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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Financial Statements

For the Year Ended June 30, 2019

Contents

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the 91 Express Lanes Fund (91 EL), a major enterprise fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the 91 EL's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 91 EL, a major enterprise fund of OCTA, as of June 30, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the 91 EL and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the years 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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 29, 2019 on our consideration of OCTA's internal control over financial reporting, as it relates to the 91 EL, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCTA's internal control over financial reporting and compliance, as it relates to the 91 EL.

Crowe LLP

Crowe LLP

Costa Mesa, California
October 29, 2019

Crowe LLP
Independent Member Crowe Global

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

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 91 Express Lanes Fund (91 EL), a major enterprise fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 91 EL's financial statements, and have issued our report thereon dated October 29, 2019. As discussed in Note 1, the financial statements present only the 91 EL and do not purport to, and do not, present fairly the financial position of OCTA, the changes in its financial position, or where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting and compliance (internal control), as it relates to the 91 EL, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control, as it relates to the 91 EL. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control, as it relates to the 91 EL.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Costa Mesa, California
October 29, 2019

91 Express Lanes Fund
Management's Discussion and Analysis
(unaudited)
For the Year Ended June 30, 2019

As management of the 91 Express Lanes Fund (91 EL), an enterprise fund of the Orange County Transportation Authority, we offer readers of the 91 EL financial statements this narrative overview and analysis of the 91 EL's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 10.

Financial Highlights

- At the end of fiscal year 2018-19, the total net position of the 91 EL was $248,906,949 and consisted of net investment in capital assets of $37,799,192; restricted net position of $14,028,731; and unrestricted net position of $197,079,026. Net position increased $42,049,650 during fiscal year 2018-19, which represents an increase of 20.3% from the fiscal year 2017-18 ending net position. The increase is primarily due to operating revenues in excess of operating expenses offset by bond interest expense.

- In fiscal year 2018-19, total operating revenues decreased by $198,595, which represents a 0.3% decrease from the fiscal year 2017-18. The decrease in operating revenue is primarily due to a decrease in violation collections. At the end of fiscal year 2018-19, nonoperating revenues relating to investment earnings increased by $6,510,116 primarily due to market performance.

- Total operating expenses decreased by $1,217,345, which represents a 6.2% decrease from fiscal year 2017-18, primarily due to a decrease in fees related to patrol services and fees paid for collection services.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 91 EL's financial statements. The financial statements are comprised of the fund financial statements and notes to the financial statements.

The statement of net position presents information on all of the 91 EL's assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 91 EL is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the 91 EL's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The 91 EL fund financial statements can be found on pages 10-13 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 14-28 of this report.

91 Express Lanes Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the 91 EL's financial position. At June 30, 2019, the 91 EL's net position was $248,906,949, an increase of $42,049,650 or 20.3% from June 30, 2018. Our analysis below focuses on net position (Table 1) and changes in net position (Table 2) of the 91 EL's financial activities.

Table 1
91 Express Lanes Fund
Net Position

	2019	2018
Current and other assets	$ 196,584,856	$ 161,300,735
Restricted assets	24,827,256	24,320,582
Noncurrent receivables, net	17,415,800	13,191,786
Capital assets, net	125,364,052	127,354,089
Total assets	364,191,964	326,167,192
Total deferred outflows of resources	7,672,061	8,341,623
Current liabilities	23,893,630	21,834,133
Long-term liabilities	99,063,446	105,817,383
Total liabilities	122,957,076	127,651,516
Net position:		
Net investment in capital assets	37,799,192	34,866,854
Restricted	14,028,731	13,522,057
Unrestricted	197,079,026	158,468,388
Total net position	$ 248,906,949	$ 206,857,299

In fiscal year 2018-19, total assets increased by $38,024,772 which represents an increase of 11.7% from fiscal year 2017-18, due to an increase in cash, investments and receivables. Refer to note 4 for changes in capital assets. Total liabilities decreased by $4,694,440 or 3.7% primarily due to principal payments during the fiscal year.

