

**RCTC**

**RIVERSIDE  
COUNTY  
TRANSPORTATION  
COMMISSION**

91 Express Lanes

FISCAL YEAR ENDED JUNE 30, 2019

# **RCTC 91 EXPRESS LANES FUND FINANCIAL STATEMENTS**

(Enterprise Fund of the Riverside County Transportation Commission)





**RCTC 91 Express Lanes Fund**  
**(Enterprise Fund of the Riverside County Transportation Commission)**  
**Financial Statements**  
**For the Year Ended June 30, 2019**

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COMMISSION**



# Independent Auditor's Report





## Independent Auditor's Report

Board of Commissioners  
Riverside County Transportation Commission  
Riverside, California

We have audited the accompanying 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, 2019, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the RCTC 91 Express Lanes Fund of the Commission, as of June 30, 2019, 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.

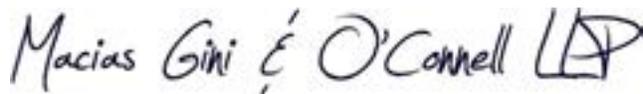
## **Emphasis of Matter**

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, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

Newport Beach, California  
October 31, 2019

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**RIVERSIDE  
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# Management's Discussion & Analysis



**RCTC 91 Express Lanes Fund  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

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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, 2019. We encourage readers to consider information on financial performance presented in conjunction with the financial statements that begin on page 9.

**Financial Highlights**

- At the end of fiscal year (FY) 2018/19, the total net position (deficit) of the Fund was (\$274,596,300) and consisted of net investment in capital assets of (\$299,852,425) and restricted net position of \$25,256,125.
- Net position of (\$274,596,300) during FY 2018/19 reflects the second full year of toll operations. The eight-mile stretch between Interstate 15 and the Orange/Riverside County line and a tolled direct connector reached substantial completion and opened to motorists on March 20, 2017.
- In FY 2018/19, total operating revenues of \$58,423,461 include toll, violation penalty, and account fee revenues and Orange County Transportation Authority (OCTA) reimbursements. Total operating expenses of \$23,375,043 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 9-12 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13-25 of this report.

**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, 2019, the Fund's net position reflected a deficit of \$274,596,300. Our analysis below focuses on net position and changes in net position of the Fund's financial activities.

**RCTC 91 Express Lanes Fund  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**RCTC 91 Express Lanes Fund  
Net Position**

	2019	2018
Current and other assets	\$ 81,178,296	\$ 59,551,294
Restricted assets	76,380,134	29,828,745
Capital assets, net	56,054,070	65,239,555
Intangible assets, net	239,801,144	244,045,820
Total assets	<u>453,413,644</u>	<u>398,665,414</u>
Deferred outflows of resources	277,686	310,156
Total assets and deferred outflows of resources	<u>453,691,330</u>	<u>398,975,570</u>
Current liabilities	58,379,514	27,640,364
Long-term liabilities	669,865,188	649,070,652
Total liabilities	<u>728,244,702</u>	<u>676,711,016</u>
Deferred inflows of resources	42,928	31,888
Total liabilities and deferred inflows of resources	<u>728,287,630</u>	<u>676,742,904</u>
Net position		
Net investment in capital assets	(299,852,425)	(286,349,191)
Restricted	25,256,125	8,581,857
Total net position (deficit)	<u>\$ (274,596,300)</u>	<u>\$ (277,767,334)</u>

FY 2018/19 represents the second full year of toll operations for the Fund. Total assets and deferred outflows of resources increased \$54,715,760, or 14%, due to increases in cash and investments and receivables. Total liabilities and deferred inflows of resources increased \$51,544,726, or 8%, primarily due to increases in deferred violation revenues and toll supported long-term debt related to accreted and compounded interest.

The Fund's net investment in capital assets reflects a deficit of \$299,852,425 and represents (109.2%) of the total net position (deficit) in FY 2018/19. 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 intangible assets), less any related outstanding debt used to acquire these assets. The Fund uses these capital and 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 \$25,256,125 and represents 9.2% of the total net position at June 30, 2019.

The analysis below focuses on the changes in net position.

