

**91 EXPRESS LANES FUND  
(An Enterprise Fund of the Orange  
County Transportation Authority)**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2022**

**91 Express Lanes Fund**  
**(An Enterprise Fund of the Orange County Transportation Authority)**  
**Financial Statements**  
**For the Year Ended June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Orange County Transportation Authority  
Orange, California

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the 91 Express Lanes Fund (91 EL), a major enterprise fund of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 91 EL's 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 91 EL, a major enterprise fund of OCTA, as of June 30, 2022, 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.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCTA 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 Matters**

As discussed in Note 1, the financial statements present only the 91 EL and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2022, 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.

As discussed in Note 6 to the financial statements, during the year ended June 30, 2022 OCTA adopted new accounting guidance, GASB Statement No. 87, *Leases*. The adoption resulted in recording a right-to-use lease asset and lease payable. There was no impact to net position as of July 1, 2021, as a result of adoption.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCTA's internal control, as it relates to the 91 EL. 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.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 91 EL's financial statements. The management's discussion and analysis, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022 on our consideration of OCTA's internal control over financial reporting, as it relates to the 91 EL, 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 OCTA's internal control over financial reporting or on compliance, as it relates to the 91 EL. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance, as it relates to the 91 EL.

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

Crowe LLP

Costa Mesa, California  
November 16, 2022

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

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 91 Express Lanes Fund (91 EL), a major enterprise fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 91 EL's basic financial statements, and have issued our report thereon dated November 16, 2022. As discussed in Note 1, the financial statements present only the 91 EL and do not purport to, and do not, present fairly the financial position of OCTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting and compliance (internal control), as it relates to the 91 EL, 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 OCTA's internal control, as it relates to the 91 EL. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control, as it relates to the 91 EL.

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

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 91 EL's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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



Crowe LLP

Costa Mesa, California  
November 16, 2022

**91 Express Lanes Fund  
Management's Discussion and Analysis (unaudited)  
For the Year Ended June 30, 2022**

As management of the 91 Express Lanes Fund (91 EL), an enterprise fund of the Orange County Transportation Authority, we offer readers of the 91 EL financial statements this narrative overview and analysis of the 91 EL's financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 11.

**Financial Highlights**

- a. At the end of fiscal year 2021-22, the total net position of the 91 EL was \$289,322,366 and consisted of net investment in capital assets of \$56,308,098; restricted net position of \$14,543,080; and unrestricted net position of \$218,471,188. Net position increased \$16,406,559 during fiscal year 2021-22, which represents an increase of 6.0% from the fiscal year 2020-21 ending net position. The increase is primarily due to operating revenues in excess of operating expenses offset by bond interest expense.
- b. In fiscal year 2021-22, total operating revenues increased by \$16,518,861, which represents a 37.0% increase from the fiscal year 2020-21. The increase in operating revenue is primarily due to increase in trips.
- c. Total operating expenses increased by \$2,198,470, which represents a 12.1% increase from fiscal year 2020-21, primarily due to increase in professional services.
- d. At the end of fiscal year 2021-22, investment earnings decreased by \$8,351,708, which represents a 721.3% decrease compared to fiscal year 2020-21. The decrease in investment earnings is primarily due to an unrealized loss on investment in fiscal year 2021-22 resulting from unfavorable investment performance.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the 91 EL'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 91 EL's assets, deferred outflows of resources, deferred inflows of resources 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 91 EL is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the 91 EL'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 91 EL fund financial statements can be found on pages 11-14 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 15-29 of this report.



**91 Express Lanes Fund  
Management's Discussion and Analysis (unaudited)  
For the Year Ended June 30, 2022**

**91 Express Lanes Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of the 91 EL's financial position. At June 30, 2022, the 91 EL's net position was \$289,322,366, an increase of \$16,406,559 or 6.0% from June 30, 2021. Our analysis below focuses on net position (Table 1) and changes in net position (Table 2) of the 91 EL's financial activities.

Table 1  
91 Express Lanes Fund  
Net Position

	2022	2021
Current and other assets	\$ 232,293,388	\$ 222,922,295
Restricted assets	25,341,605	25,303,554
Noncurrent receivables, net	6,902,814	6,637,739
Capital assets, net	127,201,946	122,448,166
Total assets	<u>391,739,753</u>	<u>377,311,754</u>
Total deferred outflows of resources	<u>5,663,376</u>	<u>6,332,938</u>
Current liabilities	28,170,123	26,123,313
Long-term liabilities	79,910,640	84,605,572
Total liabilities	<u>108,080,763</u>	<u>110,728,885</u>
Net position:		
Net investment in capital assets	56,308,098	48,224,057
Restricted	14,543,080	14,505,029
Unrestricted	218,471,188	210,186,721
Total net position	<u>\$ 289,322,366</u>	<u>\$ 272,915,807</u>

In fiscal year 2021-22, total assets increased by \$14,427,999 which represents an increase of 3.8% from fiscal year 2020-21, primarily due to an increase of \$8,653,676 in cash and investments and an increase of \$4,753,780 in capital assets. Total liabilities decreased by \$2,648,122 or 2.4% primarily due to principal payments during the fiscal year.

