



15/91 Express Lanes Connector



15/91 Express Lanes Connector



91 Express Lanes



91 Express Lanes



FISCAL YEAR ENDED
JUNE 30, 2023

RCTC 91 EXPRESS LANES FUND

FINANCIAL STATEMENTS

(Enterprise Fund of the
Riverside County Transportation Commission)

Riverside County Transportation Commission
Riverside County, California

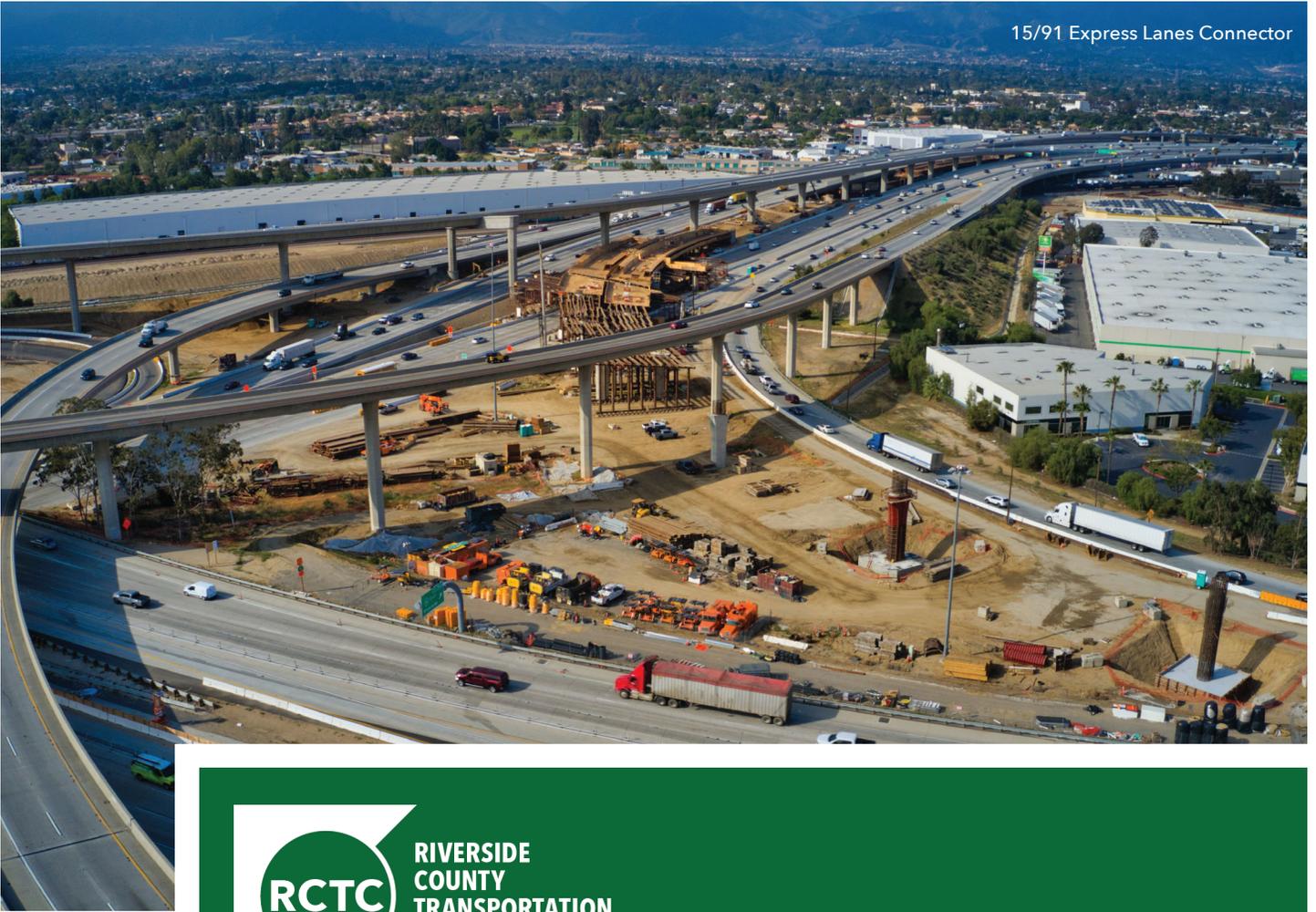


RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Financial Statements
For the Year Ended June 30, 2023

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RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION

INDEPENDENT AUDITOR'S REPORT





CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Commissioners
Riverside County Transportation Commission
Riverside, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the RCTC 91 Express Lanes Fund (the Fund), an enterprise fund of the Riverside County Transportation Commission (the Commission) as of and for the year ended June 30, 2023, and the related notes to the 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 RCTC 91 Express Lanes Fund of the Commission, as of June 30, 2023, and the changes in financial position and cash flows thereof 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). 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 Commission 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the RCTC 91 Express Lanes Fund and do not purport to, and do not, present fairly the financial position of the Commission as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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 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, 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 Commission'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.

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 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 GAAS, 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.


Eric Bailly LLP
Rancho Cucamonga, California
October 31, 2023



RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION

MANAGEMENT'S DISCUSSION & ANALYSIS



RCTC 91 Express Lanes Fund
Management's Discussion and Analysis
For the Year Ended June 30, 2023

As management of the RCTC 91 Express Lanes Fund (the Fund), an enterprise fund of the Riverside County Transportation Commission, we offer readers of the Fund financial statements this narrative overview and analysis of the Fund's financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider information on financial performance presented in conjunction with the financial statements that begin on page 11.

Financial Highlights

- At the end of fiscal year (FY) 2022/23, the total net position (deficit) of the Fund was (\$333,152,076) and consisted of net investment (deficit) in capital assets of (\$381,252,809), restricted net position for other post-employment benefits of \$171,632, and restricted net position of \$47,929,101.
- Net position (deficit) of (\$333,152,076) during FY 2022/23 reflects the position after the sixth full year of toll operations. Specifically, the net position deficit increased \$42,639,893 largely due to payments and expense accruals for operations and repair and rehabilitation costs. The eight-mile stretch between Interstate (I) 15 and the Orange/Riverside County line and a tolled direct connector reached substantial completion and opened to motorists on March 20, 2017.
- During FY 2022/23, operating income for the Fund totaled \$24,718,408. Positive operating income was due to operating revenues of \$73,335,918 which include toll, violation penalty, and account fee revenues along with Orange County Transportation Authority (OCTA) reimbursements. Total operating expenses of \$48,617,510 include roadway and toll systems maintenance, customer service, back-office operations, other support costs, and depreciation and amortization.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial statements are comprised of the Fund financial statements and notes to the financial statements.

