

RCTC

RIVERSIDE  
COUNTY  
TRANSPORTATION  
COMMISSION

  
RiversideExpress  
**15 ExpressLanes**



# 15 EXPRESS LANES FUND

## FINANCIAL STATEMENTS

(Enterprise Fund of the Riverside County Transportation Commission)

FISCAL YEAR ENDED JUNE 30, 2021





**15 Express Lanes Fund**  
**(Enterprise Fund of the Riverside County Transportation Commission)**  
**Financial Statements**  
**For the Year Ended June 30, 2021**

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# Independent Auditor's Report





CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

Board of Commissioners  
Riverside County Transportation Commission  
Riverside, California

### Report on the Financial Statements

We have audited the accompanying 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, 2021, 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 related to the Fund. 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 15 Express Lanes Fund of the Commission, as of June 30, 2021, 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 15 Express Lanes Fund and do not purport to, and do not, present fairly the financial position of the Commission as of June 30, 2021, 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 basic 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

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

Rancho Cucamonga, California  
October 29, 2021





# Management's Discussion & Analysis



**15 Express Lanes Fund**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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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, 2021. 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) 2020/21, the total net position of the Fund was \$231,197,152 and consisted of net investment in capital assets of \$223,952,733 and restricted net position of \$7,244,419.
- Net position of \$231,197,152 during FY 2020/21 reflects the position after three months 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 reached substantial completion and opened to motorists on April 10, 2021.
- In FY 2020/21, total operating revenues of \$5,544,148 include toll, violation penalty and account fee revenues. Total operating expenses of \$4,850,873 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 13-23 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, 2021, the Fund's net position was \$231,197,152. 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, 2021**

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**15 Express Lanes Fund**  
**Net Position**

	<b>2021</b>
Current and other assets	\$ 3,409,775
Restricted assets	27,552,677
Capital assets, net	365,861,733
Total assets	396,824,185
Deferred outflows of resources	62,140
Total assets and deferred outflows of resources	396,886,325
Current liabilities	3,025,812
Long-term liabilities	162,615,664
Total liabilities	165,641,476
Deferred inflows of resources	47,697
Total liabilities and deferred inflows of resources	165,689,173
Net position	
Net investment in capital assets	223,952,733
Restricted	7,244,419
Total net position	\$ 231,197,152

FY 2020/21 represents three months of toll operations for the Fund. Total assets and deferred outflows of resources were \$396,886,325. Total liabilities and deferred inflows of resources were \$165,689,173.

The Fund's net investment in capital assets was \$223,952,733 in FY 2020/21. 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 \$7,244,419 and represents 3% of the total net position at June 30, 2021.

**15 Express Lanes Fund**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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The analysis below focuses on the changes in net position.

	2021
Operating revenues	
Toll, penalties, and fees	\$ 5,544,148
Total operating revenues	5,544,148
Operating expenses	
Management and operational services	2,018,801
Administrative overhead	53,500
Other operating expenses	25,193
Professional services	70,071
General and administrative	71,834
Depreciation and amortization	2,611,474
Total operating expenses	4,850,873
Operating income	693,275
Nonoperating revenues (expenses)	
Investment income	364
Interest expense	(689,946)
Total nonoperating revenues (expenses)	(689,582)
Income before transfers	3,693
Transfers from (to) the Commission, net	231,193,459
Change in net position	231,197,152
Total net position at beginning of year	-
Total net position at end of year	\$ 231,197,152

The Fund's operating revenues were \$5,544,148, while total operating expenses were \$4,850,873. Total traffic volume on the 15 Express Lanes Fund during FY 2020/21 was approximately 4,172,000 transactions.

**Capital Assets**

As of June 30, 2021, the Fund had \$365,861,733, 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**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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**15 Express Lanes Fund**  
**Capital Assets, Net of Depreciation**

	2021
Land and land improvements	\$ 611,755
Toll infrastructure	12,241,964
Toll facility franchise	346,685,677
Buildings	6,227,699
Equipment, furniture, and fixtures	94,638
Total capital assets, net	\$ 365,861,733

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

**Debt Administration**

As of June 30, 2021, the Fund had \$153,605,519 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**

	2021
TIFIA loan	\$ 153,605,519
Advance from Commission fund	9,000,000
Total outstanding debt	\$ 162,605,519

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

**Economic and Other Factors**

The Fund makes up \$23,677,100 or 3% of Commission's FY 2021/22 revenue budget. In FY 2021/22, toll and non-toll revenues are forecasted to increase by 281% over the FY 2020/21 budget. This increase is due to a full fiscal year of operations compared to approximately three months of operations in FY 2020/21. The average projected long-term rate of growth for toll road revenues beyond FY 2021/22 is 4.4%.