The 91 EL's net investment in capital assets was $37,799,192 compared to $34,866,854 in fiscal year 2017-18. The 91 EL's net position reflects its investment in capital assets (i.e., intangible assets; improvements; communications equipment; computer hardware and software; equipment, furniture and fixtures; and transponders), less any related outstanding debt used to acquire these assets. The 91 EL uses these capital assets to provide improved mobility for 91 EL customers and commuters along the State Route (SR) 91 corridor. The increase of $2,932,338 in net investment in capital assets was primarily due to a reduction in related outstanding debt used to acquire capital assets in addition to an increase in capital assets offset by depreciation and amortization of assets.

Restricted net position, representing resources subject to external restrictions on how they may be used, represented 5.6% of the total net position at June 30, 2019. The $506,674 increase in restricted net position is related to investment activity in bond reserve accounts.

Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position changed from $158,468,388 at June 30, 2018 to $197,079,026 at June 30, 2019. This increase of $38,610,638 was primarily due to operating revenues in excess of operating expenses.

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

Table 2
91 Express Lanes Fund
Changes in Net Position

	2019	2018
Revenues:		
Operating revenues:		
Tolls, fees, and fines	$ 57,416,236	$ 57,614,831
Operating expenses:		
Management and operational services	6,556,033	6,484,482
Administrative overhead	2,834,881	2,481,050
Other operating expenses	289,837	27,615
Insurance claims and premiums	359,423	331,567
Professional services	4,251,405	6,281,463
General and administrative	683,702	548,149
Depreciation and amortization	3,434,329	3,472,629
Total operating expenses	18,409,610	19,626,955
Operating income	39,006,626	37,987,876
Nonoperating revenues (expenses):		
Investment earnings	7,409,918	899,802
Interest expense	(4,903,012)	(5,191,731)
Other	1,195,361	1,320,932
Total nonoperating revenues (expenses)	3,702,267	(2,970,997)
Income before transfers	42,708,893	35,016,879
Transfers to other OCTA funds	(659,243)	(1,134,205)
Changes in net position	42,049,650	33,882,674
Total net position—beginning	206,857,299	172,974,625
Total net position—ending	$ 248,906,949	$ 206,857,299

The 91 EL's total operating revenues decreased by 0.3%, while total operating expenses decreased by 6.2%. Total traffic volume on the 91 EL during fiscal year 2018-19 was 17,546,304 trips reflecting an increase of 4.9% in comparison to fiscal year 2017-18. The decrease in operating revenues is primarily due to a decrease in violation collections in fiscal year 2018-2019 in comparison to fiscal year 2017-2018. The decrease in operating expenses is mainly attributable to a decrease of $2,030,058 in professional services primarily due to fees related to collection services and patrol services provided by California Highway Patrol (CHP).

Capital Assets

As of June 30, 2019, the 91 EL had $125,364,052 net of accumulated depreciation and amortization, invested in a broad range of capital assets including: the toll facility franchise, construction in progress, improvements, computer hardware and software, transponders, and equipment, furniture and fixtures (Table 3). The total decrease in the 91 EL's capital assets for fiscal year 2018-19 was $1,990,037, which was primarily due to the amortization of the toll facility franchise.

Table 3
91 Express Lanes Fund
Capital Assets, net of depreciation and amortization

		2019		2018
Toll facility franchise	$	120,281,211	$	122,867,903
Construction in progress		305,315		-
Improvements		2,132,996		1,398,014
Communication equipment		1,217,293		1,553,312
Computer hardware and software		99,219		107,112
Transponders		1,307,048		1,409,089
Equipment, furniture, and fixtures		20,970		18,659
Total capital assets, net	$	125,364,052	$	127,354,089

The 91 EL has outstanding capital expense commitments, the most significant of which is $7,244,516 for electronic toll and traffic management (ETTM) system. Major capital asset addition during 2019 included $1,444,292 primarily due to the purchase of ETTM System and improvements to the Customer Service Center in Corona. More detailed information about the 91 EL's capital assets is presented in note 4 to the financial statements.