The statement of net position presents information on all of the Fund's assets, liabilities, and deferred outflows/inflows of resources, 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 Fund is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the Fund'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. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents information on the cash flows related to operating, noncapital financing, capital and related financing, and investing activities.

The Fund financial statements can be found on pages 13-16 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 17-31 of this report.

RCTC 91 Express Lanes Fund
Management's Discussion and Analysis
For the Year Ended June 30, 2023

91 Express Lanes Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Fund's financial position. At June 30, 2023, the Fund's net position reflected a deficit of \$333,152,076. Our analysis below focuses on net position and changes in net position of the Fund's financial activities.

RCTC 91 Express Lanes Fund
Net Position

	2023	2022
Current and other assets	\$ 78,496,421	\$ 97,713,096
Restricted assets	94,326,728	96,659,743
Capital assets, net	250,014,357	246,296,153
Total assets	<u>422,837,506</u>	<u>440,668,992</u>
Deferred outflows of resources	15,102,893	15,575,869
Total assets and deferred outflows of resources	<u>437,940,399</u>	<u>456,244,861</u>
Current liabilities	38,029,725	15,522,016
Long-term liabilities	732,788,044	730,832,526
Total liabilities	<u>770,817,769</u>	<u>746,354,542</u>
Deferred inflows of resources	274,706	402,502
Total liabilities and deferred inflows of resources	<u>771,092,475</u>	<u>746,757,044</u>
Net position		
Net investment in capital assets	(381,252,809)	(387,552,790)
Restricted	48,100,733	97,040,607
Total net position (deficit)	<u>\$ (333,152,076)</u>	<u>\$ (290,512,183)</u>

FY 2022/23 represents the sixth full year of toll operations for the Fund. Total assets and deferred outflows of resources decreased \$18,307,462, or 4%, due primarily to decreases in cash and investments related to operations and repair and rehabilitation expenses. Total liabilities and deferred inflows of resources increased \$24,335,431 or 3%, primarily due to increases in operating and repair and rehabilitation expenses.

The Fund's net investment in capital assets reflects a deficit of \$381,252,809 and represents (114%) of the total net position (deficit) in FY 2022/23. The Fund's net position reflects its investment in capital assets (i.e., land and land improvements; buildings; toll infrastructure; equipment, furniture, and fixtures; transponders; and toll facility franchise), less any related outstanding debt used to acquire these assets. The Fund uses these capital assets, which include intangible assets, to provide improved mobility for the Fund customers and commuters along the State Route (SR)-91 corridor.

Restricted net position, representing resources subject to external restrictions on how they may be used, was \$48,100,733 and represents 14% of the total net position at June 30, 2023.

RCTC 91 Express Lanes Fund
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The analysis below focuses on the changes in net position.

RCTC 91 Express Lanes Fund
Changes in Net Position

	2023	2022
Operating revenues		
Toll, penalties, and fees	\$ 73,335,918	\$ 65,119,434
Total operating revenues	<u>73,335,918</u>	<u>65,119,434</u>
Operating expenses		
Management and operational services	11,153,921	10,471,038
Administrative overhead	1,759,600	1,127,200
Other operating expenses	26,681,088	4,140,069
Professional services	1,159,216	1,751,986
General and administrative	1,592,122	4,323
Depreciation and amortization	6,271,563	9,713,760
Total operating expenses	<u>48,617,510</u>	<u>27,208,376</u>
Operating income	<u>24,718,408</u>	<u>37,911,058</u>
Nonoperating revenues (expenses)		
Investment income (loss)	4,391,910	(3,022,688)
Interest expense	(24,612,767)	(24,395,855)
Cost of issuance	-	(3,783,480)
Loss on refunding	-	(6,733,662)
Capital expenses	(2,498)	-
Gain (loss) on sale of capital assets	-	(7,341,950)
Total nonoperating revenues (expenses)	<u>(20,223,355)</u>	<u>(45,277,635)</u>
Income before transfers	4,495,053	(7,366,577)
Transfers from (to) the Commission, net	<u>(47,134,946)</u>	<u>2,316,546</u>
Change in net position	(42,639,893)	(5,050,031)
Total net position at beginning of year (deficit)	(290,512,183)	(285,462,152)
Total net position at end of year (deficit)	<u>\$ (333,152,076)</u>	<u>\$ (290,512,183)</u>

The Fund's total operating revenues increased \$8,216,484, or 13%, due to higher toll and violation revenues, resulting from periodic toll rate changes based on traffic volumes according to the toll policy. During FY 2022/23 periodic toll rate changes were made based on changes in traffic volumes according to the approved toll policy. Total operating expenses increased \$21,409,134, or 79%, primarily due to increases in repair and rehabilitation costs. Nonoperating expenses (net of nonoperating revenues) decreased \$25,054,280, or 55%, primarily due to the one-time debt issuance for the 2021 Toll Revenue Refunding Bonds issued in the previous year to pay the 2013 Toll Revenue Bonds and prepayment of the TIFIA loan with the issuance of the 2021 Toll Revenue Refunding Bonds. Net transfers to the Commission increased by \$49,451,492 as a result of the transfer of surplus funds for the 15/91 Express

RCTC 91 Express Lanes Fund
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Lanes project completion. Total traffic volume on the RCTC 91 Express Lanes Fund during FY 2022/23 was approximately 16,689,800 trips compared to 16,779,000 trips in FY 2021/22.

Transfer of surplus funds are related to the accumulation of prior year revenues and not a current year operating revenue transfer. The 91 Express Lanes surplus revenues will meet its funding commitment in the upcoming fiscal year.

Capital Assets

As of June 30, 2023, the Fund had \$250,014,357, net of accumulated depreciation and amortization, invested in a broad range of capital assets including: land and land improvements; construction easements; construction in progress; buildings; toll infrastructure comprised of communication equipment and computer hardware and software; equipment, furniture, and fixtures; toll facility franchise; leased assets, and transponders. The increase of \$3,718,204, or 2%, was due to the increase in construction in progress and transfer of excess land, offset by the decrease in toll facility franchise due to depreciation.

RCTC 91 Express Lanes Fund
Capital Assets, Net of Depreciation and Amortization

	2023	2022
Capital assets not being depreciated:		
Land and land improvements	\$ 18,678,656	\$ 11,431,881
Construction easements	206,307	206,307
Construction in progress	6,229,120	4,614,768
Capital assets being depreciated and amortized:		
Toll infrastructure	4,515,784	4,436,388
Toll facility franchise	219,713,090	224,735,103
Transponders	-	9,888
Buildings	378,010	514,764
Equipment, furniture, and fixtures	11,578	16,231
Right to use lease assets being amortized:		
Buildings	281,812	330,823
Total capital assets, net	<u>\$ 250,014,357</u>	<u>\$ 246,296,153</u>

More detailed information about the Fund's capital assets is presented in note 4 to the financial statements.