**RCTC 91 Express Lanes Fund  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**RCTC 91 Express Lanes Fund  
Changes in Net Position**

	2019	2018
Operating revenues		
Toll, penalties, and fees	\$ 58,423,461	\$ 50,446,824
Total operating revenues	<u>58,423,461</u>	<u>50,446,824</u>
Operating expenses		
Management and operational services	9,664,844	9,136,307
Administrative overhead	566,500	532,600
Other operating expenses	748,548	464,119
Professional services	1,089,555	815,345
General and administrative	624,915	826,558
Depreciation and amortization	10,680,681	10,185,622
Total operating expenses	<u>23,375,043</u>	<u>21,960,551</u>
Operating income	<u>35,048,418</u>	<u>28,486,273</u>
Nonoperating revenues (expenses)		
Investment income	2,764,137	(32,662)
Interest expense	(27,956,792)	(27,115,090)
Loss on sale of capital assets	(3,707,333)	(376,656)
Total nonoperating revenues (expenses)	<u>(28,899,988)</u>	<u>(27,524,408)</u>
Income before transfers	6,148,430	961,865
Transfers from (to) the Commission, net	<u>(2,977,396)</u>	<u>14,949,641</u>
Change in net position	3,171,034	15,911,506
Total net position at beginning of year	<u>(277,767,334)</u>	<u>(293,678,840)</u>
Total net position at end of year	<u>\$ (274,596,300)</u>	<u>\$ (277,767,334)</u>

The Fund's total operating revenues increased \$7,976,637, or 16%, due to an increase in trips and toll rate changes as well as non-toll revenues. Total operating expenses increased \$1,414,492, or 6%, due to increases in operations costs, professional services, and depreciation. Nonoperating expenses increased \$1,375,580, or 5%, primarily due to increased investment income offset by the loss on the sale of excess land purchased for the 91 Project. Net transfers from the Commission decreased by \$17,927,037 as a result of the prior year's transfer of capital and intangible assets related to the 91 Project. Total traffic volume on the RCTC 91 Express Lanes Fund during FY 2018/19 was approximately 37,900,600 trips compared to 36,103,800 trips in FY 2017/18.

**RCTC 91 Express Lanes Fund  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Capital and Intangible Assets**

Capital Assets

As of June 30, 2019, the Fund had \$56,054,070, net of accumulated depreciation, invested in a broad range of capital assets including: land and land improvements; buildings; toll infrastructure comprised of communication equipment and computer hardware and software; equipment, furniture and fixtures; and transponders. The decrease of \$9,185,485, or 14%, was primarily due to the sale of excess land and the depreciation of the Fund's toll infrastructure.

**RCTC 91 Express Lanes Fund  
Capital Assets, Net of Depreciation**

	2019	2018
Land and land improvements	\$ 38,736,133	\$ 43,032,888
Construction in progress	-	174,151
Toll infrastructure	15,729,648	21,211,466
Transponders	269,416	360,181
Buildings	1,280,972	444,408
Equipment, furniture, and fixtures	37,901	16,461
Total capital assets, net	<u>\$ 56,054,070</u>	<u>\$ 65,239,555</u>

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

Intangible Assets

The information below is a summary of the Commission's intangible assets, net of accumulated amortization:

**RCTC 91 Express Lanes Fund  
Intangible Assets, Net of Amortization**

	2019	2018
Total intangible asset, net	<u>\$ 239,801,144</u>	<u>\$ 244,045,820</u>

The decrease of \$4,244,676, or 2%, is primarily a result of the current year amortization. More detailed information about the Fund's intangible assets is presented in note 5 to the financial statements.

**Debt Administration**

As of June 30, 2019, the Fund had \$669,294,571 outstanding in toll revenue bonds, including a toll revenue bond in the form of a Transportation Innovation Finance and Infrastructure Act (TIFIA) loan. The increase of \$20,791,535, or 3%, is due to the compounded and accreted interest on the toll-supported long-term debt.

**RCTC 91 Express Lanes Fund  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

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**RCTC 91 Express Lanes Fund  
Outstanding Debt**

	2019	2018
Toll revenue bonds	\$ 199,423,911	\$ 194,522,170
TIFIA loan	<u>469,870,660</u>	<u>453,980,866</u>
Total outstanding debt	<u>\$ 669,294,571</u>	<u>\$ 648,503,036</u>

Additional information on long-term debt can be found in note 7 to the financial statements.

**Economic and Other Factors**

The Fund makes up \$41,869,400 or 6% of Commission's FY 2019/20 revenue budget. In FY 2019/20, toll and non-toll revenues are forecasted to increase by 13% over the FY 2018/19 budget. This increase is based on estimated toll transactions and current traffic and revenue data. The RCTC 91 Express Lanes have exceeded initial 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 2019/20 is 4.8%.