Debt Administration

As of June 30, 2019, the 91 EL had $97,795,000 in tax-exempt bonds outstanding compared to $103,605,000 at June 30, 2018. The reduction is due to principal payments in fiscal year 2018-19 in the amount of $5,810,000. Additional information on long-term debt can be found in note 5 to the financial statements.

Economic and Other Factors

The 91 EL makes up $66,126,000 or 4.3% of OCTA's fiscal year 2019-20 revenue budget. In fiscal year 2019-20, toll revenue is forecasted to increase by 6.9% over the fiscal year 2018-19 budgeted value. This increase is due to a forecasted increase in trips due to the extension of the Express Lanes into Riverside County. The average long term rate of growth for toll road revenues beyond fiscal year 2018-19 is 3.4%.

The majority of expenses related to the 91 EL within the fiscal year 2019-20 budget are on-going general costs related to day to day operations of the toll facility. Since the 91 EL is a fully electronic toll facility, motorists pay tolls through the convenient use of windshield mounted FasTrak® transponders that automatically deduct toll charges from a prepaid account. At the end of fiscal year 2018-19, there were

148,054 active customer accounts, with 225,621 transponders assigned to those accounts, which represents an increase of 7,360 and 11,628 respectively from fiscal year 2017-18.

OCTA, in concert with Caltrans and RCTC, issued an annual SR-91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 EL toll revenue and other funds. The projects are presented in the following groups: Orange County Projects, Riverside County Projects and Bi-County Projects. The Orange County Projects have a total cost of approximately $600 million. The projects include improvements to the SR-91 between SR-57 and SR-55, Anaheim Canyon Metrolink station improvements, Placentia Metrolink rail station, and Fairmont Boulevard improvements. The Riverside County projects have a total cost of approximately $337 million. The improvements include 15/91 Express Lanes Connection, the SR-71/SR-91 interchange, and the SR-91 improvements east of Interstate 15. The Bi-County projects benefit both Orange and Riverside Counties, with total projects exceeding $225 million.

Contacting 91 EL's Management

This financial report is designed to provide a general overview of the 91 EL's finances for all those with an interest in the government's finances and to demonstrate the 91 EL's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Net Position
June 30, 2019

Assets	
Current Assets:	
Cash and investments	$ 191,925,274
Receivables:	
Interest	739,530
Violations, net	1,960,359
Other, net	1,302,400
Due from other governments	370,303
Other assets	286,990
Total current assets	196,584,856
Noncurrent Assets:	
Restricted cash and investments:	
Cash equivalents	24,827,256
Receivable violations, net	17,415,800
Capital assets, net:	
Nondepreciable	305,315
Depreciable and amortizable	125,058,737
Total noncurrent assets	167,607,108
Total Assets	364,191,964
Deferred Outflows of Resources	
Deferred charge on refunding	7,672,061
Total Deferred Outflows of Resources	7,672,061
Liabilities	
Current Liabilities:	
Accounts payable	8,316,921
Accrued interest payable	1,815,403
Due to other funds	202,912
Due to other governments	973,740
Unearned revenue	6,163,624
Other liabilities	311,030
Bonds payable - due within one year	6,110,000
Total current liabilities	23,893,630
Noncurrent Liabilities:	
Bonds payable - due in more than one year	99,063,446
Total noncurrent liabilities	99,063,446
Total Liabilities	122,957,076
Net Position	
Net investment in capital assets	37,799,192
Restricted for:	
Debt service	484,357
Capital	10,418,749
Operating reserves	3,125,625
Unrestricted	197,079,026
Total Net Position	$ 248,906,949