Debt Administration

As of June 30, 2023, the Fund had \$734,891,709 outstanding in toll revenue bonds. The increase of \$1,857,245, or less than 1%, is due to the increases in the compounded and accreted interest on the toll-supported long-term debt, including premium.

RCTC 91 Express Lanes Fund
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

RCTC 91 Express Lanes Fund
Outstanding Debt

	2023	2022
Toll revenue bonds	\$ 734,891,709	\$ 733,034,464
Total outstanding debt	<u>\$ 734,891,709</u>	<u>\$ 733,034,464</u>

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

Economic and Other Factors

The Fund makes up \$74,435,400 or 9% of Commission’s FY 2023/24 revenue budget. In FY 2023/24, toll and non-toll revenues are forecasted to increase by 16% over the FY 2022/23 budget. This increase is based on estimated toll transactions and current traffic and revenue data. The RCTC 91 Express Lanes have exceeded initial financing expectations, and the Commission’s traffic consultant updated the investment grade and traffic and revenue study in December 2018. The average projected long-term rate of growth for toll road revenues beyond FY 2023/24 is 5.03%.

The majority of expenses related to the Fund within FY 2023/24 budget are on-going general costs related to day-to-day operations of the toll facility. As a fully electronic toll facility, motorists pay tolls through the convenient use of FasTrak® transponders that automatically deduct toll charges from a prepaid account.

Under a cooperative agreement entered into with OCTA in December 2011, the RCTC 91 Express Lanes are jointly operated with the OCTA 91 Express Lanes and collectively referred to as the 91 Express Lanes. The Commission and OCTA agreed on the use of the same initial operator, cost and revenue sharing, business rules, interoperability of technology, and shared marketing activities. The joint operation allows for the sharing of costs and a seamless customer experience.

Contacting 91 Express Lane’s Management

This financial report is designed to provide a general overview of the Fund’s finances for all those with an interest in the government’s finances and to demonstrate the Fund’s accountability for the money it receives. Questions concerning any of the information provide in this report or requests for additional information should be addressed to the Chief Financial Officer, Finance Department at the Riverside County Transportation Commission, 4080 Lemon Street, 3rd Floor, P.O. Box 12008, Riverside, CA 92502-2208.





RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION

FINANCIAL STATEMENTS



RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Statement of Net Position
June 30, 2023

Assets	
Current assets:	
Cash and investments	\$ 74,321,586
Receivables	
Accounts	2,500,377
Interest	1,448,791
Violations	33,668
Prepaid expenses	137,697
Total current assets	<u>78,442,119</u>
Noncurrent assets:	
Restricted cash and investments	94,326,728
Net other post-employment benefits assets	54,302
Capital assets, net	
Nondepreciable	25,114,083
Depreciable and amortizable	224,618,462
Right to use lease asset	281,812
Total noncurrent assets	<u>344,395,387</u>
Total assets	<u>422,837,506</u>
Deferred outflows of resources	
Pension benefits	707,709
Other post-employment benefits	158,076
Loss on refunding bonds	14,237,108
Total assets and deferred outflows of resources	<u>437,940,399</u>
Liabilities	
Current liabilities:	
Accounts payable	9,276,311
Interest payable	1,852,837
Due to other Commission funds	24,247,520
Other liabilities	536
Compensated absences liability	69,199
Lease payable	45,947
Bonds payable - due within one year	2,537,375
Total current liabilities	<u>38,029,725</u>
Noncurrent liabilities:	
Net pension liabilities	143,988
Compensated absences liability	44,493
Lease payable	245,229
Bonds payable - due in more than one year	732,354,334
Total noncurrent liabilities	<u>732,788,044</u>
Total liabilities	<u>770,817,769</u>
Deferred inflows of resources	
Pension benefits	233,960
Other post-employment benefits	40,746
Total liabilities and deferred inflows of resources	<u>771,092,475</u>
Net position	
Net investment (deficit) in capital assets	(381,252,809)
Restricted for other post-employment benefits	171,632
Restricted for express lanes	47,929,101
Total net position (deficit)	<u>\$ (333,152,076)</u>

See notes to financial statements

RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Statement of Revenues, Expenses and Change in Fund Net Position
For the Year Ended June 30, 2023

Operating revenues		
Tolls, penalties, and fees	\$	73,335,918
Operating expenses		
Management and operational services		11,153,921
Administrative overhead		1,759,600
Other operating expenses		26,681,088
Professional services		1,159,216
General and administrative expenses		1,592,122
Depreciation and amortization		6,271,563
Total operating expenses		<u>48,617,510</u>
Operating income		<u>24,718,408</u>
Nonoperating revenues (expenses)		
Investment income (loss)		4,391,910
Interest expense		(24,612,767)
Capital expenses		(2,498)
Total nonoperating revenues (expenses)		<u>(20,223,355)</u>
Income before transfers		4,495,053
Transfers		
Contributions from Commission governmental funds		7,246,775
Transfers in from Enterprise funds		43
Transfers out to Commission governmental funds		(54,381,764)
Total transfers		<u>(47,134,946)</u>
Change in net position		(42,639,893)
Net position (deficit) at beginning of year		(290,512,183)
Net position (deficit) at end of year	\$	<u><u>(333,152,076)</u></u>

See notes to financial statements

RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities		
Receipts from customers and users	\$	69,746,783
Payments to vendors		(34,870,474)
Payments to employees		(1,077,086)
Payments for RCTC interfund services used		(1,099,448)
Net cash provided by operating activities		32,699,775
Cash flows from noncapital financing activities		
Transfers of surplus funds to governmental activities		(30,669,088)
Net cash used for noncapital financing activities		(30,669,088)
Cash flows from capital and related financing activities		
Interest paid on long-term debt		(22,201,017)
Acquisition of capital assets		(2,739,025)
Net cash used for capital and related financing activities		(24,940,042)
Cash flows from investing activities		
Interest		3,075,499
Net cash provided by investing activities		3,075,499
Net increase in cash and cash equivalents		(19,833,856)
Cash and cash equivalents at beginning of year		190,032,778
Cash and cash equivalents at end of year	\$	170,198,922
Reconciliation of cash and cash equivalents to statement of net position		
Cash and investments	\$	74,321,586
Add: fair value adjustment		1,550,608
		75,872,194
Restricted cash and investments		94,326,728
Total cash and cash equivalents	\$	170,198,922