The 91 EL's net investment in capital assets was \$56,308,098 in fiscal year 2021-22 compared to \$48,224,057 in fiscal year 2020-21. The 91 EL's net position reflects its investment in capital assets (i.e., intangible assets; improvements; communications equipment; computer hardware and software; equipment, furniture and fixtures; and transponders), less any related outstanding debt used to acquire these assets. The 91 EL uses these capital assets to provide improved mobility for 91 EL customers and commuters along the SR-91 corridor. The increase of \$8,084,041 in net investment in capital assets was primarily due to investment in ETTM system and back-office system, and recognition of intangible right-

**91 Express Lanes Fund  
Management's Discussion and Analysis (unaudited)  
For the Year Ended June 30, 2022**

to-use lease assets, in accordance with GASB Statement No. 87, Leases.

Restricted net position, representing resources subject to external restrictions on how they may be used, represented 5.0% of the total net position at June 30, 2022. The \$38,051 increase in restricted net position is related to investment activity in bond reserve accounts.

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 \$210,186,721 at June 30, 2021 to \$218,471,188 at June 30, 2022. This increase of \$8,284,467 was primarily due to operating revenues in excess of operating expenses.

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

Table 2  
91 Express Lanes Fund  
Changes in Net Position

	2022	2021
Revenues:		
Operating revenues:		
Tolls, fees, and fines	\$ 61,135,354	\$ 44,616,493
Operating expenses:		
Management and operational services	6,149,459	6,779,862
Administrative overhead	3,002,641	2,703,948
Other operating expenses	50,911	13,840
Insurance claims and premiums	469,970	444,076
Professional services	6,807,099	3,442,977
General and administrative	287,917	607,588
Depreciation and amortization	3,639,032	4,216,268
Total operating expenses	20,407,029	18,208,559
Operating income	40,728,325	26,407,934
Nonoperating revenues (expenses):		
Investment income (loss)	(7,193,882)	1,157,826
Interest expense	(4,011,977)	(4,280,325)
Other	985,529	886,654
Total nonoperating expenses	(10,220,330)	(2,235,845)
Income before transfers	30,507,995	24,172,089
Transfers to other OCTA funds	(14,101,436)	(15,577,119)
Changes in net position	16,406,559	8,594,970
Total net position – beginning	272,915,807	264,320,837
Total net position – ending	\$ 289,322,366	\$ 272,915,807

**91 Express Lanes Fund**  
**Management's Discussion and Analysis (unaudited)**  
**For the Year Ended June 30, 2022**

The 91 EL's total operating revenues increased by 37.0%, while total operating expenses increased by 12.1%. Total traffic volume on the 91 EL during fiscal year 2021-22 was 19,810,256 trips reflecting an increase of 29.0% in comparison to fiscal year 2020-21. The increase in operating revenues is due to an increase in toll revenues. Investment income decreased by \$8,351,708 which represents a 721.3% decrease compared to fiscal year 2020-21. The decrease is primarily due to an unrealized loss on investment in fiscal year 2021-22 resulting from unfavorable investment performance.

**Capital Assets**

As of June 30, 2022, the 91 EL had \$127,201,946 net of accumulated depreciation and amortization, invested in a broad range of capital assets including: the toll facility franchise, construction in progress, improvements, communication equipment, computer hardware and software, transponders, intangible right-to-use asset, and equipment, furniture and fixtures (Table 3). The total increase in the 91 EL's capital assets for fiscal year 2021-22 was \$4,753,780.

Table 3  
91 Express Lanes Fund  
Capital Assets, net of Depreciation and Amortization

	2022	2021
Toll facility franchise	\$ 112,521,133	\$ 115,107,826
Construction in progress	9,441,400	4,781,599
Improvements	737,655	855,457
Communication equipment	468,302	648,882
Computer hardware and software	19,091	39,442
Transponders	679,259	993,776
Intangible right-to-use asset (building) *	3,318,207	3,733,011
Equipment, furniture, and fixtures	16,899	21,184
<b>Total capital assets, net</b>	<b>\$ 127,201,946</b>	<b>\$ 126,181,177</b>

\* Ending balance of \$3,733,011 in 2021 is due to the adoption of the provisions of GASB Statement No. 87, Leases.

The 91 EL has outstanding capital expense commitments, the most significant of which are \$2,821,924 and \$5,623,123 for the electronic toll and traffic management (ETTM) and back-office system, respectively. Major capital asset additions during fiscal year 2021-22 included \$1,728,298 and \$2,931,503 primarily due to the ETTM system and back-office system, respectively. The ETTM and the back-office system are still in the construction in progress stage. More detailed information about the 91 EL's capital assets is presented in note 5 to the financial statements.

**Debt Administration**

As of June 30, 2022, the 91 EL had \$78,515,000 in tax-exempt bonds outstanding compared to \$85,265,000 at June 30, 2021. The reduction is due to principal payments in fiscal year 2021-22 in the amount of \$6,750,000. Additional information on long-term debt can be found in note 7 to the financial statements.