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating revenues:	
Tolls, fees, and fines	$ 57,416,236
Operating expenses:	
Management and operational services	6,556,033
Administrative overhead	2,834,881
Other operating expenses	289,837
Insurance claims and premiums	359,423
Professional services	4,251,405
General and administrative	683,702
Depreciation and amortization	3,434,329
Total operating expenses	18,409,610
Operating income	39,006,626
Nonoperating revenues (expenses):	
Investment earnings	7,409,918
Interest expense	(4,903,012)
Other	1,195,361
Total nonoperating revenues (expenses)	3,702,267
Income before transfers	42,708,893
Transfers to other OCTA funds	(659,243)
Change in net position	42,049,650
Total net position - beginning	206,857,299
Total net position - ending	$ 248,906,949

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities:		
Receipts from customers and users	$	54,668,783
Payments to suppliers		(11,430,017)
Payments for OCTA interfund services used		(2,834,881)
Other revenue received		1,195,360
Net cash provided by operating activities		41,599,245
Cash flows from noncapital financing activities:		
Transfers to OCTA funds		(664,926)
Net cash used for noncapital financing activities		(664,926)
Cash flows from capital and related financing activities:		
Principal payment on long-term debt		(5,810,000)
Interest paid on long-term debt		(4,986,325)
Acquisition and construction of capital assets		(582,292)
Net cash used for capital and related financing activities		(11,378,617)
Cash flows from investing activities:		
Interest received		7,225,932
Net cash provided by investing activities		7,225,932
Net increase in cash and cash equivalents		36,781,634
Cash and cash equivalents at beginning of year		179,970,896
Cash and cash equivalents at end of year	$	216,752,530

Reconciliation of cash and cash equivalents to statement of net position:		
Cash and investments	$	191,925,274
Restricted cash and investments		24,827,256
Total cash and cash equivalents	$	216,752,530

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2019

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	39,006,626
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		847,637
Amortization of toll road franchise agreement		2,586,692
Other		1,195,360
Change in assets and liabilities:		
Violations receivables, net		(3,135,161)
Other receivables, net		66,263
Other assets		(358,762)
Due from other governments		(6,689)
Amortization of prepaid expense		25,739
Amortization of prepaid insurance		359,423
Accounts payable		579,234
Due to other governments		111,439
Unearned revenue		310,739
Other liabilities		10,705
Total adjustments		2,592,619
Net cash provided by operating activities	$	41,599,245

Noncash capital, financing and investing activities:		
Amortization of bond premium	$	(643,937)
Amortization of bond deferred charges	$	669,562
Change in fair value of investments	$	186,683
Capital assets accrued in due to other governments	$	862,000

See accompanying notes to the financial statements.

1. Reporting Entity

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for the 91 Express Lanes. See note 4 for further information on this transaction.

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

2. Summary of Significant Accounting Policies

The accounting policies of the 91 Express Lanes Fund are in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The financial statements of the 91 Express Lanes Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll amounts are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Toll revenue is recognized when the customers utilize the toll road facility.

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

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

Cash and Investments

The 91 Express Lanes Fund participates in OCTA's Commingled Investment Pool. OCTA maintains cash and investments in accordance with an Investment Policy (Policy) adopted initially by OCTA's Board of Directors (Board) on May 8, 1995, and most recently amended on June 10, 2019. The Policy complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2019, the investment portfolios were maintained at MUFG Union Bank, N.A. as custodial bank. OCTA's Commingled Investment Pool is managed by four private sector investment managers. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes in the OCTA Commingled Investment Pool, with investment earnings allocated to the different accounts based on average daily account balances.

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

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

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

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

Cash and Cash Equivalents

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

Restricted Cash and Investments

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

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

Receivables

Violations receivables include an estimate for outstanding unpaid violations that the 91 Express Lanes Fund anticipates to collect. For violations less than or equal to 90 days old, the receivable is based on a 12-month average of violations collected, and is recorded net of an allowance for uncollectible accounts of $1,158,703 at June 30, 2019. For unpaid violations in excess of 90 days, the receivable is estimated using a three-year average of violations collected and is recorded net of uncollectible accounts as the majority is not considered probable of collection.

