)
Increase (decrease) in retention payable	54,810
Net cash used in operat ng act vit es	$ (17,634,117)

See accompanying n tes to the financial statements.

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 administration and management of the Pacific Surfliner train service. The train equipment used in the LOSSAN Rail Corridor service is owned by the State of California and the train service is operated by the National Railroad Passenger Corporation (Amtrak) under contract to the LOSSAN Agency. The railroad track is owned by Burlington Northern and Santa Fe Railway (BNSF), Union Pacific Railroad Company (UPPR), Metrolink, and North County Transit District. 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 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, and fare revenue subsidies provided by the Santa Barbara County Association of Governments (SBCAG) associated with retimed train service from Ventura to Santa Barbara and Goleta. 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, 2021. 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

Restricted cash includes grant funds received from the California Office of Emergency Services (CalOES) to be used for security and safety enhancements of rail facilities. It also includes State Rail Assistance (SRA) grant funds to be used for various rail service improvements throughout the rail corridor.

The LOSSAN Agency has setup an Operating Reserve Fund in accordance with the ITA. 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. As of June 30, 2021, the Operating Reserve Fund balance is $3,939,785. These funds are reported in restricted cash and will be used to cover any unanticipated Amtrak operating expenses during fiscal year 2021.

(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, 2020, 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

Beginning in September 2018, the LOSSAN Agency entered into a fixed interest investment repurchase agreement with Bank of the West, in which the daily balance of its checking account is transferred into an overnight sweep account. Under the repurchase agreement, the LOSSAN Agency earns a fixed interest rate on the daily amount transferred to the sweep account, regardless of any fluctuation in the market price of the underlying securities purchased by the bank. The funds are collateralized by a U.S. Treasury note. During fiscal year 2021 the bank decreased the interest rate to 0%. During fiscal year 2021, the LOSSAN

Agency terminated the overnight sweep out of the checking account. As of June 30, 2021, the checking account interest rate was 0%.

The LOSSAN Agency has a money market deposit account with Bank of the West. As of June 30, 2021, the interest rate was .10%.

(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, 2021 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		(20,172)	(34,580)	-	(54,752)
Total depreciable capital assets, net		152,728	(34,580)	-	118,148
Total capital assets, net		$ 152,728	$ (34,580)	$ -	$ 118,148

5. Prepaid Expense

The LOSSAN Agency pays Amtrak on a monthly basis for providing train and bus feeder services. The amount paid is a contractual amount based on Amtrak's anticipated annual costs of operating the service net of projected passenger fares that will be collected. Actual amounts are reconciled on a monthly basis within forty-five days following the end of the month. Any surplus or deficits are applied to the following month's invoice. See note 9 for more information on contracted services for train operations. Through the reconciliation of actual expenses through June 30, 2021, the LOSSAN Agency has $455,871 in prepaid expenses to Amtrak that will be applied to fiscal year 2021-22 operating expenses.

6. Due From Other Governments

Due from other governments primarily consists of amounts due to the LOSSAN Agency from Caltrans DRMT for grant revenue related contributions for railroad improvements along the northern end of the corridor. The grant reimbursements category includes reimbursements for on-time performance and track maintenance, the transit transfer program and professional services for layover facility enhancements. Due from other governments also includes amounts due from Caltrans DRMT for Amtrak-owned railcar equipment improvements as well as amounts from SBCAG for fare revenue subsidies. Amounts in due from other governments are detailed in the table below.

Due from Caltrans DRMT for railroad improvements	$40,024,736
Due from Caltrans DRMT grant reimbursements	1,180,035
Due from Caltrans DRMT for railcar improvements	512,539
Due from SBCAG fare revenue subsidy	26,531
Total	$ 41,743,841

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 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, 2021.

Due to NCTD for performance and maintenance	$	1,051,921
Due to OCTA for administrative services		920,982
Due to transit agencies for transit transfer program		3,678
Total	$	1,976,581

8. Unearned Revenue

Unearned revenue consists of amounts received from the State for fiscal year 2021 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 grant revenue from the CalOES for facility security and safety enhancements, and SRA grant revenues. The table below shows detail of unearned revenue as of June 30, 2021.