See notes to financial statements

RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Statement of Cash Flows, Continued
For the Year Ended June 30, 2023

Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income	\$	24,718,408
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation and amortization expense		6,271,563
Change in assets and liabilities		
(Increase) Decrease in violations receivables		10,198
(Increase) Decrease in other receivables, net		(75,839)
(Increase) Decrease in due from other Commission funds		2,547,235
(Increase) Decrease in prepaid assets		20,096
Increase (Decrease) in pension and post-employment benefit assets, net of deferred items		472,182
Increase (Decrease) in accounts payable		(1,387,424)
Increase (Decrease) in due to other Commission funds		95,042
Increase (Decrease) in compensated absences liability		28,314
Total adjustments		<u>7,981,367</u>
Net cash provided by operating activities	\$	<u><u>32,699,775</u></u>
Noncash capital, financing and investing activities		
Amortization of bond premium	\$	2,537,375
Amortization of loss on bond refunding		(547,581)
Accrued and compounded interest		4,394,620
Net increase in the fair value of investments		169,727
Contributions from governmental activities		7,246,775

See notes to financial statements

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 1. Reporting Entity

After more than a decade of work, which includes approximately three years of construction, the Riverside County Transportation Commission (Commission) achieved substantial completion on the SR-91 Corridor Improvement (91 Project) on March 20, 2017, including express lane and general-purpose lane improvements. In achieving substantial completion, the RCTC 91 Express Lanes opened to traffic and tolling commenced. The RCTC 91 Express Lanes cover an eight-mile stretch on SR-91 between I-15 and the Orange/Riverside County line and a tolled direct connector.

The RCTC 91 Express Lanes Fund (Fund) is reported as a major enterprise fund in the Commission's basic financial statements. The accompanying financial statements present the net position, changes in net position, and cash flows of the Fund only. They do not purport to, and do not, present the overall financial position of the Commission or its changes in net position as of June 30, 2023.

Note 2. Summary of Significant Accounting Policies

The accounting policies of the Fund 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.

Basis of Accounting: The financial statements of the Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll revenue is recognized when the customers utilize the toll road facility and payment is collected.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal and ongoing operations. The principal operating revenues of the Fund are charges to customers for use of the toll facility. Operating expenses for the Fund include the cost of services, administrative expenses, and depreciation and amortization on capital and intangible assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Violations: Violations consist of uncollected violation tolls and penalties. Unpaid violations of \$65,411,641 as of June 30, 2023 are not recognized as revenue until payment is received. If violations and penalties remain owed for more than 90 days, they are turned over to the collection agency. Unpaid violations remain recorded for a period of four years in accordance with the statute of limitations, at which time, they will be deemed uncollectible.

Cash and investments: The Commission maintains cash and investments in accordance with the Investment Policy adopted by the Board of Commissioners in December 2022. The Investment Policy complies with the California Government Code (Code). Investments of bond proceeds as permitted by the applicable debt documents are maintained with U.S. Bank as trustee. Separate investment accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. The Fund participates in the Riverside County Pooled Investment Fund (RCPIF). Cash from other Commission revenue sources is commingled for investment purposes in the RCPIF, with investment earnings allocated to the different accounts based on average daily account balances.

The Commission holds investments that are measured at fair value on a recurring basis. Investments in U.S. Treasury obligations, U.S. agency securities, corporate notes, mortgage and asset-backed securities, and municipal bonds are carried at fair value based on quoted market prices, except for money market investments, which are carried at amortized cost which approximates fair value. The RCPIF is carried at fair value based on the value of each participating dollar as provided by RCPIF.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 2. Summary of Significant Accounting Policies, Continued

Cash and cash equivalents: For the purpose of the statement of cash flows, the Commission considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, commercial paper notes, money market funds, negotiable certificates of deposit, and the Fund's share of the RCPIF represent cash and cash equivalents for cash flow purposes.

Restricted cash and investments: Investments set aside in the Senior Lien Obligations Reserve Fund, Senior Lien Capitalized Interest Fund, Senior Lien Principal Fund, Senior Lien Interest Fund, Second Lien Obligation Reserve Fund, Repair and Rehabilitation Fund, and Toll Revenue Fund are pursuant to the terms of the 2013 Indenture, as amended by the fourth Supplemental Indenture and its use is limited by applicable debt terms and conditions.

Permitted investments per the debt indentures include government obligations, State of California and local agency obligations, banker's acceptances, commercial paper notes, negotiable certificates of deposit, repurchase agreements, money market funds, other mutual funds, investment agreements, RCPIF, and variable and floating rate securities.

Receivables: Accounts receivables include amounts due from other California toll road agencies related to their customers' use of the RCTC 91 Express Lanes, as well as amounts owed from the Orange County Transportation Authority (OCTA) in accordance with a cooperative agreement.

Capital assets: Capital assets include land and land improvements; construction easements; construction in progress; toll infrastructure; buildings; equipment, furniture, and fixtures; leased assets, toll facility franchise; and transponders. Capital assets are defined by the Fund as assets with an initial, individual cost of more than \$100,000 and a useful life in excess of three years. It is also the Fund's policy to capitalize transponder purchases, as they are considered a significant class of assets even though individually under \$100,000. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

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

Asset Type	Useful Life
Buildings	10 years
Equipment, furniture and fixtures	3 to 5 years
Temporary construction easements	1 to 3 years
Toll facility franchise	50 years
Toll infrastructure	5 to 10 years
Transponders	5 years

In May 2012 the Commission entered into a toll facility agreement with California's Department of Transportation (Caltrans) and obtained authority to toll the SR-91 from the Orange County/Riverside County line to I-15 for 50 years commencing as of the first day on which the RCTC 91 Express Lanes open for public use and toll operations. The RCTC 91 Express Lanes opened on March 20, 2017.

Right to use lease assets: The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease asset into place. The right to use assets are amortized on a straight-line basis over the life of the related lease.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 2. Summary of Significant Accounting Policies, Continued

Deferred outflows of resources: In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. As of June 30, 2023, the Fund has deferred outflows of resources related to pension, other post-employment benefits (OPEB), and loss on refunding bonds.

Due to other Commission funds: During the course of operations, transactions occur between Commission governmental funds involving goods provided and services rendered.

Compensated absences: Vacation hours accumulated and not taken at year-end is reported as a long-term liability, net of current portion, in the Fund.

Sick leave is recorded as an expense when taken by the employee. Employees with continuous five years of service have the option of being paid for sick leave accumulated in excess of 240 hours at a rate of 50% (i.e., one hour's pay for every two hours in excess of 240). Any sick leave in excess of 240 hours is accrued at fiscal year-end, and a liability is reported in the Fund.