Other receivables include amounts due from other California toll road agencies related to their customers' use of the 91 Express Lanes, as well as amounts owed from customers, net of an allowance for uncollectible accounts of $486,982 at June 30, 2019.

An estimated $17,415,800 of violation and customer receivables are not expected to be collected within one year. The 91 Express Lanes utilizes an outside collection agency to assist in the recovery of unpaid customer balances and violations exceeding 90 days.

Due from other Governments

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

Other Assets

Other assets include prepaid expenses and refundable deposits.

Capital Assets

Capital assets include toll facility franchise, construction in progress, improvements, equipment, computer hardware, software, furniture and fixtures, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. It is also the 91 Express Lanes Fund's policy to capitalize transponder purchases, as they are considered a significant class of assets even though individually under $5,000. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

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

Capital Asset Type	Useful Life
Improvements	10-30 years
Equipment, furniture and fixtures	3-10 years
Computer hardware and software	3-5 years
Transponders	5-7 years

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. As of June 30, 2019, the 91 Express Lanes Fund only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Due to other Governments

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

Risk Management

The 91 Express Lanes Fund purchases commercial property insurance including business interruption, earthquake and flood coverage related to the toll facility. Additionally, the

91 Express Lanes Fund participates in OCTA's self-insurance general liability program. Liability claims are resolved by OCTA and are an expense of the 91 Express Lanes Fund. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

Net Position

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

- *Net investment in capital assets* - Reflects net position of the 91 Express Lanes Fund invested in capital assets and the intangible asset net of related debt. This net position is not accessible for other purposes.

- *Restricted net position* - Represents net position not accessible for general use, with the use subject to restrictions enforceable by third parties. The net position has been restricted by the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust for debt service, capital, and operating expenses.

- *Unrestricted net position* - Represents net position available for general use.

Use of Estimates

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

New Effective Accounting Pronouncements

In fiscal year 2018-19, OCTA implemented the following GASB Statements for the 91 Express Lanes Fund:

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement is effective for the

91 Express Lanes Fund fiscal year ending June 30, 2019. There was no current effect on the financial statements of the 91 Express Lanes Fund as a result of the implementation of this Statement.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for the 91 Express Lanes Fund fiscal year ending June 30, 2019. See note 5.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for the 91 Express Lanes Fund fiscal year ending June 30, 2021. The 91 Express Lanes Fund, however, has early adopted this Statement in this fiscal year. There was no current effect on the financial statements of the 91 Express Lanes Fund as a result of the implementation of this Statement.

3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2019:

Cash:	
Petty cash	$ 550
Deposits	4,554,517
Total cash	4,555,067
Investments:	
With OCTA Commingled Investment Pool	187,934,639
With trustee	24,262,824
Total investments	212,197,463
Total cash and investments	$ 216,752,530

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

Unrestricted cash and investments	$ 191,925,274
Restricted cash and investments:	
Cash equivalents	24,827,256
Total cash and investments	$ 216,752,530

As of June 30, 2019, the 91 Express Lanes Fund had the following investments:

Investment	Fair Value	Yield	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	$ 187,934,639	Refer to the OCTA CAFR for information related to the OCTA Commingled Investment Pool.			
Held by trustee:					
*Money Market Funds	5,438	1.98%	NA	7/1/19	1 Day
Commercial Paper	24,257,386	2.29%– 2.30%	Discount	7/3/19-8/6/19	.05
Total investments	$ 212,197,463				

Portfolio Weighted Average	2.00

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

As of June 30, 2019, the 91 Express Lanes Fund had $187,934,639 invested in the OCTA's Commingled Investment Pool (CIP). OCTA's CIP investments are carried at fair value except for money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at purchase date carried at amortized cost which approximates fair value.