The majority of expenses related to the Fund within FY 2021/22 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.

**15 Express Lanes Fund  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

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**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.









# Financial Statements



**15 Express Lanes Fund**  
**(Enterprise Fund of the Riverside County Transportation Commission)**  
**Statement of Net Position**  
**June 30, 2021**

Assets	
Current assets:	
Cash and investments	\$ 655,508
Receivables	
Accounts	2,130,175
Interest	229
Prepaid expenses	618,252
Total current assets	<u>3,404,164</u>
Noncurrent assets:	
Restricted cash and investments	27,552,677
Net other post-employment benefits assets	5,611
Capital assets, net	
Nondepreciable	611,755
Depreciable and amortizable	365,249,978
Total noncurrent assets	<u>393,420,021</u>
Total assets	<u>396,824,185</u>
Deferred outflows of resources	
Pension benefits	55,861
Other post-employment benefits	6,279
Total assets and deferred outflows of resources	<u>396,886,325</u>
Liabilities	
Current liabilities:	
Accounts payable	1,903,504
Interest payable	881,109
Due to other Commission funds	81,151
Other liabilities	155,384
Compensated absences liability	4,664
Total current liabilities	<u>3,025,812</u>
Noncurrent liabilities:	
Net pension liabilities	3,978
Compensated absences liability	6,167
Advance from other Commission fund	9,000,000
Bonds payable - due in more than one year	153,605,519
Total noncurrent liabilities	<u>162,615,664</u>
Total liabilities	<u>165,641,476</u>
Deferred inflows of resources	
Pension benefits	43,838
Other post-employment benefits	3,859
Total liabilities and deferred inflows of resources	<u>165,689,173</u>
Net position	
Net investment in capital assets	223,952,733
Restricted for express lanes	7,244,419
Total net position	<u>\$ 231,197,152</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, 2021**

Operating revenues		
Tolls, penalties, and fees	\$	5,544,148
Operating expenses		
Management and operational services		2,018,801
Administrative overhead		53,500
Other operating expenses		25,193
Professional services		70,071
General and administrative expenses		71,834
Depreciation and amortization		2,611,474
Total operating expenses		<u>4,850,873</u>
Operating income		<u>693,275</u>
Nonoperating revenues (expenses)		
Investment income		364
Interest expense		(689,946)
Total nonoperating revenues (expenses)		<u>(689,582)</u>
Income before transfers		3,693
Transfers		
Transfers in from Commission governmental activities		384,098,430
Transfers in from Enterprise funds		891,711
Transfers out to Commission governmental activities		(153,796,682)
Total transfers		<u>231,193,459</u>
Change in net position		231,197,152
Net position at beginning of year		-
Net position at end of year	\$	<u><u>231,197,152</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, 2021**

Cash flows from operating activities	
Receipts from customers and users	\$ 3,598,880
Payments to vendors	(845,971)
Payments to employees	(72,665)
Payments for RCTC interfund services used	(1,300)
Reimbursements received for lease costs	12,172
Net cash provided by operating activities	2,691,116
Cash flows from noncapital financing activities	
Transfers from governmental activities for operations and maintenance	16,500,946
Net cash used for noncapital financing activities	16,500,946
Cash flows from capital and related financing activities	
Advance from other Commission fund, including accumulated interest earnings	9,015,989
Net cash used for capital and related financing activities	9,015,989
Net increase in cash and cash equivalents	28,208,051
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	\$ 28,208,051
Reconciliation of cash and cash equivalents to statement of net position	
Cash and investments	\$ 655,508
Less: fair value adjustment	(134)
	655,374
Restricted cash and investments	27,552,677
Total cash and cash equivalents	\$ 28,208,051

*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, 2021**

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income	\$ 693,275
Adjustments to reconcile operating income to net cash provided by (used for) operating activities	
Depreciation and amortization expense	2,611,474
Change in assets and liabilities	
(Increase) Decrease in other receivables, net	(2,130,175)
(Increase) Decrease in prepaid assets	(618,252)
Increase (Decrease) in pension and post-employment benefit liabilities, net of deferred items	(16,076)
Increase (Decrease) in accounts payable	1,903,504
Increase (Decrease) in due to other Commission funds	81,151
Increase (Decrease) in compensated absences liability	10,831
Increase (Decrease) in other liabilities	155,384
Total adjustments	<u>1,997,841</u>
Net cash provided by operating activities	<u>\$ 2,691,116</u>
Noncash capital, financing and investing activities	
Accreted and compounded interest on TIFIA Loan	\$ 545,584
Compounded interest on advance from other Commission fund	84,806
Net increase in the fair value of investments	134
Transfer in of capital and intangible assets from governmental activities	367,581,496
Transfer in of toll revenue debt from governmental activities	147,379,381
Transfer in of capital assets	891,711

*See notes to financial statements*

**15 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2021**

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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 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, 2021.