Pensions: For purposes of measuring the net pension liabilities and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Commission's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deduction from Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Post-employment benefits other than pensions: For purposes of measuring the net OPEB asset, deferred outflows/inflows of resources related to the OPEB asset and OPEB expense, information about the fiduciary net position of the Commission's OPEB plan, and additions to/deductions from the OPEB fiduciary net position have been determined on the same basis as they are reported by California Employers' Retiree Benefit Trust administered by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value, except for money markets and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which is reported at cost.

Lease Payable: During the year ended June 30, 2023, the Fund recognized lease liabilities of \$291,176. The liability is the right to use leased building.

Deferred inflows of resources: In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources, or revenue, until then. The Fund has deferred inflows of resources related to pension and other post-employment benefits.

Risk management: The Fund purchases commercial property insurance including business interruption, earthquake, and flood coverage related to the toll facility.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 2. Summary of Significant Accounting Policies, Continued

Net position: Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and is classified into two categories:

- *Net investment (deficit) in capital assets* consists of capital and intangible assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets and excludes unspent debt proceeds.
- *Restricted net position* represents restricted assets less liabilities related to those assets. Restricted assets are recorded when there are limitations imposed by creditors (such as through debt covenants). The statement of net position includes restricted net position for the portion of net toll revenues restricted by the 2013 Master Indenture, as amended by the fourth Supplemental Indenture for toll operations.

The deficit in net investment in capital assets will be reduced by future toll revenues for the payment of outstanding toll obligations.

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

Note 3. Cash and Investments

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

Cash in bank	\$	158,301
Investments		
With RCIPIF		74,163,285
With Trustee		94,326,728
Total investments		168,490,013
Total cash and investments	\$	168,648,314

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

Unrestricted cash and investments	\$	74,321,586
Restricted cash and investments		94,326,728
Total cash and investments	\$	168,648,314

Fair Value Hierarchy: The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active; and Level 3 inputs are significant unobservable inputs (the Commission does not value any of its investments using Level 3 inputs).

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 3. Cash and Investments, Continued

The following is a summary of the fair value hierarchy of the fair value of investments of the Fund as of June 30, 2023:

Investments by fair value level:	June 30, 2023	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments subject to fair value hierarchy:			
Mortgage and asset-backed securities	\$ 24,946,257	\$ -	\$ 24,946,257
U.S. Treasury obligations	10,398,542	10,398,542	-
Money market mutual funds	36,924,631	36,924,631	-
U.S. agency securities	8,021,198	-	8,021,198
Corporate notes	10,396,376	-	10,396,376
Commercial paper	699,013	-	699,013
Municipal bonds	2,940,711	-	2,940,711
Total investments measured at fair value	94,326,728	\$ 47,323,173	\$ 47,003,555
Investments not subject to fair value hierarchy:			
RCPIF	74,163,285		
Total investments	\$ 168,490,013		

Investments classified in Level 1 of the value hierarchy, valued at \$ 47,323,173 are valued using quoted prices in active markets.

Mortgage and asset-backed securities totaling \$24,946,257, U.S. agency securities totaling \$8,021,198, corporate notes totaling \$10,396,376, commercial paper totaling \$699,013, and municipal bonds totaling \$2,940,711, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

As of June 30, 2023, the Fund has the following investments:

Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
RCPIF	\$ 74,163,285	\$ 75,713,893	0.210% - 6.00%	6/30/23 - 6/30/28	1.300
Held by Trustee					
Commercial paper	699,013	693,070	5.483	7/10/23	0.027
Corporate notes	10,396,376	10,530,157	0.350% - 5.896%	10/26/23 - 10/15/27	1.571
Money market mutual funds	36,924,631	36,924,631	4.556% - 4.706%	N/A	20 days or 0.055
Mortgage and asset-backed securities	24,946,257	25,933,742	0.983% - 5.223%	7/25/23 - 9/16/55	6.232
Municipal bonds	2,940,711	2,957,019	0.654% - 4.585%	7/1/23 - 11/1/30	2.116
U.S. agency securities	8,021,198	8,130,448	0.657% - 5.757%	4/8/24 - 11/16/28	1.451
U.S. Treasury obligations	10,398,542	10,639,644	0.127% - 2.343%	10/15/23 - 8/15/30	1.191
Total Investments	\$ 168,490,013	\$ 171,522,604			
			Unrestricted investment portfolio weighted average		12.372

The weighted average maturity is calculated using the investment's effective duration weighted by the investment's fair value.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 3. Cash and Investments, Continued

As of June 30, 2023, mortgage and asset-backed securities totaled \$24,946,257. The underlying assets are consumer receivables that include credit cards, auto/equipment, and home loans. The securities have a fixed interest rate and are rated Aaa/AAA by least two of the three nationally recognized statistical rating organizations.

Deposits and withdrawals in the RCPIF are made on the basis of \$1.00 (cost basis) and not fair value. Accordingly, the Fund's investment at June 30, 2023 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

Interest rate risk: While the Commission does not have a formal policy related to the interest rate risk of investments, the Commission's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. In accordance with the Commission's investment policy, restricted investments are invested in accordance with the maturity provisions of the specific bond indenture, which may extend beyond five years.

Custodial credit risk: Custodial credit risk for deposits 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. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Commission's investment policy requires that a third-party bank trust department hold all securities owned by the Commission. All trades are settled on a delivery versus payment basis through the Commission's safekeeping agent.

The Fund's cash deposits are included in the overall Commission's deposits. Bank balances over \$5,000,000 are swept daily into a money market account. Of the bank balance, up to \$250,000 is federally insured under the Federal Depository Insurance Corporation with balances in excess of \$250,000 collateralized in accordance with the Code; however, the collateralized securities are not held in the name of the Commission.

