

RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION



Riverside Express

FISCAL YEAR ENDED
JUNE 30, 2023

15 EXPRESS LANES FUND FINANCIAL STATEMENTS

(Enterprise Fund of the
Riverside County Transportation Commission)

Riverside County Transportation Commission
Riverside County, California

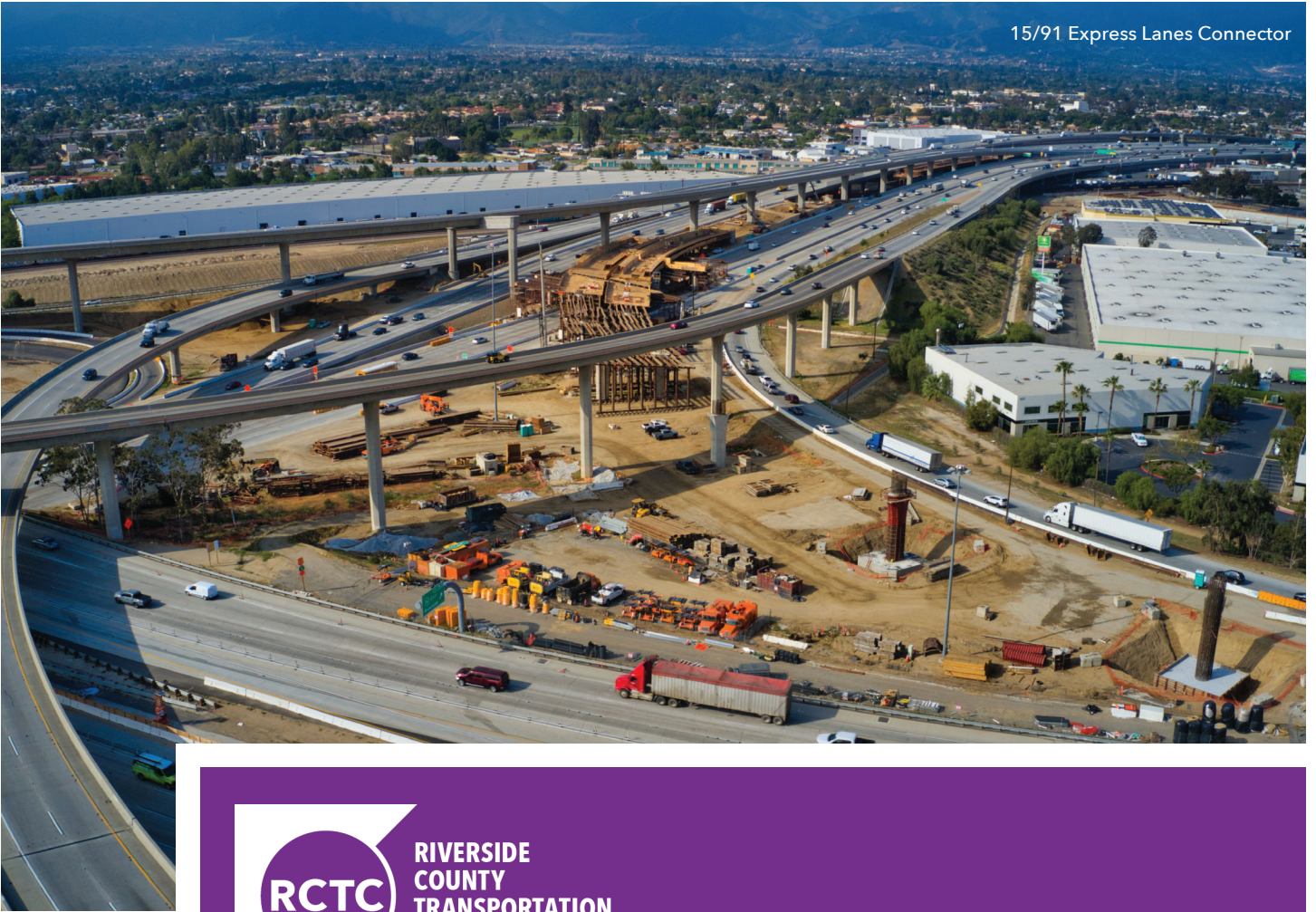


15 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Financial Statements
For the Year Ended June 30, 2023

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RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION

INDEPENDENT AUDITOR'S REPORT





Independent Auditor's Report

Board of Commissioners
Riverside County Transportation Commission
Riverside, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the 15 Express Lanes Fund (the Fund), an enterprise fund of the Riverside County Transportation Commission (the Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the 15 Express Lanes Fund of the Commission, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the 15 Express Lanes Fund and do not purport to, and do not, present fairly the financial position of the Commission as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Eide Bailly LLP

Rancho Cucamonga, California
October 31, 2023





RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION

MANAGEMENT'S DISCUSSION & ANALYSIS



15 Express Lanes Fund

Management's Discussion and Analysis

For the Year Ended June 30, 2023

As management of the 15 Express Lanes Fund (the Fund), an enterprise fund of the Riverside County Transportation Commission, we offer readers of the Fund financial statements this narrative overview and analysis of the Fund's financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider information on financial performance presented in conjunction with the financial statements that begin on page 11.

Financial Highlights

- At the end of fiscal year (FY) 2022/23, the total net position of the Fund was \$262,717,804, consisting of net investment in capital assets of \$204,516,847, restricted net position for other post-employment benefits of \$87,940, and restricted net position of \$58,113,017. The net position increased \$13,075,727 due to operating revenues outpacing operating expenditures and transfers.
- Net position of \$262,717,804 during FY 2022/23 reflects the position after the second full year of toll operations. The 15-mile stretch that includes two express lanes in each direction of the center median along the Interstate (I) 15 corridor between Cajalco Road in Corona and State Route (SR) 60 in Jurupa Valley achieved final acceptance in FY 2022/23.
- In FY 2022/23, total operating revenues of \$39,371,149 and include toll, violation penalty, account fee, and miscellaneous revenues. Total operating expenses of \$24,274,329 include but not limited to: 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 11-16 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17-27 of this report.

15 Express Lanes Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Fund's financial position. At June 30, 2023, the Fund's net position was \$262,717,804. Our analysis below focuses on net position and changes in net position of the Fund's financial activities.

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

15 Express Lanes Fund
Net Position

	2023	2022
Current and other assets	\$ 7,935,644	\$ 11,458,973
Restricted assets	79,347,151	46,950,436
Capital assets, net	356,731,106	368,116,699
Total assets	<u>444,013,901</u>	<u>426,526,108</u>
Deferred outflows of resources	443,606	477,196
Total assets and deferred outflows of resources	<u>444,457,507</u>	<u>427,003,304</u>
Current liabilities	4,908,401	5,044,271
Long-term liabilities	176,126,926	171,412,545
Total liabilities	<u>181,035,327</u>	<u>176,456,816</u>
Deferred inflows of resources	704,376	904,411
Total liabilities and deferred inflows of resources	<u>181,739,703</u>	<u>177,361,227</u>
Net position		
Net investment in capital assets	204,516,847	215,902,440
Restricted	58,200,957	33,739,637
Total net position	<u>\$ 262,717,804</u>	<u>\$ 249,642,077</u>

FY 2022/23 represents the second full year of toll operations for the Fund. Total assets and deferred outflows of resources increased \$17,454,203, or 4%, largely due to continued strong operating performance, increasing restricted assets which includes the facilities cash investments related to toll operations. Total liabilities and deferred inflows of resources increased \$4,378,476, or 2%, primarily due to increases in toll supported long-term debt related to accreted and compounded interest.

The Fund's net investment in capital assets was \$204,516,847 in FY 2022/23. The Fund's net position reflects its investment in capital assets (i.e., land and land improvements; buildings; toll infrastructure; equipment, furniture and fixtures; and toll facility franchise), less any related outstanding debt used to acquire these assets. The Fund uses these capital assets, which include intangible assets, to provide improved mobility for the Fund customers and commuters along the I-15 corridor.

Restricted net position, representing resources subject to external restrictions on how they may be used, was \$58,200,957 and represents 22% of the total net position at June 30, 2023.

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

The analysis below focuses on the changes in net position.