The majority of expenses related to the Fund within FY 2019/20 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, toll policies, 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.



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# Financial Statements



**RCTC 91 Express Lanes Fund**  
**(Enterprise Fund of the Riverside County Transportation Commission)**  
**Statement of Net Position**  
**June 30, 2019**

<b>Assets</b>	
Current assets:	
Cash and investments	\$ 25,203,225
Receivables	
Accounts	2,180,605
Interest	444,261
Violations	53,146,325
Prepaid expenses	201,302
Total current assets	<u>81,175,718</u>
Noncurrent assets:	
Restricted cash and investments	76,380,134
Net other post-employment benefits assets	2,578
Capital assets, net	
Nondepreciable	38,736,133
Depreciable	17,317,937
Intangible assets, net	239,801,144
Total noncurrent assets	<u>372,237,926</u>
Total assets	<u>453,413,644</u>
Deferred outflows of resources	
Pension benefits	227,547
Other post-employment benefits	50,139
Total assets and deferred outflows of resources	<u>453,691,330</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	933,722
Interest payable	1,933,425
Due to other Commission funds	2,338,641
Unearned revenues	53,142,978
Other liabilities	8,976
Compensated absences liability	21,772
Total current liabilities	<u>58,379,514</u>
Noncurrent liabilities:	
Net pension liabilities	537,539
Compensated absences liability	33,078
Bonds payable - due in more than one year	669,294,571
Total noncurrent liabilities	<u>669,865,188</u>
Total liabilities	<u>728,244,702</u>
Deferred inflows of resources	
Pension benefits	31,585
Other post-employment benefits	11,343
Total liabilities and deferred inflows of resources	<u>728,287,630</u>
<b>Net position</b>	
Net investment in capital assets	(299,852,425)
Restricted for toll operations	25,256,125
Total net position (deficit)	<u>\$ (274,596,300)</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, 2019**

Operating revenues	
Tolls, penalties, and fees	\$ 58,423,461
Operating expenses	
Management and operational services	9,664,844
Administrative overhead	566,500
Other operating expenses	748,548
Professional services	1,089,555
General and administrative expenses	624,915
Depreciation and amortization	10,680,681
Total operating expenses	<u>23,375,043</u>
Operating income	<u>35,048,418</u>
Nonoperating revenues (expenses)	
Investment income	2,764,137
Interest expense	(27,956,792)
Loss on sale of capital assets	(3,707,333)
Total nonoperating revenues (expenses)	<u>(28,899,988)</u>
Income before transfers	6,148,430
Transfers	
Transfers in from Commission governmental activities	765,378
Transfers out to Commission governmental funds	(3,742,774)
Total transfers	<u>(2,977,396)</u>
Change in net position	3,171,034
Net position at beginning of year	<u>(277,767,334)</u>
Net position at end of year	<u>\$ (274,596,300)</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, 2019**

Cash flows from operating activities	
Receipts from customers and users	\$ 58,044,539
Payments to vendors	(11,583,755)
Payments to employees	(478,920)
Payments for RCTC interfund services used	(821,305)
Reimbursements received for shared costs	418,487
Net cash provided by operating activities	<u>45,579,046</u>
Cash flows from noncapital financing activities	
Transfer of excess investment earnings on debt service reserves	(500,000)
Transfers of surplus funds to governmental activities	(1,042,859)
Net cash used for noncapital financing activities	<u>(1,542,859)</u>
Cash flows from capital and related financing activities	
Interest paid on long-term debt	(7,119,938)
Acquisition of capital assets, net of reimbursements from other governments	(1,911,279)
Proceeds from sale of capital assets	331,213
Net cash used for capital and related financing activities	<u>(8,700,004)</u>
Cash flows from investing activities	
Interest received	2,195,627
Net cash provided by investing activities	<u>2,195,627</u>
Net increase in cash and cash equivalents	37,531,810
Cash and cash equivalents at beginning of year	63,956,746
Cash and cash equivalents at end of year	<u>\$ 101,488,556</u>
Reconciliation of cash and cash equivalents to statement of net position	
Cash and investments	\$ 25,203,225
Less: fair value adjustment	(94,803)
	<u>25,108,422</u>
Restricted cash and investments	76,380,134
Total cash and cash equivalents	<u>\$ 101,488,556</u>