**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 \$2,996,419 as of June 30, 2021 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 August 2020. 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, 2021**

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**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 \$5,000 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:

<b>Asset Type</b>	<b>Useful Life</b>
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, 2021, 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, 2021**

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**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 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 2017 Master Indenture for toll operations.

**15 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2021**

**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, 2021:

Cash in bank	\$ 199,967
Investments	
With RCPIF	670,489
With Trustee	27,337,729
Total investments	<u>28,008,218</u>
Total cash and investments	<u>\$ 28,208,185</u>

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

Unrestricted cash and investments	\$ 655,508
Restricted cash and investments	27,552,677
Total cash and investments	<u>\$ 28,208,185</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 Fund**  
**Notes to Financial Statements**  
**June 30, 2021**

**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, 2021:

Investments by fair value level:	June 30, 2021	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	\$ 6,086,277	\$ -	\$ 6,086,277
U.S. Treasury obligations	8,260,570	8,260,570	-
Money market mutual funds	11,696,425	11,696,425	-
U.S. agency securities	1,294,457	-	1,294,457
Total investments measured at fair value	27,337,729	\$ 19,956,995	\$ 7,380,734
Investments not subject to fair value hierarchy:			
RCPIF	670,489		
Total investments	\$ 28,008,218		

Investments classified in Level 1 of the value hierarchy, valued at \$19,956,995 are valued using quoted prices in active markets.

Mortgage and asset-backed securities totaling \$6,086,277 and U.S. agency securities totaling \$1,294,457 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, 2021, the Fund has the following investments:

Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
RCPIF	\$ 670,489	\$ 670,355	0.010% - 3.29%	7/1/21 - 6/30/26	1.148
Held by Trustee					
Money market mutual funds	11,696,425	11,696,425	0.010%	N/A	27 days or 0.074
Mortgage and asset-backed securities	6,086,277	6,073,262	(1.053%) - 1.226%	7/25/21 - 12/15/42	7.858
U.S. agency securities	1,294,457	1,291,714	0.091% - 0.362%	1/13/22 - 11/24/23	1.679
U.S. Treasury obligations	8,260,570	8,242,070	0.058% - 0.576%	7/31/21 - 12/31/24	1.281
Total Investments	\$ 28,008,218	\$ 27,973,826			
				Portfolio weighted average	2.408

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, 2021**

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

As of June 30, 2021, mortgage and asset-backed securities totaled \$6,086,277. 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+ 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, 2021 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 \$199,967 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 \$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, 2021; 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	2.40%
Money market mutual funds			
Funds	Aaa	AAA	41.76%
Mortgage and asset backed securities			
Securities	Aaa	AAA	21.73%
U.S. agency securities			
Notes	Aaa	AA+	4.62%
U.S. Treasuries			
Treasury	NR	NR	29.49%
Total			<u>100.00%</u>

**15 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2021**

**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, 2021, 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, 2021 is as follows:

	Balance June 30, 2020	Transfers	Additions	Balance June 30, 2021
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	-	611,755	-	611,755
Capital assets being depreciated and amortized:				
Toll infrastructure	-	12,886,278	-	12,886,278
Buildings	-	6,445,362	-	6,445,362
Equipment, furniture, and fixtures	-	101,996	-	101,996
Toll facility franchise	-	348,427,816	-	348,427,816
Total capital assets being depreciated and amortized:	-	367,861,452	-	367,861,452
Less accumulated depreciation and amortization for:				
Toll infrastructure	-	-	(644,314)	(644,314)
Buildings	-	-	(217,663)	(217,663)
Equipment, furniture, and fixtures	-	-	(7,358)	(7,358)
Toll facility franchise	-	-	(1,742,139)	(1,742,139)
Total accumulated depreciation	-	-	(2,611,474)	(2,611,474)
Total capital assets being depreciated and amortized, net	-	367,861,452	(2,611,474)	365,249,978
Capital assets, net	\$ -	\$ 368,473,207	\$ (2,611,474)	\$ 365,861,733

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 leasehold 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, 2021**