Deposits and withdrawals in the OCTA's CIP are made on the basis of $1.00 (cost basis) and not fair value. Accordingly, the 91 Express Lanes Fund's investment in the OCTA's CIP at June 30, 2019 is uncategorized, not defined as a Level 1, Level 2, or Level 3 input.

Refer to the OCTA CAFR for fiscal year 2018-19 for details on valuation techniques, fair value hierarchy, interest rate risk, variable rate notes and custodial credit risk related to the OCTA's CIP underlying investments.

Credit Risk

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

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of fair value of the 91 Express Lanes Fund's portfolio at June 30, 2019. (NR means Not Rated):

Investments	S&P	Moody's	% of 91 Express
OCTA Commingled Investment Pool	NR	NR	88.57%
Held by trustee:			
Money Market Funds	AAAm	Aaa	0.00%
Commercial Paper			
MUFG	NR	P-1	5.32%
MTFGI	A-1	P-1	6.11%
Total			100.00%

Concentration of Credit Risk

At June 30, 2019, OCTA did not exceed the Policy maximum concentrations as stated below:

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

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

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

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

The following is a summary of the concentration of credit risk by issuer as a percentage of the fair value of the 91 Express Lanes Fund's portfolio at June 30, 2019:

Issuer	Amount	% of 91 Express Lanes Portfolio
MUFG (Commercial Paper)	$ 11,281,472	5.32%
MTFGI (Commercial Paper)	$ 12,975,914	6.11%

4. Capital Assets

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 305,315	$ -	$ 305,315
Capital assets, being depreciated and amortized:				
Improvements	3,444,763	862,000	(269,743)	4,037,020
Communications equipment	5,074,955	-	-	5,074,955
Computer hardware and software	2,733,689	44,283	-	2,777,972
Transponders	4,873,320	226,014	(416,037)	4,683,297
Equipment, furniture and fixtures	161,925	6,680	(61,803)	106,802
Toll Facility Franchise	205,263,668	-	-	205,263,668
Total capital assets, being depreciated and amortized	221,552,320	1,138,977	(747,583)	221,943,714
Less accumulated depreciation and amortization for:				
Improvements	(2,046,749)	(127,018)	269,743	(1,904,024)
Communications equipment	(3,521,643)	(336,019)	-	(3,857,662)
Computer hardware and software	(2,626,577)	(52,176)	-	(2,678,753)
Transponders	(3,464,231)	(328,055)	416,037	(3,376,249)
Equipment, furniture and fixtures	(143,266)	(4,369)	61,803	(85,832)
Toll Facility Franchise	(82,395,765)	(2,586,692)	-	(84,982,457)
Total accumulated depreciation and amortization	(94,198,231)	(3,434,329)	747,583	(96,884,977)
Total capital assets, being depreciated and amortized, net	127,354,089	(2,295,352)	-	125,058,737
Total capital assets, net	$ 127,354,089	$ (1,990,037)	$ -	$ 125,364,052

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

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

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

5. Bonds Payable

Taxable Senior Secured Bonds

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

Toll Road Revenue Refunding Bonds

On November 12, 2003, OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refund the $135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll

Road. The $95,265,000 Series 2003-A Bonds were issued as fixed rate bonds. The $75,000,000 Series 2003-B-1 Bonds and the $25,000,000 Series 2003-B-2 Bonds (collectively the "Series 2003-B Bonds") were issued as adjustable rate bonds.

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

On July 30, 2013, OCTA issued $124,415,000 in Senior Lien Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2013 to refund the outstanding Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2. OCTA refunded the outstanding Series 2003-A Bonds to reduce its total debt service payments over the life of the bonds and refunded the Series 2003-B-1 and Series 2003-B-2 Bonds to address the mandatory tender date of August 15, 2013 for the existing private placement with the OCIP. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,366,861. The transaction resulted in a reduction of debt service payments of $26,916,929 over 18 fiscal years and an economic gain (difference between the present values of the debt service payments of the original 2003 and 2013 debt) of $19,271,945. The Series 2013 Bonds were issued as fixed rate bonds. The transaction closed on August 8, 2013.