**91 Express Lanes Fund  
Management's Discussion and Analysis (unaudited)  
For the Year Ended June 30, 2022**

**Economic and Other Factors**

The 91 EL makes up \$56,785,513 or 3.44% of OCTA's fiscal year 2022-23 adopted revenue budget. In fiscal year 2022-23, budgeted toll revenue is forecasted to increase by 20.3% from the fiscal year 2021-22 budgeted value. This increase is due to a forecasted increase in trips due to travel volumes returning to pre-coronavirus pandemic (COVID-19) levels. The budgeted average long term rate of growth for toll road revenue beyond fiscal year 2022-23 is 3.3%.

The majority of expenses related to the 91 EL within the fiscal year 2022-23 budget are on-going general costs related to day to day operations of the toll facility. Since the 91 EL is a fully electronic toll facility, motorists pay tolls through the convenient use of windshield mounted FasTrak® transponders that automatically deduct toll charges from a prepaid account. At the end of fiscal year 2021-22, there were 162,155 active customer accounts, with 641,110 transponders assigned to those accounts, which represents an increase of 7,686 and 53,065 respectively from fiscal year 2020-21.

OCTA, in concert with Caltrans and RCTC, issued an annual SR-91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 EL toll revenue and other funds. The projects are presented in the following groups: Orange County Projects, Riverside County Projects and Bi-County Projects. The Orange County Projects have a total cost of approximately \$525 million. The projects include improvements to the SR-91 between SR-57 and SR-55, Anaheim Canyon Metrolink station improvements, and Placentia Metrolink rail station. The Riverside County projects have a total cost of approximately \$391 million. The improvements include I-15/91 Express Lanes Connector, the SR-71/SR-91 interchange improvements, and the SR-91 improvements east of I-15. The Bi-County projects benefit both Orange and Riverside Counties, with total projects exceeding \$288 million.

**Contacting 91 EL's Management**

This financial report is designed to provide a general overview of the 91 EL's finances for all those with an interest in the government's finances and to demonstrate the 91 EL's 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 Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

**91 Express Lanes Fund**  
**(An Enterprise Fund of the Orange County Transportation Authority)**  
**Statement of Net Position**  
**June 30, 2022**

**Assets**

Current Assets:

Cash and investments	\$	227,301,595
Receivables:		
Interest		393,466
Violations, net		1,967,439
Other, net		1,519,049
Due from other governments		775,354
Other assets		336,485
Total current assets		232,293,388

Noncurrent Assets:

Restricted cash and investments:		
Cash equivalents		25,341,605
Receivable violations, net		6,902,814
Capital assets, net:		
Nondepreciable		9,441,400
Depreciable and amortizable		117,760,546
Total noncurrent assets		159,446,365

**Total Assets**

391,739,753

**Deferred Outflows of Resources**

Deferred charge on refunding		5,663,376
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**Total Deferred Outflows of Resources**

5,663,376

**Liabilities**

Current Liabilities:

Accounts payable		8,918,727
Accrued interest payable		1,453,903
Due to other funds		2,037,291
Due to other governments		994,165
Unearned revenue		7,268,072
Other liabilities		52,855
Lease liabilities - due within one year		350,110
Bonds payable - due within one year		7,095,000
Total current liabilities		28,170,123

Noncurrent Liabilities:

Lease liabilities - due in more than one year		3,044,005
Bonds payable - due in more than one year		76,866,635
Total noncurrent liabilities		79,910,640

**Total Liabilities**

108,080,763

**Net Position**

Net investment in capital assets		56,308,098
Restricted for:		
Debt service		700,661
Capital		10,648,499
Operating reserves		3,193,920
Unrestricted		218,471,188

**Total Net Position**

\$ 289,322,366

See accompanying notes to the financial statements.

**91 Express Lanes Fund**  
**(An Enterprise Fund of the Orange County Transportation Authority)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2022**

<b>Operating revenues:</b>	
Tolls, fees, and fines	\$ 61,135,354
<b>Operating expenses:</b>	
Management and operational services	6,149,459
Administrative overhead	3,002,641
Other operating expenses	50,911
Insurance claims and premiums	469,970
Professional services	6,807,099
General and administrative	287,917
Depreciation and amortization	3,639,032
<b>Total operating expenses</b>	<u>20,407,029</u>
<b>Operating income</b>	<u>40,728,325</u>
<b>Nonoperating revenues (expenses):</b>	
Investment loss	(7,193,882)
Interest expense	(4,011,977)
Other	985,529
<b>Total nonoperating revenues (expenses)</b>	<u>(10,220,330)</u>
<b>Income before transfers</b>	30,507,995
Transfers to other OCTA funds	(14,101,436)
<b>Change in net position</b>	16,406,559
Total net position - beginning	<u>272,915,807</u>
<b>Total net position - ending</b>	<u><u>\$ 289,322,366</u></u>

See accompanying notes to the financial statements.

