FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Financial Statements

June 30, 2023 and 2022

(With Independent Auditor's Report Thereon)

FOOTHILL/EASTERN TRANSPORTATION
CORRIDOR AGENCY

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Foothill/Eastern Transportation Corridor Agency
Irvine, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Foothill/Eastern Transportation Corridor Agency ("Agency"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Notes 2 and 9 to the financial statements, during the year ended June 30, 2023, the Agency adopted new accounting guidance, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The adoption resulted in recording a right-of-use asset and a public-public partnership (PPP) liability. Net position as of June 30, 2022 and for the year then ended was restated by $5,663,743 as a result of adoption. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of net pension liability and related ratios, and schedule of Agency contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Crowe LLP

Crowe LLP

Costa Mesa, California
October 12, 2023

This discussion and analysis of the financial performance of the Foothill/Eastern Transportation Corridor Agency (the Agency) provide an overview of the Agency's financial activities for the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with the Agency's financial statements and accompanying notes.

Background

The Agency was formed in 1986 as a joint powers authority by the County of Orange and cities in Orange County, California to provide traffic relief to Orange County through the construction and operation of toll roads. The Agency was created to plan, design, finance, construct, and operate the Foothill (State Route 241) and Eastern (State Route 241, State Route 261, and State Route 133) toll roads. The Agency's primary focus is the operation of the facilities and collection of tolls to repay the tax-exempt revenue bonds that were issued to construct the toll roads.

Planning began in the 1970s when local transportation studies identified the need for new highways, including the Foothill and Eastern Transportation Corridors (State Route 241, State Route 261, and State Route 133), to serve Orange County's growing population. In the early 1980s, the corridor was envisioned as a free highway funded through state or federal gas-tax revenue, but with a shortage of gas-tax revenue to fund transportation improvements and increasing costs of building new roads, local officials began to study alternative ways to fund road projects.

In the mid-1980s, two state laws were passed authorizing the Agency to collect tolls and development impact fees to fund road construction. With a pledged revenue stream from future tolls and development impact fees, the Agency issued nonrecourse, toll-revenue bonds to fund road construction, rather than relying on the uncertainty of state gas-tax revenue. The Agency also reached an agreement with the California Department of Transportation (Caltrans) for Caltrans to assume ownership, liability, and maintenance of the State Route 241, State Route 261, and State Route 133 toll roads as part of the state highway system. This agreement eliminated the need for the Agency to seek additional funding sources for road maintenance.

In 1993, the first 3.2-mile segment of the Foothill (State Route 241) toll road opened to traffic, the first toll road in Southern California to use FasTrak®, an electronic toll collection system that allowed drivers to pay tolls without stopping at a toll booth. The State Route 241, State Route 261, and State Route 133 toll roads serve as important, time-saving alternative routes to local freeways and arterial roads. As discussed in "Economic Factors," traffic has steadily recovered from the COVID-19 pandemic resulting in an increase in transactions to 63.4 million during the year ended June 30, 2023, compared to 60.9 million during the year ended June 30, 2022.

Financial Highlights

Tolls, fees, and fines earned in fiscal year 2023 (FY23) totaled $212,324 compared to $199,348 in fiscal year 2022 (FY22), an increase of 6.5%.

As of June 30, 2023 and 2022, the Agency had $369,911 and $488,120, respectively, of restricted cash and investments that were restricted by their purpose or subject to master indentures of trust for the bonds outstanding at each date. The Agency also had $359,763 and $359,842, respectively, of unrestricted cash and investments.

The Agency's net position at June 30, 2023 and 2022 was ($1,411,290) and ($1,445,530), respectively. The negative net position results from the inclusion in the Agency's financial statements of its long-term debt obligations (toll revenue bonds), which were used to fund design, planning and construction of the corridors, but not the related capital assets, since ownership of the corridors was transferred to Caltrans upon completion of construction.

(In thousands)

The Agency adopted Government Accounting Standards Board (GASB) Statement No. 94 in FY23, and the Agency's cooperative agreement with Caltrans was deemed to meet the definition of a Public-Public Partnership (PPP) agreement. This resulted in the recognition of an intangible right-to-use asset (included in capital assets, net) and liability of $82.4M at the measurement date of July 1, 2021, related to the present value of future installment payments the Agency is required to make to Caltrans beginning in FY41 and ending in FY53. This resulted in a restatement of the Agency's previously reported Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows for the year ended June 30, 2022 to recognize the right-to-use asset and the PPP liability as well as one year of amortization of the asset and liability discount. More detailed information about the Agency's PPP is presented in note 9 to the financial statements.