Credit risk: The Commission's investment policy as well as the specific bond indentures set minimum acceptable credit ratings for investments from any of the three nationally recognized statistical rating organizations. The following table is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each category's fair value at June 30, 2023; securities denoted as NR are not rated by one of the nationally recognized statistical rating organizations.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Investments	Moody's	S&P	% of Portfolio
RCPIF	Aaa-bf	NR	44.02%
Commercial paper			
Various	P-2	A-2	0.41%
Corporate	A1	A	0.68%
Notes	A1	A-	0.99%
Notes	A1	BBB+	0.36%
Notes	A2	A	0.60%
Notes	A2	A-	0.41%
Notes	A2	BBB+	0.06%
Notes	A3	A	0.27%
Notes	A3	A-	0.35%
Notes	AAA	AAA	0.23%
Notes	AAA	NR	0.47%
Notes	NR	A-1+	0.11%
Notes	NR	AAA	1.64%
Money market mutual funds			
Funds	AAA	AAA	21.92%
Mortgage and asset backed securities			
Securities	AA+	N/A	0.06%
Securities	AAA	NR	0.19%
Securities	AAA	AAA	0.15%
Securities	AAA	NR	0.38%
Securities	NR	AA+	13.59%
Securities	NR	AAA	0.43%
Municipal bonds			
County of San Diego Regional Airport Authority	A2	NR	0.20%
Florida Housing Finance Corporation	AAA	NR	0.30%
Forsyth County, Georgia School District	AAA	AAA	0.28%
Port Authority of New York and New Jersey	AA3	AA-	0.25%
State of Connecticut	AA3	AA-	0.18%
University of Washington	AAA	AA+	0.18%
Wisconsin Housing Economic Development Authority	VMIG1	A-1	0.36%
U.S. agency securities			
Notes	AAA	AA+	4.60%
Notes	AAA	NR	0.16%
U.S. Treasuries			
Treasury	NR	NR	6.17%
Total			100.00%

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 3. Cash and Investments, Continued

Concentration of credit risk: The Commission's investment policy places a limit of 10% on the amount of investment holdings with any one non-U.S. Government or non-federal agency issuer. As of June 30, 2023, the Commission did not have investments in any one issuer that represents more than 5% of the Commission's total investments.

Note 4. Capital Assets

Capital assets activity for the Fund for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land and land improvements	\$ 11,431,881	\$ 7,246,775	\$ -	\$ 18,678,656
Construction easements	206,307	-	-	206,307
Construction in progress	4,614,768	1,614,352	-	6,229,120
Total capital assets not being depreciated	16,252,956	8,861,127	-	25,114,083
Capital assets being depreciated and amortized:				
Toll infrastructure	31,993,331	1,124,674	-	33,118,005
Transponders	453,818	-	-	453,818
Buildings	1,163,847	-	-	1,163,847
Equipment, furniture, and fixtures	69,855	3,966	-	73,821
Toll facility franchise	250,692,492	-	-	250,692,492
Total capital assets being depreciated and amortized:	284,373,343	1,128,640	-	285,501,983
Less accumulated depreciation and amortization for:				
Toll infrastructure	(27,556,943)	(1,045,278)	-	(28,601,221)
Transponders	(443,930)	(9,888)	-	(453,818)
Buildings	(649,083)	(136,754)	-	(785,837)
Equipment, furniture, and fixtures	(53,624)	(8,619)	-	(62,243)
Toll facility franchise	(25,957,389)	(5,022,013)	-	(30,979,402)
Total accumulated depreciation	(54,660,969)	(6,222,552)	-	(60,883,521)
Total capital assets being depreciated and amortized, net	229,712,374	(5,093,912)	-	224,618,462
Right to use leased assets:				
Buildings	379,834	-	-	379,834
Accumulated amortization	(49,011)	(49,011)	-	(98,022)
Total right to use lease assets	330,823	(49,011)	-	281,812
Capital assets, net	\$ 246,296,153	\$ 3,718,204	\$ -	\$ 250,014,357

On May 14, 2012, the Commission entered into a toll facilities agreement with Caltrans providing the Commission with authorization to toll the SR-91 from Orange/Riverside County line to I-15 for 50 years commencing as of the first day on which the RCTC 91 Express Lanes open for public use and toll operations. The agreement also set forth the Commission's rights to Caltrans' right of way and Caltrans' oversight role in the operations and maintenance of the RCTC 91 Express Lanes.

The Fund has recorded one right to use leased asset. The asset is a right to use leased building. The related lease liability is discussed in the long-term obligations section. The right to use lease assets are amortized on a straight-line basis over the terms of the related lease.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 5. Interfund Transactions

Due from/to other Commission funds: The composition of balances related to due from other funds and due to other funds of the Commission at June 30, 2023 is as follows:

Payable Fund	Receivable Fund	Amount	Explanation
RCTC 91 Express Lanes Enterprise fund	Commission's General fund	\$ (459,400)	Administrative cost allocation
RCTC 91 Express Lanes Enterprise fund	Commission's General fund	(63,342)	Fringe benefits allocation
RCTC 91 Express Lanes Enterprise fund	Commission's General fund	(432,608)	91 Corridor Operations project costs allocations
RCTC 91 Express Lanes Enterprise fund	Commission's General fund	(23,292,170)	15/91 Express Lanes Connector project costs allocations
Total due from (to) other Commission funds, net		<u>\$ (24,247,520)</u>	

Transfers to/from other Commission funds: During 2023, transfers to/from other Commission funds were as follows:

Transfer Out	Transfer In	Amount	Explanation
RCTC 91 Express Lanes Enterprise fund	Commission's Special Revenue fund	\$ (53,949,156)	Transfer of surplus funds to fund the 15/91 Express Lane project
RCTC 91 Express Lanes Enterprise fund	Commission's Special Revenue fund	(432,608)	Transfer of surplus funds to fund the 91 Corridor Operations project costs allocations
Commission's Special Revenue fund	RCTC 91 Express Lanes Enterprise fund	7,246,775	Transfer of capital
15 Express Lanes Enterprise fund	RCTC 91 Express Lanes Enterprise fund	43	Transfer of interest
Total transfers out to other Commission funds		<u>\$ (47,134,946)</u>	

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2022:

	Balance June 30, 2022	Additions / Accretion	Reductions	Balance June 30, 2023	Due Within One Year
Toll revenue bonds:					
2013 Bonds	\$ 63,606,952	\$ 4,394,620	\$ -	\$ 68,001,572	\$ -
2021 Bonds	615,059,000	-	-	615,059,000	-
Toll revenue premium	54,368,512	-	(2,537,375)	51,831,137	2,537,375
Total bonds payable, net	<u>733,034,464</u>	<u>4,394,620</u>	<u>(2,537,375)</u>	<u>734,891,709</u>	<u>2,537,375</u>
Lease liability	335,578	-	(44,402)	291,176	45,947
Compensated absences liability	85,378	191,361	(163,047)	113,692	69,199
Total long-term obligations	<u>\$ 733,455,420</u>	<u>\$ 4,585,981</u>	<u>\$ (2,744,824)</u>	<u>\$ 735,296,577</u>	<u>\$ 2,652,521</u>