15 Express Lanes Fund
Changes in Net Position

	2023	2022
Operating revenues		
Toll, penalties, and fees	\$ 39,371,149	\$ 37,259,442
Total operating revenues	<u>39,371,149</u>	<u>37,259,442</u>
Operating expenses		
Management and operational services	9,729,858	10,514,267
Administrative overhead	337,800	305,200
Other operating expenses	191,108	173,980
Professional services	466,264	499,955
General and administrative	896,386	(19,871)
Depreciation and amortization	12,652,913	10,899,738
Total operating expenses	<u>24,274,329</u>	<u>22,373,269</u>
Operating income	<u>15,096,820</u>	<u>14,886,173</u>
Nonoperating revenues (expenses)		
Investment income (loss)	1,594,076	(430,015)
Interest expense	(5,055,596)	(4,859,834)
Total nonoperating revenues (expenses)	<u>(3,461,520)</u>	<u>(5,289,849)</u>
Income before contributions and transfers	11,635,300	9,596,324
Contributions from Commission governmental funds	1,263,354	13,138,929
Transfers from Commission governmental funds	177,116	35,380
Transfers to enterprise funds	(43)	-
Transfers to Commission governmental funds	-	(4,325,708)
Total contributions and transfers	<u>1,440,427</u>	<u>8,848,601</u>
Change in net position	13,075,727	18,444,925
Total net position at beginning of year	249,642,077	231,197,152
Total net position at end of year	<u><u>\$ 262,717,804</u></u>	<u><u>\$ 249,642,077</u></u>

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

The Fund's operating revenues increased \$2,111,707, or 6%, due to increased traffic volumes in FY 2022/23. Total operating expenses increased \$1,901,060, or 8% due to net pension benefits expenses compared to net pension benefits credit in FY2021/22. Additionally, depreciation and amortization increased due to depreciation on capital assets. Nonoperating incomes and expenses, net increase of \$1,828,329, or 35%, is due to positive investment income, offset by toll supported long-term debt related to accreted and compounded interest. Net contributions and transfers from the Commission decreased by \$7,408,174, or 84%, as a result of the prior year's contribution of capital and intangible assets, offset by the transfer of toll-supported long-term debt related to the I-15 Express Lanes project. Total traffic volume on the 15 Express Lanes Fund during FY 2022/23 was approximately 25,577,400 transactions.

Capital Assets

As of June 30, 2023, the Fund had \$356,731,106, net of accumulated depreciation and amortization, 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 toll facility franchise.

15 Express Lanes Fund
Capital Assets, Net of Depreciation

	2023	2022
Land and land improvements	\$ 611,755	\$ 611,755
Toll infrastructure	12,715,942	18,415,058
Toll facility franchise	338,569,119	343,502,929
Buildings	4,789,768	5,512,593
Equipment, furniture, and fixtures	44,522	74,364
Total capital assets, net	<u>\$ 356,731,106</u>	<u>\$ 368,116,699</u>

More detailed information about the Fund's capital assets is presented in note 5 to the financial statements.

Debt Administration

As of June 30, 2023, the Fund had \$167,030,355 outstanding in a Transportation Innovation Finance and Infrastructure Act (TIFIA) loan and \$9,000,000 outstanding from an advance from Commission Measure A revenues.

15 Express Lanes Fund
Outstanding Debt

	2023	2022
TIFIA loan	\$ 167,030,355	\$ 162,385,853
Advance from Commission fund	9,000,000	9,000,000
Total outstanding debt	<u>\$ 176,030,355</u>	<u>\$ 171,385,853</u>

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

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

Economic and Other Factors

The Fund makes up \$34,024,500 or 4% of Commission's FY 2023/24 revenue budget. In FY 2023/24, toll and non-toll revenues are forecasted to increase by less than 1% over the FY 2022/23 budget. This increase is due to higher than anticipated revenues received during FY 2022/23 largely as a result of tolls collected within the southern terminus of the Enterprise. The average projected long-term rate of growth for toll road revenues beyond FY 2023/24 is 2.3%.

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

I-15 Corridor Freight and Express Lanes Project: The Commission and San Bernardino County Transportation Agency (SBCTA) entered into a Cooperative Agreement (Agreement) on May 24, 2023, formalizing the coordination of the toll facilities between Riverside and San Bernadino counties; collectively referred to as the I-15 Corridor Freight and Express Lanes project or I-15 Next. Specifically, the Agreement requires the Commission to assign approximately 2.2 miles of its existing RCTC 15 Toll Lanes to SBCTA in exchange for annual toll revenue payments payable by SBCTA.