**91 Express Lanes Fund**  
**(An Enterprise Fund of the Orange County Transportation Authority)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 62,178,837
Payments to suppliers	(14,509,201)
Payments for OCTA interfund services used	(3,002,641)
Other revenue received	985,529
<b>Net cash provided by operating activities</b>	<u>45,652,524</u>
 <b>Cash flows from noncapital financing activities:</b>	
Reimbursement to other governments	(321,913)
Transfers to OCTA funds	(16,073,351)
<b>Net cash used for noncapital financing activities</b>	<u>(16,395,264)</u>
 <b>Cash flows from capital and related financing activities:</b>	
Principal payment on long-term debt	(6,750,000)
Interest paid on long-term debt	(4,112,915)
Acquisition and construction of capital assets	(2,487,248)
<b>Net cash used for capital and related financing activities</b>	<u>(13,350,163)</u>
 <b>Cash flows from investing activities:</b>	
Investment loss	(7,253,421)
<b>Net cash used by investing activities</b>	<u>(7,253,421)</u>
 <b>Net increase in cash and cash equivalents</b>	 8,653,676
Cash and cash equivalents at beginning of year	<u>243,989,524</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 252,643,200</u></u>
 <b>Reconciliation of cash and cash equivalents to statement of net position:</b>	
Cash and investments	\$ 227,301,595
Restricted cash and investments	25,341,605
<b>Total cash and cash equivalents</b>	<u><u>\$ 252,643,200</u></u>

See accompanying notes to the financial statements.

**91 Express Lanes Fund**  
**(An Enterprise Fund of the Orange County Transportation Authority)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

**Reconciliation of operating income to net cash**

**provided by operating activities:**

Operating income	\$	40,728,325
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization expense		1,052,339
Amortization of toll road franchise agreement		2,586,693
Nonoperating revenue		985,529
Change in assets and liabilities:		
Violations receivables, net		(588,686)
Other receivables, net		(35,739)
Other assets		(484,632)
Amortization of prepaid insurance		469,970
Accounts payable		(1,007,300)
Due to other governments		278,118
Unearned revenue		1,654,375
Other liabilities		13,532
Total adjustments		4,924,199
<b>Net cash provided by operating activities</b>	<b>\$</b>	<b>45,652,524</b>

**Noncash capital, financing and investing activities:**

Amortization of bond premium	\$	(643,937)
Amortization of bond deferred charges		669,562
Change in fair value of investments		41,027

See accompanying notes to the financial statements.



For the Year Ended June 30, 2022

## **1. Reporting Entity**

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for the 91 Express Lanes. See note 5 for further information on this transaction.

These financial statements include only the activities of the 91 Express Lanes Fund, an enterprise fund of OCTA. These financial statements are not intended to present the activities of OCTA.

## **2. Summary of Significant Accounting Policies**

The accounting policies of the 91 Express Lanes Fund are in conformity with generally accepted accounting principles (GAAP) 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 91 Express Lanes 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 amounts are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenue is recognized when the customers utilize the toll road facility.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility and are presented net of discounts and allowances. Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the 91 Express Lanes Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

### **Cash and Investments**

The 91 Express Lanes Fund participates in OCTA's Commingled Investment Pool. OCTA maintains cash and investments in accordance with an Investment Policy (Policy) adopted initially by OCTA's Board of Directors (Board) on May 8, 1995, and most recently amended on July 1, 2022. The Policy complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2022 the investment portfolios were maintained at U.S. Bank, N.A. as custodial bank. OCTA's Commingled Investment Pool is managed by four private sector investment managers. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes in the OCTA Commingled Investment Pool, with investment earnings allocated to the different accounts based on average daily account balances.

For the Year Ended June 30, 2022

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

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted prices of similar assets, except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date, which are carried at amortized cost which approximates fair value.

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

All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board and as permitted by the Code. OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of the Policy.

### **Cash and Cash Equivalents**

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, commercial paper, money market funds, certificates of deposit, and the 91 Express Lanes Fund's share of the OCTA Commingled Investment Pool represent cash and cash equivalents for cash flow purposes.

### **Restricted Cash and Investments**

Investments set aside in the Senior Lien Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund are pursuant to the terms of the 2013 Indenture for the \$124,415,000 Toll Road Revenue Refunding Bonds and their use is limited by applicable debt covenants.

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

### **Receivables**

Violations receivables include an estimate for outstanding unpaid violations that the 91 Express Lanes Fund anticipates to collect. For violations less than or equal to 90 days old, the receivable is based on a 12-month average of violations collected, and is recorded net of an allowance for uncollectible accounts of \$4,926,831 at June 30, 2022. For unpaid violations in excess of 90 days, the receivable is estimated using a four-year average of violations collected and is recorded net of uncollectible accounts as the majority is not considered probable of collection.

For the Year Ended June 30, 2022

Other receivables include amounts due from other California toll road agencies related to their customers' use of the 91 Express Lanes, as well as amounts owed from customers, net of an allowance for uncollectible accounts of \$210,519 at June 30, 2022.