*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, 2019**

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income	\$ 35,048,418
Adjustments to reconcile operating income to net cash provided by (used for) operating activities	
Depreciation and amortization expense	10,680,681
Change in assets and liabilities	
(Increase) Decrease in violations receivables	(29,599,777)
(Increase) Decrease in other receivables, net	520,871
(Increase) Decrease in prepaid assets	(34,336)
Increase (Decrease) in pension and post-employment benefit liabilities, net of deferred items	46,431
Increase (Decrease) in accounts payable	(526,675)
Increase (Decrease) in due to other funds	(155,779)
Increase (Decrease) in unearned revenues	29,597,087
Increase (Decrease) in deposits payable	2,007
Increase (Decrease) in compensated absences liability	118
Total adjustments	<u>10,530,628</u>
Net cash provided by operating activities	<u>\$ 45,579,046</u>
Noncash capital, financing and investing activities	
Amortization of bond discount	\$ 73,073
Accreted and compounded interest	20,718,462
Net increase in the fair value of investments	272,741

*See notes to financial statements*

**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

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### **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 State Route 91 (SR-91) between Interstate 15 (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, 2019.

### **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.

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.

**Cash and investments:** The Commission maintains cash and investments in accordance with the Investment Policy adopted by the Board of Commissioners in March 2019. 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.

**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.

**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 2. Summary of Significant Accounting Policies, Continued**

**Restricted cash and investments:** Investments set aside in the Senior Lien Obligations Reserve Fund, Senior Lien Capitalized Interest Fund, Residual Fund Scheduled Retained Balance Fund, and Toll Revenue Fund are pursuant to the terms of the 2013 Indenture and their 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:** Violations receivables include uncollected violation tolls and penalties. Unpaid violations of \$53,146,325 as of June 30, 2019 are not recognized as revenue until payment is received and therefore are reflected as unearned revenue. 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.

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; toll infrastructure; buildings; equipment, furniture and fixtures; and transponders. Capital assets are defined by the 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 Fund's policy to capitalize 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.

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

<b>Asset Type</b>	<b>Useful Life</b>
Buildings	10 years
Equipment, furniture and fixtures	3 to 5 years
Toll infrastructure	5 to 10 years
Transponders	5 years

**Intangible assets:** 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.

**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, 2019, the Fund has deferred outflows of resources related to pension and other post-employment benefits (OPEB).

**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

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**Note 2. Summary of Significant Accounting Policies, Continued**

**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 liability 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.

**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.

**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 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 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.

**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 2. Summary of Significant Accounting Policies, Continued**

**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, 2019:

Cash in bank	\$	484,511
Investments		
With RCPIF		24,718,714
With Trustee		76,380,134
Total investments		101,098,848
Total cash and investments	\$	101,583,359

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

Unrestricted cash and investments	\$	25,203,225
Restricted cash and investments		76,380,134
Total cash and investments	\$	101,583,359

**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, 2019**

**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, 2019:

Investments by fair value level:	June 30, 2019	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	\$ 22,604,143	\$ -	\$ 22,604,143
U.S. Treasury obligations	19,470,332	19,470,332	-
Money market mutual funds	17,110,412	-	17,110,412
U.S. agency securities	8,733,428	-	8,733,428
Corporate notes	6,687,359	-	6,687,359
Commercial paper notes	1,074,440	-	1,074,440
Negotiable certificates of deposit	500,020	-	500,020
Municipal bonds	200,000	-	200,000
Total investments measured at fair value	76,380,134	\$ 19,470,332	\$56,909,802
Investments not subject to fair value hierarchy:			
RCPIF	24,718,714		
Total investments	\$ 101,098,848		

Investments classified in Level 1 of the value hierarchy, valued at \$19,470,332 are valued using quoted prices in active markets.

Mortgage and asset-backed securities totaling \$22,604,143, money market mutual funds totaling \$17,110,412, U.S. agency securities totaling \$8,733,428, corporate notes totaling \$6,687,359, commercial paper notes totaling \$1,074,440, negotiable certificates of deposit totaling \$500,020, and municipal bonds totaling \$200,000, 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.