The assignment is made by the Commission to SBCTA in preparation for planning and constructing a toll facility within the median of I-15. Construction by SBCTA is anticipated to begin during calendar year 2024 with an estimated completion date of summer 2026.

As of June 30, 2023, no impacts have been incurred by the existing RCTC 15 Express Lanes as a result of entering into this Agreement. However, SBCTA will reimburse RCTC 15 Express Lanes for any impacts during construction phase of the project. Furthermore, assignment of the RCTC 15 Express Lanes will not occur until sixty (60) days prior to project completion estimated to occur during calendar year 2026.

Contacting 15 Express Lane's Management

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





RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION

FINANCIAL STATEMENTS



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

Assets		
Current assets:		
Cash and investments	\$	3,998,481
Receivables		
Accounts		3,079,871
Interest		104,147
Lease		91,895
Prepaid expenses		142,971
Total current assets		<u>7,417,365</u>
Noncurrent assets:		
Restricted cash and investments		79,347,151
Lease receivable		490,456
Net other post-employment benefits assets		27,823
Capital assets, net		
Nondepreciable		611,755
Depreciable and amortizable		356,119,351
Total noncurrent assets		<u>436,596,536</u>
Total assets		<u>444,013,901</u>
Deferred outflows of resources		
Pension benefits		362,612
Other post-employment benefits		80,994
Total assets and deferred outflows of resources		<u>444,457,507</u>
Liabilities		
Current liabilities:		
Accounts payable		2,366,145
Interest payable		1,697,411
Due to other Commission funds		110,655
Other liabilities		698,738
Compensated absences liability		35,452
Total current liabilities		<u>4,908,401</u>
Noncurrent liabilities:		
Net pension liabilities		73,776
Compensated absences liabilities		22,795
Advance from other Commission funds		9,000,000
Bonds payable - due in more than one year		167,030,355
Total noncurrent liabilities		<u>176,126,926</u>
Total liabilities		<u>181,035,327</u>
Deferred inflows of resources		
Pension benefits		119,875
Other post-employment benefits		20,877
Lease revenues		563,624
Total liabilities and deferred inflows of resources		<u>181,739,703</u>
Net position		
Net investment in capital assets		204,516,847
Restricted for other post-employment benefits		87,940
Restricted for express lanes		58,113,017
Total net position	\$	<u>262,717,804</u>

See notes to financial statements

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

Operating revenues	
Tolls, penalties, and fees	\$ 39,371,149
Operating expenses	
Management and operational services	9,729,858
Administrative overhead	337,800
Other operating expenses	191,108
Professional services	466,264
General and administrative expenses	896,386
Depreciation and amortization	12,652,913
Total operating expenses	<u>24,274,329</u>
Operating income	<u>15,096,820</u>
Nonoperating revenues (expenses)	
Investment income (loss)	1,594,076
Interest expense	(5,055,596)
Total nonoperating revenues (expenses)	<u>(3,461,520)</u>
Income before contributions and transfers	11,635,300
Contributions and transfers	
Contributions from Commission governmental activities	1,263,354
Transfers in from Commission governmental activities	177,116
Transfers out to other Enterprise fund	(43)
Total contributions and transfers	<u>1,440,427</u>
Change in net position	13,075,727
Net position at beginning of year	<u>249,642,077</u>
Net position at end of year	<u><u>\$ 262,717,804</u></u>

See notes to financial statements

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

Cash flows from operating activities	
Receipts from customers and users	\$ 35,225,381
Payments to vendors	(3,994,037)
Payments to employees	(556,301)
Payments for RCTC interfund services used	(331,600)
Reimbursements received for lease costs	50,040
Net cash provided by operating activities	<u>30,393,483</u>
Cash flows from noncapital financing activities	
Transfers from governmental activities for operations and maintenance	<u>335,158</u>
Net cash used for noncapital financing activities	<u>335,158</u>
Cash flows from capital and related financing activities	
Payment for acquisition of capital assets	<u>(3,966)</u>
Net cash used for capital and related financing activities	<u>(3,966)</u>
Cash flows from investing activities	
Interest received	<u>1,385,014</u>
Net cash used for investing activities	<u>1,385,014</u>
Net increase in cash and cash equivalents	32,109,689
Cash and cash equivalents at beginning of year	<u>51,315,666</u>
Cash and cash equivalents at end of year	<u><u>\$ 83,425,355</u></u>
Reconciliation of cash and cash equivalents to statement of net position	
Cash and investments	\$ 3,998,481
Add: fair value adjustment	<u>79,723</u>
	4,078,204
Restricted cash and investments	<u>79,347,151</u>
Total cash and cash equivalents	<u><u>\$ 83,425,355</u></u>