In July 2010, the Commission authorized the issuance and sale of not to exceed \$900 million of toll revenue bonds related to the 91 Project. In March 2020, the Commission authorized the issuance and sale of not to exceed \$725 million of toll revenue refunding bonds related to the RCTC 91 Express Lanes. In October 2021, the Commission authorized the issuance of toll revenue refunding bonds (2021 Toll Refunding Bonds) consisting of \$88,735,000 senior lien federally taxable bonds, \$450,629,000 senior lien tax-exempt bonds, and \$75,695,000 second lien tax-exempt bonds. The proceeds of the 2021 Toll Refunding Bonds were used to refund a portion of the RCTC 91 Express Lanes 2013 Toll Revenue capital interest bonds (CIBs), pay the purchase price of the 2013 Toll Revenue CIBs accepted for tender for cash, refund and prepay the TIFIA loan, fund capitalized interest, make deposits to required reserves, and pay costs of issuance. Certain senior lien tax-exempt bonds issued were exchanged for certain 2013 Toll Revenue CIBs accepted for exchange. Additionally, the Commission deposited available funds with an escrow agent to defease approximately \$28,919,000 in accreted value of the 2013 Toll Revenue capital appreciation bonds (CABs) maturing in the years 2022 through 2025 and 2027 through 2029. The amount outstanding on the 2013 Toll Revenue CABs at June 30, 2023 was \$20,347,880. Cost of issuance of \$3.8 million was expended in connection with the issuance of the 2021 Toll Refunding Bonds. Loss on refunding of \$6.7 million was recognized in connection with the issuance of the 2021 Toll Refunding Bonds. A portion of the proceeds from the sale of the 2021 Toll Refunding Bonds and the available funds deposited with an escrow agent in separate irrevocable trusts will be used to service the future debt requirements of the refunded 2013 Toll Revenue CIBs and 2013 Toll Revenue CABs.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 6. Long-Term Obligations, Continued

2013 Toll Revenue Bonds, Series B (Capital Appreciation Obligation):

Outstanding

In July 2013, the Commission issued \$52,829,602 principal amount of serial CABs to fund a portion of the 91 Project, pay capitalized interest during construction, fund a debt service reserve fund, fund an initial amount for an operations and maintenance fund, and pay costs of issuance. In October 2021, the Commission refunded a portion of the 2013 Series B Senior Bonds. The CABs will not pay current interest as interest will be compounded commencing December 2021 semiannually and paid at maturity. Therefore, the CABs will increase in value, or accrete, by the accumulation of such compounded interest from its initial principal amount to the maturity value in installments ranging from \$4,580,000 to \$34,220,000 on various dates from June 1, 2025 through June 1, 2043. Interest rates and yield to maturity range from 3.00% to 4.00%. During 2023, the accretion amount was \$4,394,621; the aggregate accretion through June 30, 2023 is \$7,018,372.

\$ 68,001,572

In accordance with the bond maturity schedule, the approximate annual debt service requirements to maturity for the 2013 Toll Revenue Bonds CABs payable throughout the term of the bonds are as follows:

Year Ending June 30	Principal	Accreted Interest	Total
2024	\$ -	\$ 4,699,700	\$ 4,699,700
2025	3,696,600	5,025,700	8,722,300
2026	3,681,000	5,095,100	8,776,100
2027	3,312,500	5,145,400	8,457,900
2028	4,179,600	5,203,100	9,382,700
2029-2033	21,580,500	24,823,300	46,403,800
2034-2038	3,451,400	20,572,400	24,023,800
2039-2043	21,081,600	22,538,700	43,620,300
	<u>\$ 60,983,200</u>	<u>\$ 93,103,400</u>	<u>\$ 154,086,600</u>

2021 Toll Revenue Refunding Bonds, Series A:

Outstanding

In October 2021, the Commission issued \$88,735,000 principal amount to (i) refund a portion of the Commission's outstanding Toll Revenue Senior Lien Bonds, 2013 Series A (current interest obligations), (ii) fund capitalized interest with respect to the 2021 Series A Senior Bonds, (iii) make a deposit to the 2013 Bonds Reserve Account (which secured the 2021 Series A Senior Bonds and the 2013 Series B Senior Bonds), and (iv) pay certain costs of issuance of the 2021 Series A Senior Bonds. The outstanding 2021 Toll Revenue Refunding Bonds, Series A mature in annual installments ranging from \$2,305,000 to \$27,750,000 on various dates from June 1, 2030 to June 1, 2041 at interest rates from 2.477% to 3.335%.

\$88,735,000

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 6. Long-Term Obligations, Continued

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 2,725,300	\$ 2,725,300
2025	-	2,725,300	2,725,300
2026	-	2,725,300	2,725,300
2027	-	2,725,300	2,725,300
2028	-	2,725,300	2,725,300
2029-2033	12,415,000	13,071,200	25,486,200
2034-2038	61,715,000	6,795,900	68,510,900
2039-2041	14,605,000	1,461,500	16,066,500
	<u>\$ 88,735,000</u>	<u>\$ 34,955,100</u>	<u>\$ 123,690,100</u>

2021 Toll Revenue Refunding Bonds, Series B-1:

Outstanding

In October 2021, the Commission issued \$437,895,000 principal amount at a premium of \$46,512,600 to (i) refund and prepay a portion of the Commission's outstanding Toll Revenue Subordinate Bonds, 2013 TIFIA Series by prepaying a corresponding portion of its obligations under the related TIFIA Loan Agreement, (ii) pay the purchase price of 2013 Series A Senior Bonds accepted for tender for cash, (iii) make a deposit to the 2021 Series B Senior Bonds Reserve Account, and (iv) pay certain costs of issuance of the 2021 Series B Senior Bonds. The outstanding 2021 Toll Revenue Refunding Bonds, Series B-1 mature in annual installments ranging from \$5,010,000 to \$65,105,000 on various dates from June 1, 2037 to June 1, 2049 at interest rates from 3.000 to 4.000%. \$ 437,895,000

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 16,065,800	\$ 16,065,800
2025	-	16,065,800	16,065,800
2026	-	16,065,800	16,065,800
2027	-	16,065,900	16,065,900
2028	-	16,065,900	16,065,900
2029-2033	-	80,329,200	80,329,200
2034-2038	66,740,000	79,076,600	145,816,600
2039-2043	134,480,000	53,619,200	188,099,200
2044-2048	200,760,000	25,800,200	226,560,200
2049	35,915,000	1,077,700	36,992,700
	<u>\$ 437,895,000</u>	<u>\$ 320,232,100</u>	<u>\$ 758,127,100</u>

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 6. Long-Term Obligations, Continued

2021 Toll Revenue Refunding Bonds, Series B-2:

Outstanding

In October 2021, the Commission issued \$12,734,000 principal amount together with the 2021 Series B-1 Senior Bonds, the 2021 Series B Senior Bonds exchanged for the 2013 Series A Senior Bonds accepted a tender for exchange. The outstanding 2021 Toll Revenue Refunding Bonds, Series B-2 mature in annual installments ranging from \$1,894,000 to \$5,420,000 on various dates from June 1, 2044 to June 1, 2048 at an interest rates of 3.000%.