An estimated \$6,902,814 of violation and customer receivables are not expected to be collected within one year. The 91 Express Lanes utilizes an outside collection agency to assist in the recovery of unpaid customer balances and violations exceeding 90 days.

#### **Due from other Governments**

Due from other governments include receivables due from other government agencies.

#### **Other Assets**

Other assets include prepaid expenses and refundable deposits.

#### **Capital Assets**

Capital assets are tangible and intangible assets, which include toll facility franchise, construction in progress, improvements, equipment, computer hardware, software, furniture and fixtures, intangible right-to-use assets, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of one year. It is also the 91 Express Lanes Fund's policy to capitalize non-sticker transponder purchases, as they are considered a significant class of assets even though individually under \$5,000. 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. The 91 Express Lanes also records the value of intangible right to use assets based on the underlying leased asset in accordance with GASB Statement No. 87, Leases. The intangible right to use intangible asset is amortized each year for the shorter of lease term or useful life of asset.

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

<u>Capital Asset Type</u>	<u>Useful Life</u>
Improvements	10-30 years
Equipment, furniture and fixtures	3-10 years
Computer hardware and software	3-5 years
Transponders	5-7 years
Intangible right-to-use assets	Lease term

OCTA purchased the interest in the Franchise Agreement for the toll facility from CPTC on January 3, 2003. The toll facility franchise is amortized over the remaining life of the Franchise Agreement through December 2065.

#### **Leases**

OCTA adopted GASB Statement No. 87 Leases for the fiscal year ended June 30, 2022. The 91 Express Lanes Fund recorded lease liabilities and lease assets at the commencement of the lease term. The lease liabilities are measured at the present value of payments expected to be made during the lease term less any lease incentives. The lease assets are measured at the amount of the initial measurement of the lease liabilities, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. See note 6 for further information on the impact of the adoption of GASB Statement No. 87.

For the Year Ended June 30, 2022

### **Deferred Outflows**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. As of June 30, 2022, the 91 Express Lanes Fund only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

### **Due to other Governments**

Due to other governments include payables due to other government agencies.

### **Risk Management**

The 91 Express Lanes Fund purchases commercial property insurance including fire, flood and earthquake coverage, which also covers business interruption related to the operation of the toll facility. Additionally, the 91 Express Lanes Fund participates in OCTA's self-insurance general liability program. Liability claims are resolved by OCTA and are an expense of the 91 Express Lanes Fund.

### **Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and is classified into three categories:

- *Net investment in capital assets* - Reflects net position of the 91 Express Lanes Fund invested in capital assets and the intangible asset net of related debt. This net position is not accessible for other purposes.
- *Restricted net position* - Represents net position not accessible for general use, with the use subject to restrictions enforceable by third parties. The net position has been restricted by the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust for debt service, capital, and operating expenses.
- *Unrestricted net position* - Represents net position available for general use.

### **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 assumptions that affect certain reported amounts and disclosures during the reporting period. As such, actual results could differ from those estimates.

### **Administrative Services Costs**

OCTA allocates indirect costs related to administrative services from certain funds to benefiting funds. For fiscal year 2021-22, \$3,002,641 of administrative services were charged to the 91 EL and are reported as operating expenses in the statement of revenues, expenditures and changes in net position.

For the Year Ended June 30, 2022

### 3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2022:

Cash:	
Petty cash	\$ 550
Deposits	17,157,573
Total cash	<u>17,158,123</u>
Investments:	
With OCTA Commingled Investment Pool	223,985,887
With trustee	11,499,190
Total investments	<u>235,485,077</u>
Total cash and investments	<u>\$ 252,643,200</u>

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

Unrestricted cash and investments	\$ 227,301,595
Restricted cash and investments:	
Cash equivalents	25,341,605
Total cash and investments	<u>\$ 252,643,200</u>

As of June 30, 2022, the 91 Express Lanes Fund had the following investments:

Investment	Fair Value	Yield	Interest Rate	Maturity	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	\$ 223,985,887	Refer to the OCTA Annual Comprehensive Financial Report for information related to the OCTA Commingled Investment Pool.*			
Held by trustee:					
*Money Market	684	0.990%	0.990%	7/01/2022	0.003
*Commercial Paper	<u>11,498,506</u>	1.954%	0.000%	8/11/2022	0.115
Total investments	<u>\$ 235,485,077</u>				

Portfolio Weighted Average 1.969

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

As of June 30, 2022, the 91 Express Lanes Fund had \$223,985,887 invested in the OCTA's Commingled Investment Pool (CIP). OCTA's CIP investments are carried at fair value except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date carried at amortized cost which approximates fair value.

Deposits and withdrawals in the OCTA's CIP are made on the basis of \$1.00 (cost basis) and not fair value. Accordingly, the 91 Express Lanes Fund's investment in the OCTA's CIP at June 30, 2022 is uncategorized, not defined as a Level 1, Level 2, or Level 3 input.

For the Year Ended June 30, 2022

Refer to the OCTA Annual Comprehensive Financial Report for fiscal year 2021-22 for details on valuation techniques, fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk related to the OCTA's CIP underlying investments.