See notes to financial statements

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

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income	\$ 15,096,820
Adjustments to reconcile operating income to net cash provided by (used for) operating activities	
Depreciation and amortization expense	12,652,913
Change in assets and liabilities	
(Increase) Decrease in other receivables, net	2,823,119
(Increase) Decrease in prepaid assets	50,400
Increase (Decrease) in pension and post-employment benefit liabilities, net of deferred items	330,306
Increase (Decrease) in lease receivable, net of deferred items	(9,216)
Increase (Decrease) in accounts payable	(885,541)
Increase (Decrease) in due to other Commission funds	9,221
Increase (Decrease) in compensated absences liability	6,758
Increase (Decrease) in other liabilities	318,703
Total adjustments	<u>15,296,663</u>
Net cash provided by operating activities	<u><u>\$ 30,393,483</u></u>
Noncash capital, financing and investing activities	
Accreted and compounded interest on TIFIA Loan	\$ 4,644,502
Compounded interest on advance from other Commission fund	400,253
Net increase (decrease) in the fair value of investments	(79,723)
Contributions of capital and intangible assets from Commission governmental activities	1,263,354
Transfers in of accrued investment income from Commission governmental activities	177,116

See notes to financial statements

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 1. Reporting Entity

After more than a decade of work, which includes approximately three years of construction, the Riverside County Transportation Commission (Commission) achieved substantial completion on the I-15 Express Lanes Project on April 10, 2021. In achieving substantial completion, the 15 Express Lanes opened to traffic; tolling commenced on April 14, 2021. The 15-mile stretch includes two lanes in each direction of the center median along the Interstate (I) 15 corridor between Cajalco Road in Corona and State Route (SR) 60 in Jurupa Valley.

The 15 Express Lanes Fund (Fund) is reported as a major enterprise fund in the Commission's basic financial statements. The accompanying financial statements present the net position, changes in net position, and cash flows of the Fund only. They do not purport to, and do not, present the overall financial position of the Commission or its changes in net position as of June 30, 2023.

Note 2. Summary of Significant Accounting Policies

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

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

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

Violations: Violations consist of uncollected violation tolls and penalties. Unpaid violations of \$29,275,372 as of June 30, 2023 are not recognized as revenue until payment is received. If violations and penalties remain owed for more than 90 days, they are attached to the registration for the violation vehicle. Unpaid violations will remain recorded for a period of four years in accordance with the statute of limitations, at which time, they will be deemed uncollectible.

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

The Commission holds investments that are measured at fair value on a recurring basis. Investments in U.S. Treasury obligations, U.S. agency securities, and mortgage and asset-backed securities 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.

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 2. Summary of Significant Accounting Policies, Continued

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

Restricted cash and investments: Investments set aside in the Senior Lien Obligations Reserve Fund, Second Lien Obligations Reserve Fund, Subordinate Lien Obligations Reserve Fund, and Residual Fund Scheduled Retained Balance Fund are pursuant to the terms of the 2017 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: Accounts receivables include amounts due from other California toll road agencies related to their customers' use of the 15 Express Lanes.

Capital assets: Capital assets include land and land improvements; toll infrastructure; buildings; equipment, furniture and fixtures; and toll facility franchise. Capital assets are defined by the Fund as assets with an initial, individual cost of more than \$100,000 and a useful life in excess of three years. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

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

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

The Commission entered into a toll facility agreement with California's Department of Transportation (Caltrans) and obtained authority to toll the I-15 corridor between Cajalco Road and SR-60 for 50 years commencing as of the first day on which the 15 Express Lanes open for public use and toll operations through April 2071. The 15 Express Lanes opened on April 10, 2021.

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

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

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 2. Summary of Significant Accounting Policies, Continued

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, OPEB, and leases.

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 2017 Master Indenture for toll operations.