Unearned grant revenue	$	18,728,000
Unearned advanced train operating funds		6,304,169
Unearned administrative funds		1,752,410
Unearned advanced marketing funds		1,207,853
Total	$	27,992,432

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. An agreement was entered into which covers the time period between October 1, 2019 through September 30, 2020. Following the end of the term, the agreement allows the continuation of service up to six months or until a new annual agreement is executed. Given the uncertainty of future ridership and service levels due to events surrounding COVID-19, the operating agreement was amended to continue the agreement through November 30, 2021. A new agreement was entered into effective October 1, 2021, through September 30, 2022.

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 the following month's invoice. The actual net expense for train operations as of June 30, 2021 is $12,941,671 net of adjustments due to year end reconciliation with Amtrak from results of operations.

During fiscal years 2020 and 2021, Amtrak was a recipient of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding that was passed by Congress and signed into law by the President on March 27, 2020. Through a grant with the Federal Railroad Administration (FRA), Amtrak received $1.02 billion, of which $239 million in funding was made available to Amtrak in lieu of an increase in payments from State-supported intercity passenger rail routes. The legislation contained language that placed a cap on the amount Amtrak can charge State-supported routes for federal fiscal year 2020 (October 1, 2019 through September 30, 2020), which limited the amount to 80% of the federal fiscal year 2019 amounts charged. Beginning in March 2020, Amtrak applied a credit to monthly invoices to adjust the net expenses due after CARES Act funding is applied. The CARES Act funding was fully exhausted during fiscal year 2021.

During fiscal year 2021, additional federal relief funding for State-supported intercity passenger rail was passed by Congress through the Coronavirus Response and Relief Supplemental Appropriations Act (CRSSAA) (signed into law December 27, 2020), and the American Rescue Plan Act (ARPA) (signed into law March 11, 2021). During fiscal year 2021, CRSSAA funds were applied by Amtrak to each month's totalnet operating expenses and will continue until CRSSAA funds are fully exhausted. After the CRSSAA funds are fully exhausted, Amtrak will start applying ARPA funds to each month's net operating expenses. Both CRSSAA and ARPA will provide approximately $28,355,073 each directly to Amtrak to offset the net operating costs for the Pacific Surfliner.

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, 2021 are detailed in the table on the following page.

Administrative Services	$ 4,120,684
Marketing Expenses	452,247
Professional Services	442,484
Insurance	50,666
Legal Services	49,616
Audit Services	42,800
Other Business Expenses	8,257
Travel	228
Total	$ 5,166,982

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.

During fiscal year 2021, Caltrans provided the LOSSAN Agency additional funding for one-time costs associated with upgrading the interiors and Wi-Fi equipment of various railcars.

12. Grants for Transit Programs

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

Beginning in June 2016, the LOSSAN Agency initiated a Pacific Surfliner Transit Transfer Program (Program) on a one-year pilot basis and has since continued the program. The Program allows Pacific Surfliner passengers to transfer to connecting transit services by presenting a valid Pacific Surfliner ticket. The program is funded by a Transit and Intercity Rail Capital Program (TIRCP) grant awarded by the California State Transportation Agency. The California Transportation Commission (CTC) approved the allocation of $1,675,000 for this pilot program. As of June 30, 2021, the total receivable is $42,378 and is included as part of due from other governments. The California Department of Transportation approved an extension for the use of grant funding to continue the program through June 30, 2021.

During 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, including the replacement of five railway bridges, constructing additional double track, station and safety enhancements, signal and switch upgrades, planning studies to improve coordination between all trains operating on the corridor, as well as funding for on-time performance incentives and host railroad access on the northern end of the corridor. The original grant award included funding for the leasing of rail equipment, which will now be used for the projects mentioned above. For the majority of the projects, other transportation agencies will serve as the lead agency for the projects and will receive the grant funding directly. The LOSSAN Agency will be the lead agency for the planning studies and on-time performance incentive and host railroad access projects. The LOSSAN Agency began a corridor wide optimization study in fiscal year 2019. During fiscal year 2021, total expenses for this project were $130,794. As of June 30, 2021, a receivable in the amount of $61,429 is recorded in due from other governments.