Overview of the Financial Statements

The Agency's financial statements include its statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements. The statements of net position and statements of revenues, expenses, and changes in net position, present the financial picture of the Agency from the economic resources measurement focus using the accrual basis of accounting. The statements of cash flows provide information about the Agency's cash receipts, cash payments, and net changes in cash resulting from operating, capital and related financing, and investing activities during the reporting period.

The statements of net position and the statements of revenues, expenses, and changes in net position report the Agency's net position and related changes. Net position is the difference between the total of recorded assets and deferred outflows and the total of liabilities and deferred inflows. The recorded activities include all toll revenue and operating expenses related to the operation of the Foothill/Eastern Transportation Corridors, as well as the Agency's design and construction-related activities and related financing costs. Activities are financed by toll revenue, development impact fees, fees and fines, and investment income.

Financial Analysis

The following table summarizes the net position of the Agency as of June 30, 2023, 2022, and 2021:

	2023	Percentage increase (decrease)	2022 (Restated)	Percentage increase (decrease)	2021
Assets and deferred outflows:					
Current assets	$ 418,385	(23.0) %	$ 543,157	16.3 %	$ 466,946
Capital assets, net	163,026	(26.7)	222,528	68.5	132,075
Net pension asset	383	(94.1)	6,529	195.0	2,213
Other noncurrent assets	478,890	2.5	466,990	(2.4)	478,620
Deferred outflows	308,051	(3.9)	320,415	(4.4)	335,050
Total assets and deferred outflows	1,368,735	(12.2)	1,559,619	10.2	1,414,904
Liabilities and deferred inflows:					
Current liabilities *	83,129	(3.4)	86,048	(8.6)	94,194
Bonds payable	2,607,720	(7.8)	2,828,661	0.7	2,808,996
PPP liability and interest payable	88,625	3.7	85,459	100.0	—
Deferred inflows	551	(88.9)	4,981	82.8	2,725
Total liabilities and deferred inflows	2,780,025	(7.5)	3,005,149	3.4	2,905,915
Net position	$ (1,411,290)	2.4	$ (1,445,530)	3.1	$ (1,491,011)

* Excludes current portion of bonds payable which is included within Bonds payable.

(In thousands)

The decrease in current assets is primarily attributable to the Agency's Open Market Bond Buyback Program, through which the Agency utilized $92.3 million of unrestricted cash to purchase and retire $107.3 million of bond principal in FY23, and the early pay-down of bonds utilizing $125 million of unrestricted cash. The Agency has continued the accumulation of additional cash reserves, as cash generated from operations has continued to surpass its immediate debt service requirements. This decrease in capital assets is due to the$65.6M cost of capital improvements contributed to Caltrans and the County in FY23 as more fully described in note 5.

The decrease in net pension asset is primarily attributable to the Agency's deferred inflows/outflows of resources resulting from differences between projected and actual earnings on pension plan investments per the actuarial valuation of the OCERS pension plan.

The following is a summary of the Agency's revenue, expenses, and changes in net position for the years ended June 30, 2023, 2022, and 2021:

	2023	Percentage increase (decrease)	2022 (Restated)	Percentage increase (decrease)	2021
Operating revenues:					
Tolls, fees, and fines	$ 212,324	6.5 %	$ 199,348	26.1 %	$ 158,103
Development impact fees	9,285	(45.4)	17,004	21.5	13,992
Other revenues	602	0.2	601	(20.5)	756
Total operating revenues	222,211	2.4	216,953	25.5	172,851
Operating expenses	30,803	17.7	26,160	7.7	21,874
Operating income	191,408	0.3	190,793	28.1	150,977
Nonoperating expenses, net	(157,168)	8.2	(145,312)	(11.4)	(160,539)
Change in net position	34,240		45,481		(9,562)
Net position at beginning of year	(1,445,530)	3.1	(1,491,011)	(0.6)	(1,481,449)
Net position at end of year	$ (1,411,290)	2.4	$ (1,445,530)	3.1	$ (1,491,011)