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

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, 2023:

Cash in bank	\$ 1,034,781
Investments	
With RCPIF	3,813,010
With Trustee	78,497,841
Total investments	<u>82,310,851</u>
Total cash and investments	<u>\$ 83,345,632</u>

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

Unrestricted cash and investments	\$ 3,998,481
Restricted cash and investments	79,347,151
Total cash and investments	<u>\$ 83,345,632</u>

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).



15 Express Lanes

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 3. Cash and Investments, Continued

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

Investments by fair value level:	June 30, 2023	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments subject to fair value hierarchy:			
Mortgage and asset-backed securities	\$ 3,771,821	\$ -	\$ 3,771,821
U.S. Treasury obligations	8,416,501	8,416,501	-
Money market mutual funds	63,080,795	63,080,795	-
U.S. agency securities	3,228,724	-	3,228,724
Total investments measured at fair value	78,497,841	\$ 71,497,296	\$ 7,000,545
Investments not subject to fair value hierarchy:			
RCPIF	3,813,010		
Total investments	\$ 82,310,851		

Investments classified in Level 1 of the value hierarchy, valued at \$71,497,296 are valued using quoted prices in active markets.

Mortgage and asset-backed securities totaling \$3,771,821 and U.S. agency securities totaling \$3,228,724 classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

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

Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
RCPIF	\$3,813,010	\$3,892,733	0.210% - 6.000%	6/30/23 - 6/30/28	1.300
Held by Trustee					
Money market mutual funds	63,080,795	63,080,795	4.706%	N/A	20 days or 0.055
Mortgage and asset-backed securities	3,771,821	4,023,553	1.080% - 4.077%	1/25/24 - 12/15/42	5.907
U.S. agency securities	3,228,724	3,258,322	0.305% - 5.508%	10/27/23 - 3/25/27	1.405
U.S. Treasury obligations	8,416,501	8,539,532	0.127% - 4.063%	10/15/23 - 2/28/26	1.520
Total Investments	<u>\$82,310,851</u>	<u>\$82,794,935</u>			
				Portfolio weighted average	10.187

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

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 3. Cash and Investments, Continued

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

As of June 30, 2023, mortgage and asset-backed securities fair value totaled \$3,771,821. The underlying assets are consumer receivables that include credit cards, auto/equipment, and home loans. The securities have a fixed interest rate and are rated Aaa/AAA by least two of the three nationally recognized statistical rating organizations.

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

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

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

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

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

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 3. Cash and Investments, Continued

Investments	Moody's	S&P	% of Portfolio
RCPIF	Aaa-bf	NR	4.59%
Money market mutual funds			
Funds	AAA	AAA	76.88%
Mortgage and asset backed securities			
Securities	NR	AA+	4.30%
Securities	NR	AAA	0.23%
U.S. agency securities			
Notes	AAA	AA+	3.29%
Notes	AAA	NR	0.59%
U.S. Treasuries			
Treasury	AAA	NR	8.95%
Treasury	NR	AA+	1.17%
Total			<u>100.00%</u>

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

Note 4. Lease Receivable

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about the Commission's leasing activities. This statement establishes a single model for lease accounting based on the 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. The 15 Express Lanes is the owner of a building within the City of Corona which is leased by both Orange County Transportation Authority (OCTA) and the Riverside Transportation Commission (RCTC) 91 Express Lanes. Detailed information for each lease is noted below.

On November 1, 2019, the Fund entered a 120-month lease for the use of 301 Corporate Terrace Circle, Corona, Ca with the Orange County Transportation Authority. An initial lease receivable was recorded in the amount of \$379,833. As of June 30, 2023, the value of the lease receivable is \$291,176. The lessee is required to make quarterly fixed payments of \$12,171. The lease has an interest rate of 1.7670%. The value of the deferred inflow of resources as of June 30, 2023 was \$281,812 and the Fund recognized lease revenue of \$49,011.

On November 1, 2019, the Fund entered a 120-month lease for the use of 301 Corporate Terrace Circle, Corona, Ca with the RCTC 91 Express Lanes Enterprise Fund. An initial lease receivable was recorded in the amount of \$379,833. As of June 30, 2023, the value of the lease receivable is \$291,175. The lessee is required to make quarterly fixed payments of \$12,171. The lease has an interest rate of 1.7670%. The value of the deferred inflow of resources as of June 30, 2023 was \$281,812 and the Fund recognized lease revenue of \$49,011.