### Credit Risk

The Policy sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services: Standard & Poor's Corporation (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch), while an issuer of long-term debt must be rated no less than an "A" by two of the three rating services. OCTA's CIP is not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of fair value of the 91 Express Lanes Fund's portfolio at June 30, 2022. (NR means Not Rated):

Investments	S&P	Moody's	% of 91 Express
OCTA Commingled Investment Pool	NR	NR	95.117 %
Held by trustee:			
Money Market Funds	AAA	Aaa	0.000 %
Commercial Paper:			
Natixis	A-1	P-1	4.883 %
Total			<u>100.000 %</u>

### Concentration of Credit Risk

At June 30, 2022, OCTA did not exceed the Policy maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines for All Securities Except U.S. Treasuries and U.S. Government Agency Securities

- Any one corporation, bank, local agency, special purpose vehicle or other corporate issuer name for one or more series of securities shall not exceed 5% of the portfolio.

Issuer/Counter-Party Diversification Guidelines for OCTA's Debt

- OCTA can purchase all or a portion of the Orange County Transportation Authority's debt, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate, providing the purchase does not exceed 25% of the Maximum Portfolio and when authorized by the Internal Revenue Service.

There is no issuer exceeding 5% of the fair value of the 91 Express Lanes Fund's portfolio at June 30, 2022.

For the Year Ended June 30, 2022

#### 4. Interfund Activities

##### Due To Other Funds:

As of June 30, 2022, the 91 EL owes \$2,037,291 to the Orange County Local Transportation Authority (OCLTA) for SR-91 Improvement Project.

##### Interfund Transfers:

During fiscal year 2021-22, the 91 EL transferred \$14,101,436 to the OCLTA for SR-91 Improvement Project.

#### 5. Capital Assets

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 4,781,599	\$ 4,659,801	\$ —	\$ 9,441,400
Capital assets, being depreciated				
Improvements	2,469,220	—	—	2,469,220
Communications equipment	5,074,955	—	(2,213,780)	2,861,175
Computer hardware and software	2,762,277	—	(2,411,517)	350,760
Transponders	4,028,247	—	(312,571)	3,715,676
Intangible right-to-use (building) *	3,733,011	—	—	3,733,011
Equipment, furniture and fixtures	118,255	—	(54,388)	63,867
Toll facility franchise	205,263,668	—	—	205,263,668
Total capital assets, being depreciated and amortized	223,449,633	—	(4,992,256)	218,457,377
Less accumulated depreciation and amortization for:				
Improvements	(1,613,763)	(117,802)	—	(1,731,565)
Communications equipment	(4,426,073)	(180,580)	2,213,780	(2,392,873)
Computer hardware and software	(2,722,835)	(20,349)	2,411,515	(331,669)
Transponders	(3,034,471)	(314,518)	312,572	(3,036,417)
Intangible right-to-use (building)	—	(414,804)	—	(414,804)
Equipment, furniture and fixtures	(97,071)	(4,286)	54,389	(46,968)
Toll facility franchise	(90,155,842)	(2,586,693)	—	(92,742,535)
Total accumulated depreciation and amortization	(102,050,055)	(3,639,032)	4,992,256	(100,696,831)
Total capital assets, being depreciated and amortized, net	121,399,578	(3,639,032)	—	117,760,546
Total capital assets, net	\$ 126,181,177	\$ 1,020,769	\$ —	\$ 127,201,946

\* Beginning balance of \$3,733,011 is due to the adoption of the provisions of GASB Statement No. 87, Leases.

For the Year Ended June 30, 2022

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR-55. The purchase was enabled by State Assembly Bill (AB) 1010 (Correa), passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs until 2030, and eliminated non-compete provisions in the Franchise Agreement for needed improvements on the SR-91. The Franchise Agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

In September 2008, the Governor of California approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorized OCTA to assign its franchise rights, interests and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange County line to Interstate 15. In addition, the bill authorized the terms of the franchise to expire no later than December 31, 2065. SB 1316 also required OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

In December 2011, the Board approved the assignment of OCTA's franchise rights, interests and obligations in the Riverside County portion of the SR-91 franchise to RCTC. The Board also approved the extension of the expiration date to 2065 and a cooperative agreement between OCTA and RCTC that details the joint operation for the 91 Express Lanes extension.

## 6. Leases

OCTA adopted GASB Statement No. 87, Leases, for the fiscal year ended June 30, 2022. On the implementation date of July 1, 2021, OCTA recorded \$3,733,018 lease liability and corresponding right-to-use assets. The implementation had no impact to the beginning net position. The 91 express lanes has several leasing arrangements, summarized below:

### Lessee:

The 91 express lanes entered into a lease agreement to lease office space for 180-months, beginning September 2015. The lease terminates August 2030. At June 30, 2022, the 91 Express Lanes has recognized an intangible right to use asset of \$2,987,790 and a lease liability of \$3,058,924 related to this agreement. During the fiscal year, the 91 Express Lanes recorded \$365,856 in amortization expense and \$62,276 in interest expense for the right to use the office space. The 91 Express Lanes used an incremental discount rate of 2.12%, based on an estimated incremental borrowing rate.