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

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

Issuance date	07/30/2013	
Closing date	08/08/2013	
Original issue amount	$124,415,000	
Cash reserve requirements	$22,779,500	*
Cash reserve balance	$24,827,256	
Interest rate	2%-5%	
Maturity	December 2030	
Principal payment date	August 15	
Balance as of 06/30/19	$97,795,000	
Unamortized premium	$7,378,446	
Deferred amount on refunding	$(7,672,061)	

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

*Pursuant to the 2013 Toll Road Revenue Refunding Bonds Master Indenture of Trust, three reserve funds are maintained with required balances as follows: Senior Lien Reserve Fund $9,779,500; Major Maintenance Reserve Fund $10,000,000; and Operating Reserve Fund $3,000,000. At June 30, 2019, all reserve requirements have been satisfied.

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

Year ending June 30,	Principal	Interest	Total
2020	$ 6,110,000	$ 4,688,325	$ 10,798,325
2021	6,420,000	4,375,075	10,795,075
2022	6,750,000	4,045,825	10,795,825
2023	7,095,000	3,699,700	10,794,700
2024	7,460,000	3,335,825	10,795,825
2025-2029	43,445,000	10,543,250	53,988,250
2030-2031	20,515,000	1,075,638	21,590,638
Total	$ 97,795,000	$ 31,763,638	$ 129,558,638

Changes in Long-Term Obligations

Long-term liabilities activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Tax-exempt bonds	$103,605,000	$ -	$(5,810,000)	$ 97,795,000	$6,110,000
Unamortized premium	8,022,383	-	(643,937)	7,378,446	-
Total long-term debt	$111,627,383	$ -	$(6,453,937)	$105,173,446	$6,110,000

Pledged Revenue

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

Pledged revenue for the year ended June 30, 2019, was as follows:

Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage	Required Debt Coverage
91 Express Lanes Net Toll Road Revenue	$ 49,624,103	$10,796,325	4.60	1.30

6. Commitments and Contingencies

Operator Agreement

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

On May 24, 2013 OCTA completed a three-party agreement expiring on June 30, 2021, with Riverside County Transportation Commission (RCTC) and Cofiroute for operations of the 91 Express Lanes. This will help ensure streamlined consistent inter-county travel for motorists on the original 10-mile span of the 91 Express Lanes and the new eight miles extension into Riverside County.

Purchase Commitments

The 91 Express Lanes has various outstanding contracts. Total purchase commitments at June 30, 2019 were $56,163,810, the most significant are with Cofiroute and RCTC for the operations of the 91 Express Lanes, with Kapsch TrafficCom for toll lanes integrator services and California Highway Patrol (CHP) for patrol services.

Lease Commitments

The 91 Express Lanes Fund is committed under two non-cancelable leases for office space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2019 were $467,083.

Future minimum payments for these leases approximate the following:

For the year ending June 30,		
2020	$	383,681
2021		394,833
2022		405,986
2023		417,750
2024		429,535
2025-2029		2,327,901
2030-2031		527,974
Total	$	4,887,660

On April 13, 2015 the Board approved a 15-year lease extension for the 91 Express Lanes Anaheim office. On May 23, 2018, the Board approved the relocation of the 91 Express Lanes Customer Service Center in Corona and a ten-year lease agreement with RCTC for the facility. Both leases are shared equally with RCTC per agreement between OCTA and RCTC, entered into in December 2011.

7. Effect of New Pronouncements:

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement is effective for OCTA's fiscal year ending June 30, 2020. OCTA has not determined the effect of this Statement.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for OCTA's fiscal year ending June 30, 2021. OCTA has not determined the effect of this Statement.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for OCTA's fiscal year ending June 30, 2020. OCTA has not determined the effect of this Statement.

GASB Statement No. 91

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