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 4. Lease Receivable, Continued

In accordance with the standard, the principal and interest expected to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 91,895	\$ 9,687	\$ 101,582
2025	95,950	8,037	103,987
2026	100,077	6,314	106,391
2027	103,977	4,518	108,495
2028	107,337	2,661	109,998
2029-2032	83,115	735	83,850
Total lease receivable	<u>\$ 582,351</u>	<u>\$ 31,952</u>	<u>\$ 614,303</u>

Note 5. Capital Assets

	Balance June 30, 2022	Capital Contributions	Transfers	Additions	Balance June 30, 2023
Capital assets not being depreciated:					
Land and land improvements	\$ 558,405	\$ -	\$ -	\$ -	\$ 558,405
Construction easements	53,350	-	-	-	53,350
Total capital assets not being depreciated	<u>611,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>611,755</u>
Capital assets being depreciated and amortized:					
Toll infrastructure	22,219,984	-	-	(860,110)	21,359,874
Buildings	6,451,978	-	-	-	6,451,978
Equipment, furniture, and fixtures	111,155	-	3,966	-	115,121
Toll facility franchise	352,233,039	2,123,464	-	-	354,356,503
Total capital assets being depreciated and amortized:	<u>381,016,156</u>	<u>2,123,464</u>	<u>3,966</u>	<u>(860,110)</u>	<u>382,283,476</u>
Less accumulated depreciation and amortization for:					
Toll infrastructure	(3,804,926)	-	(4,839,006)	-	(8,643,932)
Buildings	(939,385)	-	(722,825)	-	(1,662,210)
Equipment, furniture, and fixtures	(36,791)	-	(33,808)	-	(70,599)
Toll facility franchise	(8,730,110)	-	(7,057,274)	-	(15,787,384)
Total accumulated depreciation	<u>(13,511,212)</u>	<u>-</u>	<u>(12,652,913)</u>	<u>-</u>	<u>(26,164,125)</u>
Total capital assets being depreciated and amortized, net	<u>367,504,944</u>	<u>2,123,464</u>	<u>(12,648,947)</u>	<u>(860,110)</u>	<u>356,119,351</u>
Capital assets, net	<u>\$ 368,116,699</u>	<u>\$ 2,123,464</u>	<u>\$ (12,648,947)</u>	<u>\$ (860,110)</u>	<u>\$ 356,731,106</u>

On September 29, 2016, the Commission entered into a toll facilities agreement with Caltrans providing the Commission with authorization to toll the I-15 from Cajalco Road to SR-60 for 50 years commencing as of the first day on which the 15 Express Lanes open for public use and toll operations. The agreement also set forth the Commission's rights to Caltrans' right of way and Caltrans' oversight role in the operations and maintenance of the 15 Express Lanes.

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

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, 2023 is as follows:

Payable Fund	Receivable Fund	Amount	Explanation
15 Express Lanes Enterprise fund	Commission's General fund	\$ (78,200)	Administrative cost allocation
15 Express Lanes Enterprise fund	Commission's General fund	(32,455)	Fringe benefits allocation
Total due from (to) other Commission funds, net		<u>\$ (110,655)</u>	

Contributions and transfers to/from other Commission funds: During 2023, contributions and transfers to/from other Commission funds were as follows:

Contribution and Transfer Out	Contribution and Transfer In	Amount	Explanation
Commission's Governmental activities	15 Express Lanes Enterprise fund	\$ 1,263,354	Contribution of capital and intangible assets
Commission's Governmental activities	15 Express Lanes Enterprise fund	981	Transfer of interest from ramp up reserve
Commission's Governmental activities	15 Express Lanes Enterprise fund	175,826	Transfer of lease revenues
Commission's Capital Projects fund	15 Express Lanes Enterprise fund	309	Transfer of interest from operations
15 Express Lanes Enterprise fund	91 Express Lanes Enterprise fund	(43)	Transfer of accumulated interest
Total contributions/transfers in from other Commission funds, net		<u>\$ 1,440,427</u>	

Advances from other funds: A Commission governmental fund advanced \$9,000,000 to the 15 Express Lanes Fund to establish an \$18,000,000 Transportation Infrastructure Finance and Innovation Act (TIFIA) debt service reserve for the I-15 Express Lanes project as required no later than June 30, 2024. Capitalized interest on the advance as of June 30, 2022, was \$1,402,677. Repayment of this initial Commission advance is subject to satisfying certain conditions under the related indenture, including the occurrence of the second anniversary of the TIFIA debt service payment commencement date.