The 91 express lanes entered into a lease agreement to lease office space for 120-months, beginning April 2019. The lease terminates March 2029. At June 30, 2022, the 91 Express Lanes has recognized an intangible right-to-use asset of \$330,417 and a lease liability of \$335,191 related to this agreement. During fiscal year 2022, the 91 Express Lanes recorded \$48,948 in amortization expense and \$4,814 in interest expense for the intangible right-to-use the office space. The 91 Express Lanes used an incremental discount rate of 1.80%, based on an estimated increment borrowing rate.



For the Year Ended June 30, 2022

Remaining obligations associated with these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 350,110	\$ 67,640	\$ 417,750
2024	369,354	60,181	429,535
2025	389,801	52,304	442,105
2026	411,015	43,997	455,012
2027	432,878	35,235	468,113
2028-2031	1,440,957	49,283	1,490,240
Total	<u>\$ 3,394,115</u>	<u>\$ 308,640</u>	<u>\$ 3,702,755</u>

The amortized right-to-use assets activity for the year ended June 30, 2022, are as follows:

Lessee activities	Beginning Balance	Additions	Deletions	Ending Balance
Intangible right-to-use assets:				
Office space	\$ 3,733,011	\$	(414,804)	\$ 3,318,207
Total	<u>\$ 3,733,011</u>	<u>\$ -</u>	<u>\$ (414,804)</u>	<u>\$ 3,318,207</u>

## 7. Bonds Payable

### Taxable Senior Secured Bonds

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed \$135,000,000 of taxable 7.63% Senior Secured Bonds. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the tax-exempt bond indenture, OCTA paid a \$26,428,197 Yield Maintenance Premium in connection with the defeasance of the Senior Secured Bonds, which is amortized over the life of the Series 2003 tax-exempt bonds on the straight line basis.

### Toll Road Revenue Refunding Bonds

On November 12, 2003, OCTA issued \$195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refund the \$135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The \$95,265,000 Series 2003-A Bonds were issued as fixed rate bonds. The \$75,000,000 Series 2003-B-1 Bonds and the \$25,000,000 Series 2003-B-2 Bonds (collectively the "Series 2003-B Bonds") were issued as adjustable rate bonds.

On November 24, 2008, OCTA remarketed the \$100,000,000 Series 2003-B Bonds, which were purchased by the Orange County Investment Pool (OCIP). In connection with the mandatory tender of the Series 2003-B Bonds required by the Indenture, the interest rate was converted to a Long Term Interest Rate equal to the OCIP Rate. On December 20, 2010, OCTA entered into a new transaction with OCIP for the Series 2003-B Bonds at a 1.55% rate. The Series 2003-B Bonds had a mandatory tender date of August 15, 2013.

For the Year Ended June 30, 2022

On July 30, 2013, OCTA issued \$124,415,000 in Senior Lien Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2. OCTA refunded the outstanding Series 2003-A Bonds to reduce its total debt service payments over the life of the bonds and refunded the Series 2003-B-1 and Series 2003-B-2 Bonds to address the mandatory tender date of August 15, 2013 for the existing private placement with the OCIP. The Series 2013 Bonds were issued as fixed rate bonds. The transaction closed on August 8, 2013.

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

A summary of the terms of the Toll Road Revenue Refunding Bonds is as follows:

Issuance date		07/30/2013
Closing date		08/08/2013
Original issue amount	\$	124,415,000
Cash reserve requirements	\$	20,851,500 *
Cash reserve balance	\$	25,341,605
Interest rate		2%-5%
Maturity		December 2030
Principal payment date		August 15
Balance as of 06/30/22	\$	78,515,000
Unamortized premium	\$	5,446,635
Deferred amount on refunding	\$	(5,663,376)

\*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, three reserve funds are maintained with required balances as follows: Senior Lien Reserve Fund \$7,851,500; Major Maintenance Reserve Fund \$10,000,000; and Operating Reserve Fund \$3,000,000. At June 30, 2022, all reserve requirements have been satisfied.

The Toll Road Revenue Refunding Bonds have ratings of "A1" by Moody's, "A+" from Fitch, and "AA-" by Standard & Poor's.

Annual debt service requirements on the tax-exempt bonds to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 7,095,000	\$ 3,699,700	\$ 10,794,700
2024	7,460,000	3,335,825	10,795,825
2025	7,845,000	2,953,200	10,798,200
2026	8,245,000	2,550,950	10,795,950
2027	8,670,000	2,128,075	10,798,075
2028-2031	39,200,000	3,986,663	43,186,663
Total	\$ 78,515,000	\$ 18,654,413	\$ 97,169,413

For the Year Ended June 30, 2022

### Changes in Long-Term Obligations

Long-term liabilities activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Tax-exempt bonds	\$ 85,265,000	\$ —	\$ (6,750,000)	\$ 78,515,000	\$ 7,095,000
Unamortized premium	6,090,572	—	(643,937)	5,446,635	-
Total long-term debt	<u>\$ 91,355,572</u>	<u>\$ —</u>	<u>\$ (7,393,937)</u>	<u>\$ 83,961,635</u>	<u>\$ 7,095,000</u>