**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 3. Cash and Investments, Continued**

As of June 30, 2019, the Fund has the following investments:

Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
RCPIF	\$ 24,718,714	\$ 24,623,911	1.00% - 3.330%	07/01/19 - 06/21/24	1.104
Held by Trustee					
Negotiable certificates of deposit	500,020	500,012	0.055%	N/A	0.022
Commercial paper notes	1,074,440	1,074,416	1.656% - 1.828%	07/08/19 - 07/11/19	0.024
Corporate notes	6,687,359	6,646,862	2.061% - 2.944%	07/02/19 - 05/20/22	1.213
Money market mutual funds	17,110,412	17,110,412	0.000% - 1.860%	N/A	0.000
Mortgage and asset-backed securities	22,604,143	22,555,729	-0.598% - 3.885%	08/15/19 - 09/16/55	9.077
Municipal bonds	200,000	200,000	2.360% - 2.400%	07/01/38 - 11/15/52	26.210
U.S. agency securities	8,733,428	8,717,247	1.778% - 2.584%	07/26/19 - 01/13/22	1.447
U.S. Treasury obligations	19,470,332	19,413,386	0.283% - 2.656%	08/31/19 - 01/15/29	2.361
Total Investments	<u>\$101,098,848</u>	<u>\$100,841,975</u>			
Portfolio weighted average					5.044

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

As of June 30, 2019, mortgage and asset-backed securities totaled \$22,604,143. 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/AA+ at 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, 2019 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 has deposits with a bank balance of \$484,511 with a financial institution; 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

**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 3. Cash and Investments, Continued**

\$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, 2019; securities denoted as NR are not rated by one of the nationally recognized statistical rating organizations.

Investments	Moody's	S&P	% of Portfolio
RCPIF	Aaa-bf	AAA/f/S1	24.45%
Negotiable certificates of deposit	P1	A1	0.49%
Commercial paper notes			
Notes	P1	A1	0.37%
Notes	P1	A2	0.37%
Notes	P2	A2	0.32%
Corporate			
Notes	A1	A	0.40%
Notes	A1	A+	0.20%
Notes	A1	AA-	0.40%
Notes	A2	A	0.59%
Notes	A2	A-	1.25%
Notes	A2	A+	0.22%
Notes	A3	A	0.52%
Notes	A3	A-	0.69%
Notes	A3	BBB+	0.96%
Notes	Aa1	AA-	0.20%
Notes	Aa2	A+	0.40%
Notes	Aaa	NR	0.40%
Notes	Baa1	A-	0.40%
Money market mutual funds			
Funds	Aaa	AAAm	16.92%
Mortgage and asset backed securities			
Securities	Aaa	AA+	21.22%
Securities	Aaa	AAA	0.24%
Securities	Aaa	NR	0.78%
Securities	NR	AAA	0.11%
Municipal bonds			
Maine State Housing Authority	Aa1	AA+	0.10%
North Dakota Housing Finance Agency	Aa1	NR	0.10%
U.S. agency securities			
Notes	Aaa	AA+	7.65%
Notes	P-1	A-1+	0.99%
U.S. Treasuries			
Treasury	NR	NR	19.26%
Total			100.00%

**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

**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, 2019, 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, 2019 is as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land and land improvements	\$ 43,032,888	\$ -	\$ (4,296,755)	\$ 38,736,133
Construction in progress	174,151	-	(174,151)	-
Total capital assets not being depreciated	43,207,039	-	(4,470,906)	38,736,133
Capital assets being depreciated:				
Toll infrastructure	27,899,996	-	-	27,899,996
Transponders	453,819	-	(1)	453,818
Buildings	686,813	920,813	-	1,607,626
Equipment, furniture, and fixtures	25,460	35,235	-	60,695
Total capital assets being depreciated	29,066,088	956,048	(1)	30,022,135
Less accumulated depreciation for:				
Toll infrastructure	(6,688,530)	(5,481,818)	-	(12,170,348)
Transponders	(93,638)	(90,764)	-	(184,402)
Buildings	(242,405)	(84,249)	-	(326,654)
Equipment, furniture, and fixtures	(8,999)	(13,796)	1	(22,794)
Total accumulated depreciation	(7,033,572)	(5,670,627)	1	(12,704,198)
Total capital assets being depreciated, net	22,032,516	(4,714,579)	-	17,317,937
Capital assets, net	\$ 65,239,555	\$ (4,714,579)	\$ (4,470,906)	\$ 56,054,070

**Note 5. Intangible Assets and Service Concession Arrangements**

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 leasehold rights to Caltrans' right of way and Caltrans' oversight role in the operations and maintenance of the RCTC 91 Express Lanes.