During 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 is 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 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 of the corridor, the program of projects includes signal improvements, host railroad on-time performance incentives and installing new fencing in San Diego County. During fiscal year 2020, the LOSSAN Agency entered into an agreement with host railroad track owner Union Pacific, to implement the program of projects on the northern end of the corridor to support future service expansion. The majority of these projects began in fiscal year 2021, with expenses incurred totaling $35149,959, with a matching receivable in due from other governments. One of the projects, the Narlon bridge project, began in fiscal year 2020 and is also funded by Proposition 1B. This is described in more detail under the Proposition 1B section.

The projects on the southern end of the corridor for signal improvements and fencing will be implemented by other agencies and grant funding will be drawn down directly by those agencies. For fiscal year 2021, the LOSSAN Agency has recorded approximately $1.5 million in expenses related to an agreement with the NCTD for on-time performance and track maintenance. A receivable in the amount of $370,633 is recorded in due from other governments for reimbursements due from the State as of June 30, 2021.

During 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, and environmental review, design, and construction of an expanded maintenance and layover facility in San Luis Obispo (Central Coast Layover facility). During fiscal year 2020, a site feasibility study was initiated for the San Diego layover facility, which was funded by administrative funding. Additionally, during fiscal year 2020, work was initiated to prepare the project report and environmental document (PR&ED) for the Central Coast Layover facility, which is funded by State Transportation Improvement Program grant funds (STIP). Significant progress has been made on the PR&ED phase of the Central Coast Layover Facility, with completion of the phase expected by June 2022. During fiscal year 2021, total expenses related to the project totaled $918,691. As of June 30, 2021, receivables in the amount of $286,179 are recorded in due from other governments.

(b) California Office of Emergency Services (CalOES)

The LOSSAN Agency was awarded grants from CalOES for security and safety enhancements for rail facilities in prior fiscal years totaling $7,171,080. To date, $4,321,576 has been recognized as revenue to offset program expenses, including $531,243 in fiscal year 2021, leaving a balance of $2,849,504 in unearned revenue.

(c) State Rail Assistance (SRA)

The LOSSAN Agency was awarded SRA funding in the amount of $13,100,000 through the June 2020 allocation period. Funding for this program comes from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017. The program funds are being used to improve rail service along the LOSSAN corridor, and includes projects for the San Luis Obispo platform repair, a refresh of business class equipment, improvements at the Grover Beach station, and corridor optimization software. The LOSSAN Agency has also obtained approval to use the funds for future continued operations of the Pacific Surfliner service if needed. When the final allocation was approved, the LOSSAN Agency was awarded an additional $754,547, bringing the total to $13,854,547. During fiscal year 2021, $9,418,763 was received in SRA funds, of which $69,570 of SRA related expenses were incurred during fiscal year 2021.

In FY 2021, the LOSSAN Agency was awarded $29,800,000 in round two SRA funding for four projects. The projects are an update to the LOSSAN Strategic Plan, various safety and corridor hardening improvements on the north corridor, the Interregional Connectivity Improvement Project, and funds for equipment replacement. As part of the $9,418,763 in funds received during fiscal year 2021, $2,161,708 was received for this project . This entire amount was reclassed to unearned revenue as of June 30, 2021.

In March of 2019, CalSTA awarded the LOSSAN Agency $718,750 of additional competitive SRA funds to complete a corridor integrated signage and wayfinding program. As part of the $9,418,763 in funds received during fiscal year 2021, $42,582 was for this project. This amount is included in unearned revenue, as this project was not initiated during fiscal year 2021. As of June 30, 2021, the balance in total SRA unearned revenue is $15,878,496.