Note 7. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2023:

	Balance June 30, 2022	Additions / Accretion	Reductions	Balance June 30, 2023	Due Within One Year
TIFIA loan	\$ 162,385,853	\$ 4,644,502	\$ -	\$ 167,030,355	\$ -
Compensated absences liability	51,489	45,674	(38,916)	58,247	35,452
Total long-term obligations	<u>\$ 162,437,342</u>	<u>\$ 4,690,176</u>	<u>\$ (38,916)</u>	<u>\$ 167,088,602</u>	<u>\$ 35,452</u>

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 7. Long-Term Obligations, Continued

In May 2017, the Commission authorized the issuance and sale of not to exceed \$165 million of toll revenue bonds related to the 15 Express Lanes Project. The TIFIA loan is a senior toll revenue bond per the I-15 Express Lanes Project indenture.

TIFIA Loan Agreement:

Outstanding

In July 2017, the Commission executed a TIFIA loan of up to \$152,214,260, which proceeds financed a portion of the costs for the I-15 Express Lanes 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, 2025, which is five years after substantial completion of the I-15 Express Lanes Project, through December 1, 2055. The interest rate of the TIFIA loan is 2.84%. During 2023, \$0 was drawn on the TIFIA loan and \$4,644,502 interest was compounded.

\$ 167,030,355

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

Year Ending June 30	Principal	Interest	Total
2026	\$ -	\$ 5,018,900	\$ 5,018,900
2027	-	5,018,900	5,018,900
2028	-	5,025,800	5,025,800
2029-2033	4,017,700	24,942,900	28,960,600
2034-2038	17,483,200	23,762,300	41,245,500
2039-2043	21,475,000	20,852,900	42,327,900
2044-2048	40,678,500	17,012,300	57,690,800
2049-2053	64,144,700	9,709,600	73,854,300
2054-2055	28,922,600	1,291,600	30,214,200
Total	176,721,700	\$ 112,635,200	\$ 289,356,900
Future compounded interest	(9,691,345)		
Total TIFIA loan			<u>\$ 167,030,355</u>

Pursuant to the I-15 Express Lanes Project toll indenture the Commission is required to establish the following to support the 15 Express Lanes:

- A \$16.5 million ramp-up reserve prior to substantial completion and commencement of express lanes operations;
- An \$18 million TIFIA loan reserve from an advance of Commission Measure A sales tax revenue up to \$3 million per year from 2019 through 2024 to the extent that 15 Express lanes revenues are not sufficient to fund the TIFIA loan reserve; and
- Up to a \$38.5 million backstop loan from Commission Measure A sales tax revenues of up to \$3.85 million per year to the extent 15 Express Lanes revenues are not sufficient to cover operations and maintenance costs, TIFIA loan mandatory debt service, and TIFIA scheduled interest.

15 Express Lanes Fund
Notes to Financial Statements
June 30, 2023

Note 8. Commitments and Contingencies

Cooperative agreements: In January 2017 the Commission entered into a toll operator agreement, for the operations of the 15 Express Lanes. The toll operator is responsible for day-to-day operations of the toll collection system. The toll operator agreement expires in April 2026. In December 2022, the five-year extension options were exercised and the agreement will expire April 2031. The toll operator agreement provides operating services to the Commission in the annual amount of \$7,755,600 for the first two years of operations. Thereafter, annual amounts will be based on variable pricing.

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.

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 \$73,776 and net OPEB asset of \$27,823, reported by the Fund, represent the Fund's proportional share of the Commission's net pension liabilities of \$1,868,313 and net OPEB asset of \$704,600. The Fund's net pension liabilities and OPEB assets each represent 3.9% of the Commission's net pension liabilities and OPEB assets. For the year ended June 30, 2023, the Fund's contributions recognized as part of pension and OPEB expenses were \$340,452 and (\$10,146), respectively.

Note 10. Pronouncements Issued, Not Yet Effective

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

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



**RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION**

**Riverside County
Transportation Commission**

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