**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 5. Intangible Assets and Service Concession Arrangements, Continued**

Intangible asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Toll facility franchise	\$ 249,927,114	\$ 765,378	\$ -	\$ 250,692,492
Less accumulated amortization	(5,881,294)	-	(5,010,054)	(10,891,348)
Total toll facility franchise, net	<u>\$ 244,045,820</u>	<u>\$ 765,378</u>	<u>\$ (5,010,054)</u>	<u>\$ 239,801,144</u>

**Note 6. 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, 2019 is as follows:

Payable Fund	Receivable Fund	Amount	Explanation
RCTC 91 Express Lanes Enterprise fund	Commission's General fund	\$ 39,700	Administrative cost allocation
RCTC 91 Express Lanes Enterprise fund	Commission's General fund	99,026	Fringe benefits allocation
RCTC 91 Express Lanes Enterprise fund	Commission's Special Revenue fund	611,984	Administrative cost allocation
RCTC 91 Express Lanes Enterprise fund	Commission's Special Revenue fund	1,587,931	91 Corridor Operations project
Total due to other Commission funds		<u>\$ 2,338,641</u>	

**Transfers to/from other Commission funds:** During 2019, 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	\$ (2,630,790)	Transfer of surplus funds to fund the 91 Corridor Operations project
RCTC 91 Express Lanes Enterprise fund	Commission's Special Revenue fund	(611,984)	Transfer of surplus funds to fund the 15/91 Express Lanes Connector project
RCTC 91 Express Lanes Enterprise fund	Commission's Capital Projects fund	(500,000)	Transfer of excess investment earnings to toll senior lien project bond fund
Commission's Governmental activities	RCTC 91 Express Lanes Enterprise fund	765,378	Transfer of intangible assets
Total transfers		<u>\$ 2,977,396</u>	

**RCTC 91 Express Lanes Fund  
Notes to Financial Statements  
June 30, 2019**

**Note 7. Long-Term Obligations**

The following is a summary of changes in long-term debt obligations for the year ended June 30, 2019:

	Balance June 30, 2018	Additions / Accretion	Reductions	Balance June 30, 2019	Due Within One Year
Toll revenue bonds:					
2013 Bonds	\$ 196,596,616	\$ 4,828,668	\$ -	\$ 201,425,284	\$ -
Toll revenue bonds discount	(2,074,446)	-	73,073	(2,001,373)	-
Total bonds payable, net	<u>194,522,170</u>	<u>4,828,668</u>	<u>73,073</u>	<u>199,423,911</u>	<u>-</u>
TIFIA loan	453,980,866	15,889,794	-	469,870,660	-
Compensated absences liability	54,732	326	(208)	54,850	21,772
Total long-term obligations	<u>\$ 648,557,768</u>	<u>\$ 20,718,788</u>	<u>\$ 72,865</u>	<u>\$ 669,349,421</u>	<u>\$ 21,772</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.

**2013 Toll Revenue Bonds, Series A (Current Interest Obligation):**

**Outstanding**

In July 2013, the Commission issued \$123,825,000 principal amount of serial current interest bonds (CIBs) at a discount of \$2,433,315 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. The CIBs consist of a serial bond maturing on June 1, 2044 in the amount of \$39,315,000 at an interest rate of 5.75% and a term bond due on June 1, 2048 in the amount of \$84,510,000 with annual sinking funds payments of \$42,255,000 on June 1, 2047 and June 1, 2048 at an interest rate of 5.75%.

\$ 123,825,000

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

Year Ending June 30	Principal	Interest	Total
2020	\$ -	\$ 7,119,900	\$ 7,119,900
2021	-	7,119,900	7,119,900
2022	-	7,119,900	7,119,900
2023	-	7,119,900	7,119,900
2024	-	7,119,900	7,119,900
2025-2029	-	35,599,700	35,599,700
2030-2034	-	35,599,700	35,599,700
2035-2039	-	35,599,700	35,599,700
2040-2044	39,315,000	35,599,700	74,914,700
2045-2048	84,510,000	17,007,800	101,517,800
	<u>\$ 123,825,000</u>	<u>\$ 195,006,100</u>	<u>\$ 318,831,100</u>

**RCTC 91 Express Lanes Fund  
Notes to Financial Statements  
June 30, 2019**

**Note 7. Long-Term Obligations, Continued**

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

**Outstanding**

In July 2013, the Commission issued \$52,829,600 principal amount of serial capital appreciation bonds (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. The CABs will not pay current interest as interest will be compounded commencing December 2013 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 \$3,440,000 to \$34,220,000 on various dates from June 1, 2022 through June 1, 2043. Interest rates and yield to maturity range from 5.30% to 7.15%. During 2019, the accretion amount was \$4,828,668. During 2019, the accretion amount was \$4,828,668; the aggregate accretion through June 30, 2019 is \$24,770,681.