(d) State Transportation Improvement Program (STIP)

During fiscal year 2019, the California Transportation Commission (CTC) approved $3,500,000 in State Transportation Improvement Program (STIP) funds to advance the Central Coast Layover Facility Expansion project through project approval and environmental documents. The funding will be used to identify a preferred location and configuration, design and environmentally clear a new or expanded layover and light maintenance facility for the Pacific Surfliner intercity passenger rail service. Funds for this project are provided on a reimbursement basis. During fiscal year 2021, $918,691 in project expenses and relating grant revenue reimbursements have been recorded. As of June 30, 2021, $190,912 is recorded in receivable within due from other governments.

(e) Proposition 1B Funds

The LOSSAN Agency has been awarded $35 million by the California Air Resources Board for the Los Alamos Creek (Narlon) bridge replacement ($15,526,000) and an interim San Luis Obispo Layover facility expansion project ($1,600,000). The Narlon bridge replacement project will replace the current bridge built in 1895 at the San Antonio Creek crossing at Vandenberg Air Force Base. This project, as well as preliminary engineering for the San Luis Obispo Layover facility expansion will be implemented by Union

Pacific under the agreement for infrastructure improvement projects on the northern end of the corridor to support future service expansion. Through June 30, 2021, total expenses incurred for work on the Narlon bridge is $4,379,068, and $31,035 for the San Luis Obispo Layover facility. A matching receivable has been recorded in due from other governments.

13. Commitments and Contingencies

Commitments

The LOSSAN Agency has various outstanding contracts. Total outstanding purchase commitments on June 30, 2021 were $139,745,865. The most significant commitment is with Union Pacific for $108,053,884 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 $23,838,491 which includes $20,230,495 for train operations and bus feeder services, $3,018,903 for various facility safety and security improvements, $329,966 for minor capital projects and $259,127 for design services for expansion of the Goleta layover facility. Purchase commitments for professional marketing services total $4,219,717, while administrative and other professional services total $136,980. This amount does not include a value for the administrative services agreement with OCTA, as this is an actual cost based reimbursable agreement.

Other purchase commitments with various vendors total $3,063,240 and include professional services for a corridor optimization study, San Diego layover facility study, Central Coast layover facility environmental document and on-call program management support services. Outstanding purchasing agreements for cooperative agreements are in place with NCTD for on-time incentive and maintenance agreement totaling $62,219 and with other transit agencies for the Transit Transfer Program totaling $371,334 as of June 30, 2021. The Transit Transfer Program agreements are also on a reimbursement basis, where the LOSSAN Agency is only billed when passengers use the program.

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 2021, the amount being disputed is approximately $264,000. 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 2021 is approximately $1,787,000.

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.

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 26% 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. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement was effective for the LOSSAN Agency's fiscal year ending June 30, 2021 but was postponed by per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement is now effective for the LOSSAN Agency's fiscal year ending June 30, 2022. The LOSSAN Agency has not determined the effect of this Statement.

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 the LOSSAN Agency'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 LOSSAN Agency has not determined the effect of this Statement.

GASB Statement No. 92

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Paragraphs 4, 5, 11 and 13 of this Statement are effective immediately. The remaining paragraphs of this Statement were effective for the LOSSAN Agency's fiscal year ending June 30, 2021, but were postponed by one year per GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The implementation of paragraphs 4, 5, 11 and 13 of this Statement did not have a material effect on the financial statements. The LOSSAN Agency has not determined the effect of the remaining paragraphs of this Statement.

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 the LOSSAN Agency's fiscal year ending June 30, 2023. The LOSSAN Agency has not determined the effect of this Statement.

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). This Statement is effective for the LOSSAN Agency's fiscal year ending June 30, 2023. The LOSSAN Agency has not determined the effect of this Statement.

GASB Statement No. 97

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Paragraphs 4 and 5 of this Statement are effective immediately, and the remaining paragraphs of this Statement are effective for the LOSSAN Agency's fiscal year ending June 30, 2022. The implementation of paragraphs 4 and 5 of this Statement did not have a material effect on the financial statements. The LOSSAN Agency has not determined the effect of the remaining paragraphs of this Statement.

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, 2021, 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 December 22, 2021.

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 may exist that have not been identified.

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

Crowe LLP

Costa Mesa, California
December 22, 2021