**Note 5. Interfund Transactions**

**Due from/to other Commission funds:** The composition of balances related to due from other funds and due to other funds of the Commission at June 30, 2021 is as follows:

Payable Fund	Receivable Fund	Amount	Explanation
15 Express Lanes Enterprise fund	Commission's General fund	\$ (52,200)	Administrative cost allocation
15 Express Lanes Enterprise fund	Commission's General fund	(4,415)	Fringe benefits allocation
15 Express Lanes Enterprise fund	Commission's Special Revenue fund	(24,536)	15 Express Lanes project costs
Total due from (to) other Commission funds, net		\$ (81,151)	

**Transfers to/from other Commission funds:** During 2021, transfers to/from other Commission funds were as follows:

Transfer Out	Transfer In	Amount	Explanation
Commission's Governmental activities	15 Express Lanes Enterprise fund	\$ 367,597,484	Transfer of capital and intangible assets
15 Express Lanes Enterprise fund	Commission's Governmental activities	(153,796,682)	Transfer of long-term liabilities
RCTC 91 Express Lanes Enterprise fund	15 Express Lanes Enterprise fund	891,711	Transfer of capital assets
Commission's Capital Projects fund	15 Express Lanes Enterprise fund	16,500,946	Transfer of reserves for ramp up toll operations and maintenance
Total transfers out to other Commission funds		\$ 231,193,459	

**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, 2021, was \$553,161. 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 6. Long-Term Obligations**

The following is a summary of changes in long-term debt obligations for the year ended June 30, 2021.

	Balance June 30, 2020	Transfers	Additions / Accretion	Reductions	Balance June 30, 2021	Due Within One Year
TIFIA loan	\$ -	\$ 153,059,935	\$ 545,584	\$ -	\$ 153,605,519	\$ -
Compensated absences liability	-	-	15,536	(4,705)	10,831	4,664
Total long-term obligations	\$ -	\$ 153,059,935	\$ 561,120	\$ (4,705)	\$ 153,616,350	\$ 4,664

**15 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2021**

**Note 6. 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 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 15 Express Lanes Project, through December 1, 2055. The interest rate of the TIFIA loan is 2.84%.

\$ 153,605,519

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:

Year Ending June 30	Mandatory		
	Principal	Interest	Total
2026	\$ -	\$ 5,020,100	\$ 5,020,100
2027-2031	9,506,400	24,967,300	34,473,700
2032-2036	26,225,400	22,308,400	48,533,800
2037-2041	30,178,900	18,354,900	48,533,800
2042-2046	34,708,600	13,825,200	48,533,800
2047-2051	39,925,200	8,608,600	48,533,800
2052-2055	36,219,100	2,607,900	38,827,000
Total	176,763,600	\$ 95,692,400	\$ 272,456,000
Future compounded interest	(23,158,100)		
Total TIFIA loan	<u>\$ 153,605,500</u>		

**15 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2021**

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**Note 6. Long-Term Obligations, Continued**

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.

**Note 7. Commitments and Contingencies**

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

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

The net pension liability of \$3,978 and net OPEB asset of \$5,611, reported by the Fund, represent the Fund's proportional share of the Commission's net pension liability of \$524,003 and net OPEB asset of \$739,200. The Fund's net pension liability and net OPEB asset each represent 0.76% of the Commission's net pension liability and net OPEB asset, respectively. For the year ended June 30, 2021, the Fund's contributions recognized as part of pension and OPEB expenses were (\$8,045) and (\$8,031), respectively.



**15 Express Lanes Fund**  
**Notes to Financial Statements**  
**June 30, 2021**

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**Note 9. Pronouncements Issued, Not Yet Effective**

In May 2020, the Commission adopted GASB Statement No. 95, Postponement of the Effective Dates of Certain Authority Guidance. In light of the COVID-19 pandemic and effective immediately, this statement provides temporary relief to governments and other stakeholders with a delay in the effective dates of several GASB statements. The GASB pronouncements issued prior to June 30, 2021 that have an effective date that may impact future financial presentations include:

- GASB Statement No. 87, *Leases*, effective for the fiscal year that ends June 30, 2022;
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 31, 2021;
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for fiscal years beginning after December 31, 2022;
- GASB Statement No. 92, *Omnibus 2020*, effective for the fiscal year that ends June 30, 2022;
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the fiscal year that ends June 30, 2022;
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the fiscal year that ends June 30, 2023;
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year that ends June 30, 2023; and
- Implementation Guide No. 2019-3, *Leases*, effective for the fiscal year that ends June 30, 2022.





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