\$ 77,600,284

In accordance with the bond maturity schedule, 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
2022	\$ 2,396,700	\$1,423,300	\$ 3,820,000
2023	3,098,000	2,231,900	5,329,900
2024	3,739,200	3,245,900	6,985,100
2025-2029	20,311,000	29,634,000	49,945,000
2030-2034	11,492,900	30,657,100	42,150,000
2035-2039	-	-	-
2040-2043	11,791,800	78,458,200	90,250,000
	<u>\$ 52,829,600</u>	<u>\$145,650,400</u>	<u>\$ 198,480,000</u>

**TIFIA Loan Agreement:**

**Outstanding**

In July 2013, the Commission executed a TIFIA loan of up to \$421,054,409, which proceeds financed a portion of the costs for the 91 Project. During construction and for a period of up to five years following substantial completion, interest is compounded and added to the initial TIFIA loan. The TIFIA loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent additional funds are available. TIFIA debt service payments are expected to commence on December 1, 2021, which is five years after substantial completion of the 91 Project, through June 1, 2051. The interest rate of the TIFIA loan is 3.47%.

\$ 469,870,660

The TIFIA loan is a toll revenue bond that is subordinate to the senior toll revenue bonds.

In accordance with the TIFIA loan maturity schedule, the approximate mandatory annual debt service requirements to maturity for the TIFIA loan payable throughout the term of the loan are as follows:

**RCTC 91 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 7. Long-Term Obligations, Continued**

Year Ending June 30	Mandatory		
	Principal	Interest	Total
2022	\$ -	\$ 1,921,000	\$ 1,921,000
2023	-	1,921,000	1,921,000
2024	-	1,924,000	1,924,000
2025-2029	-	25,570,000	25,570,000
2030-2034	9,914,000	87,312,000	97,226,000
2035-2039	117,632,000	78,402,000	196,034,000
2040-2044	79,124,000	57,931,000	137,055,000
2045-2049	247,089,000	35,110,000	282,199,000
2050-2051	49,579,000	2,050,000	51,629,000
Total	503,338,000	\$ 292,141,000	\$ 795,479,000
Future compounded interest	(33,467,340)		
Total TIFIA loan	\$ 469,870,660		

In connection with the issuance of the 2013 Toll Revenue Bonds consisting of the CIBs and CABs, a debt service reserve of \$17,665,460 and an operations and maintenance fund of \$3,137,666 were established. Additionally, the toll indenture and TIFIA loan agreement require the Commission to establish a subordinate obligations reserve fund of \$20,000,000 no later than July 1, 2019. The \$20,000,000 reserve was funded in June 2019 from the proceeds of the sale of excess properties on the SR-91 and surplus revenues.

**Note 8. 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, toll policies, 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 \$6,942,600 plus inflation for three initial years with two one-year 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 expires on December 31, 2021, as amended in September 2019.

**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.

**RCTC 91 Express Lanes Fund  
Notes to Financial Statements  
June 30, 2019**

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**Note 9. 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 liability of \$537,539 and net OPEB asset of \$2,578, reported by the Fund, represent the Fund's proportional share of the Commission's net pension liability of \$8,340,905 and net OPEB asset of \$40,000. The Fund's net pension liability and net OPEB asset each represent 6.44% of the Commission's net pension liability and net OPEB asset, respectively.

**Note 10. Pronouncements Issued, Not Yet Effective**

The GASB pronouncements issued prior to June 30, 2019 that have an effective date that may impact future financial presentations include:

- GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019;
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019;
- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statement No. 14 and No. 61*, effective for fiscal years beginning after December 15, 2018; and
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for fiscal years beginning after December 15, 2020.









**RCTC**

**RIVERSIDE  
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TRANSPORTATION  
COMMISSION**

**Riverside County  
Transportation Commission**

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