\$ 12,734,000

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 382,000	\$ 382,000
2025	-	382,000	382,000
2026	-	382,000	382,000
2027	-	382,000	382,000
2028	-	382,000	382,000
2029-2033	-	1,910,100	1,910,100
2034-2038	-	1,910,100	1,910,100
2039-2043	-	1,910,100	1,910,100
2044-2048	12,734,000	1,520,300	14,254,300
	<u>\$ 12,734,000</u>	<u>\$ 9,160,600</u>	<u>\$ 21,894,600</u>

2021 Toll Revenue Refunding Bonds, Series C:

Outstanding

In October 2021, the Commission issued \$75,695,000 principal amount at a premium of \$9,455,800, to (i) refund and prepay the remaining portion of the Commission's outstanding TIFIA Obligations and (ii) pay certain costs of issuance of the 2021 Series C Second Lien Bonds. The outstanding 2021 Toll Revenue Refunding Bonds, Series C mature in annual installments ranging from \$17,585,000, to \$58,110,000 on various dates from June 1, 2046 to June 1, 2047 at an interest rate of 4.000%.

\$ 75,695,000

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 3,027,800	\$ 3,027,800
2025	-	3,027,800	3,027,800
2026	-	3,027,800	3,027,800
2027	-	3,027,800	3,027,800
2028	-	3,027,800	3,027,800
2029-2033	-	15,139,000	15,139,000
2034-2038	-	15,139,000	15,139,000
2039-2043	-	15,139,000	15,139,000
2044-2047	75,695,000	9,786,800	85,481,800
	<u>\$ 75,695,000</u>	<u>\$ 70,342,800</u>	<u>\$ 146,037,800</u>

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 6. Long-Term Obligations, Continued

Lease Liability: The Fund has entered into agreements to lease certain assets. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 *Leases*, and therefore, have been recorded at the present value of the future minimum lease payments at the date of its inception.

On November 11, 2019 the Fund entered into a 120-month lease as a lessee for the use of 301 Corporate Terrace Circle, Corona Ca. An initial lease liability was recorded in the amount of \$379,834. As of June 30, 2023, the value of the lease liability is \$291,176. The Fund is required to make quarterly fixed payments of \$12,172. The lease has an interest rate of 1.7670%. The value of the right to use asset as of June 30, 2023 was \$379,834 with accumulated amortization of \$98,022. The following table presents the principal and interest payments to maturity:

Year Ending June 30	Principal	Interest	Total
2024	\$ 45,948	\$ 4,844	\$ 50,792
2025	47,975	4,018	51,993
2026	50,039	3,157	53,196
2027	51,988	2,259	54,247
2028	53,669	1,330	54,999
2029	41,557	368	41,925
Total	<u>\$ 291,176</u>	<u>\$ 15,976</u>	<u>\$ 307,152</u>

Note 7. Commitments and Contingencies

Cooperative agreements: The RCTC SR-91 Express lanes are jointly operated with the existing OCTA 91 Express Lanes and collectively referred to as the 91 Express Lanes.

Under the Orange-Riverside Cooperative Agreement, which was entered into in December 2011, the Commission and OCTA agreed on the use of the same initial toll operator, cost and revenue sharing, business rules, interoperability of technology, and marketing activities as well as OCTA review of design plans and construction activities for the 91 Project.

In May 2013 the Commission entered into a three-party agreement with OCTA and the third-party toll operator, for the operations of the 91 Express Lanes. This will ensure streamlined and consistent intercounty travel for motorists on the OCTA 91 Express Lanes in Orange County and RCTC 91 Express Lanes in Riverside County. The third-party operator provides operating services to the Commission in the annual amount of \$6,08,538 plus inflation for five initial years with two extension options, subject to Board of Commissioners approval. The third-party operator is responsible for the day-to-day operations of the toll facility; another contractor is responsible for maintaining the roadside toll collection system under a separate agreement with the Commission. The agreement with the third-party operator expired March 6, 2022.

In November 2019, the Commission awarded an agreement to the third-party operator to develop and install a new back-office system and to provide express lane operator services, including the back office and customer services center. The agreement is a three-party contract including OCTA. The contract has a five-year term beginning upon completion and implementation of the new back-office system, plus two 3-year options, to operate both the OCTA and RCTC 91 Express Lanes. The operating term began on March 7, 2022 with the conversion to the new back-office system.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
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Note 7. Commitments and Contingencies, Continued

Purchase commitments: The Fund has entered into other agreements in the ordinary course of business with companies and other governmental agencies related to operations and maintenance. These agreements, which are significant, are funded with available and future revenues.

The Commission is party to an ongoing litigation which if settled, would be material to the Fund. Due to the nature of the litigation outlays, if any, would be recorded as a capital asset in the fiscal year paid.

Note 8. Pensions and Other Post-Employment Benefits Other Than Pensions

The Fund participates in the Commission's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System and the Commission's OPEB. Employees of the Fund are employees of the Commission as a whole. The required note disclosures regarding pension plans and OPEB are included in the Commission's financial statements. Please see those financial statements for information about the pension plans and OPEB as a whole.

The net pension liabilities of \$143,988 and net OPEB asset of \$54,302, reported by the Fund, represent the Fund's proportional share of the Commission's net pension liabilities of \$1,868,313 and net OPEB asset of \$704,600. The Fund's net pension asset and net OPEB asset each represent 7% of the Commission's net pension liability and net OPEB asset, respectively. For the year ended June 30, 2023, the Fund's contributions recognized as part of pension and OPEB expenses were \$514,834 and (\$42,652), respectively.

Note 9. Pronouncements Issued, Not Yet Effective

The GASB pronouncements issued prior to June 30, 2023 that have an effective date that may impact future financial presentations include:

- GASB Statement No. 99, *Omnibus 2022 (The requirements related to financial guarantees and the classification and reporting derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter).*
- GASB Statement No. 100, *Accounting Changes and Error Corrections*, effective for fiscal years beginning after June 15, 2023; and
- GASB Statement No. 101, *Compensated Absences*, effective for fiscal year beginning after December 15, 2023.



**RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION**

**Riverside County
Transportation Commission**

(951) 787-7141 · www.rctc.org
4080 Lemon Street, 3rd Floor
P.O. Box 12008 · Riverside, CA
92502-2208