### Pledged Revenue

The 91 Express Lanes debt issuance outstanding is repaid and secured by the pledging of certain revenues, as defined in the debt agreement. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table. The purpose for which the proceeds of this commitment were utilized is disclosed in the debt description. Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the 91 Express Lanes Fund will covenant to fix and prescribe toll rates for each type of vehicle and each time of day sufficient to produce adjusted net toll revenues for each fiscal year at least equal to 1.3 times annual debt service on Senior Lien Bonds and Parity Obligations and at least equal to 1.0 times annual debt service on all bonds. Adjusted net toll revenues includes tolls and investment earnings on specified reserve accounts minus operating expenses, excluding interest expense, depreciation, and amortization of the toll facility franchise.

Pledged revenue for the year ended June 30, 2022, is as follows:

Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage	Required Debt Coverage
91 Express Lanes Net Toll Road Revenue	\$37,145,025	\$10,862,915	3.42	1.30

## 8. Commitments and Contingencies

### Operator Agreement

In connection with the purchase of the toll facility interest, OCTA entered into an operating agreement with Cofiroute Global Mobility, subsequently Cofiroute USA, LLC (Cofiroute), to provide operating services in the annual amount of \$4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. The agreement was in effect from January 3, 2003 through January 2, 2006. On January 6, 2006, OCTA entered into a second operating agreement with Cofiroute, effective January 3, 2006 through January 2, 2011. The annual amount of the base contract is \$5,448,768 plus inflation adjustments after the first year. The agreement carried two two-year extension options through January 2, 2015. On June 27, 2011, the OCTA Board of Directors approved a subsequent amendment to the operating agreement with Cofiroute, which authorized the addition of two five-year extension options beginning July 1, 2011 through June 30, 2016 for the first extension term and beginning July 1, 2016 through June 30, 2021 as the second extension term. The second extension term was approved on May 9, 2016. Cofiroute is responsible for the day-to-day operations of the toll facility.

For the Year Ended June 30, 2022

On May 24, 2013 OCTA completed a three-party agreement expiring on June 30, 2021, with Riverside County Transportation Commission (RCTC) and Cofiroute for operations of the 91 Express Lanes. This helps in ensuring a streamlined consistent inter-county travel for motorists on the original 10-mile span of the 91 Express Lanes and the eight miles extension into Riverside County. In fiscal year 2018-19, OCTA and RCTC began procurement for a new operating agreement, which includes the development of a new back-office system for both segments of the 91 Express Lanes. The OCTA Board of Directors and RCTC Commission subsequently approved the re-selection of Cofiroute as the operator with the agreement executing in January 2020. The new agreement expires on January 31, 2027, and carries two three-year extension options.

### **Purchase Commitments**

The 91 Express Lanes has various outstanding contracts. Total purchase commitments at June 30, 2022 were \$69,728,094, the most significant are with Cofiroute and RCTC for the operations of the 91 Express Lanes, Kapsch TrafficCom for toll lanes integrator services and California Highway Patrol (CHP) for patrol services.

### **Litigation**

In April 2020, the OCTA Board approved a settlement for \$1 million in cash and forgiveness of \$40 million in toll violations and penalties for the In Re Toll Roads Litigation (Plaintiffs) case. The case initially focused on two basic sets of claims. The first related to due process and negligence claims alleging that the procedures used to assess and collect toll violation penalties when drivers use toll roads without paying the required toll are inadequate. The second original claim is that the penalties assessed against toll violators on the 91 Express Lanes is excessive. Over time, the Plaintiffs alleged that OCTA

routinely sells and/or provides personally identifiable information of drivers to a host of other entities as part of the operation of the 91 Express Lanes. The parties have obtained court approval of the settlement and given notice of the settlement to the class members. In FY 2019-20, Management recorded a liability of \$1,000,000 for the cash settlement and wrote off approximately \$3,600,000 of violations receivables for the forgiveness of toll violations and penalties. In FY 2020-21, 91 Express Lanes issued a payment of \$217,000 of the \$1,000,000 settlement amount. The remaining amount of the settlement was paid in FY 2021-22.

## **9. 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. OCTA implemented this statement for fiscal year ending June 30, 2022. See note 6 for further information on the impact of the adoption of GASB Statement No. 87.

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

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

### **GASB Statement No. 93**

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement, except for paragraphs 11b, 13, and 14 were effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The implementation of the remaining paragraphs 11b, 13, and 14 did not have a material effect on the financial statements.

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

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

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### **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 OCTA's fiscal year ending June 30, 2022. The implementation of this Statement did not have a material effect on the financial statements.

### **GASB Statement No. 98**

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in

generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. OCTA implemented this statement for fiscal year ending June 30, 2022.

### **GASB Statement No. 99**

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

### **GASB Statement No. 100**

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this

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Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. OCTA has not determined the effect of this Statement.

**GASB Statement No. 101**

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