Tolls, fees, and fines comprised 95.6% of total revenue in FY23 compared to 91.9% of total revenue in FY22. Tolls, fees, and fines increased by 6.5% in FY23 after an increase of 26.1% in FY22. The increase was primarily due to the continued recovery from the COVID-19 pandemic which resulted in reduced traffic on the roads beginning in March 2020 following the governor's stay-at-home order. Development impact fees decreased by 45.4% after a decrease of 21.5% in FY22. The amounts of development impact fees collected fluctuate from year to year depending on residential and nonresidential development in Orange County within the area of benefit.

Operating expenses were $30,803 in FY23 compared to $26,160 in FY22, an increase of 17.7%. Included in operating expenses in FY23 is noncash depreciation and amortization expense on capital assets of $4,271, compared to $4,039 in FY22, and noncash pension expense recorded in salaries and wages related to the OCERS pension of $45, compared to noncash contra-expense of ($1,700) in FY22. Excluding depreciation and amortization and the noncash pension expense, operating expenses were $26,487 in FY23 and $23,821 in FY22. The increase in operating expenses is primarily due to the aforementioned increase in traffic and related toll revenue due to continued recovery from COVID-19, which in turn resulted in increased toll compliance and customer service costs, professional services costs, and insurance costs as well as other operating expenses.

Net nonoperating expenses for FY23 include investment income of $15,534, compared to investment losses of ($13,373) in FY22 with the increase due to increased yields attributable to maturities of lower yielding securities and new security purchases invested at higher rates; interest expense of ($127,107), compared to ($133,289) in FY22; contribution of capital improvements to Caltrans and the County of ($65,565); and gain on retirement of bonds income of $19,970 due to the Agency's Open Market Bond Buyback Program activity in FY23 and the early pay-down of bonds.

(In thousands)

Capital Assets, Net

The following table summarizes the Agency's capital assets, net of accumulated depreciation, at June 30:

		2023	2022 (Restated)	2021
Construction in progress	$	54,954	114,586	103,113
Right-of-way acquisitions, grading, or improvements		18,689	18,689	18,689
Intangible right-to-use asset		77,184	79,795	—
Furniture and equipment		12,199	9,458	10,273
Total capital assets, net	$	163,026	222,528	132,075

Right-of-way acquisitions, grading, or improvements include easements and environmental mitigation parcels. Furniture and equipment include facility and toll revenue equipment related to the corridor operations facility, transponders, toll and violations collection equipment, buildings, and changeable message signs.

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

Debt Administration

At June 30, 2023, 2022, and 2021, the Agency had outstanding bonds payable of $2,607,720, $2,828,661, and $2,808,996, respectively. The changes in FY23 are primarily attributable to the accretion of principal on capital appreciation bonds of $37,143 offset by principal payments of $17,381 and the early pay-down of $125,000 of bonds, which resulted in a recognized gain on retirement of bonds of $4,849. Additionally, in FY23 the Agency's Open Market Bond Buyback Program resulted in the purchase and retirement of $107,353 of bond principal for a total acquisition price of $92,305, which resulted in a recognized gain on retirement of bonds of $15,121.

All of the Agency's tolls, fees, fines, and development impact fee revenue, less certain expenses, as defined in the indentures of trust, are pledged to repay these bonds. The Agency has several debt covenants contained in the master indentures of trust. Management of the Agency represents that the Agency was in compliance with all of its covenants as of and for the years ended June 30, 2023, 2021 and 2020.

More detailed information about the Agency's bonds is presented in note 7 to the financial statements.

Economic Factors

The Agency continues to see recovery from the COVID-19 pandemic, evidenced by the 6.5% increase in tolls, fees, and fines in FY23. Additionally, due to the Agency's demonstrated financial discipline and actions taken in recent years to further strengthen the finances, the Agency has very strong liquidity and is well positioned to meet its continued financial obligations.

In accordance with the Agency's toll policy, new toll rates were approved by the Agency's board of directors for implementation effective July 1, 2023. New toll rates reflect a 2% inflationary increase at all toll points.

In July 2022, the Agency completed a $125,000 early pay-down of a portion of its bonds, which resulted in a recognized gain of $4,849 due to the write-off of net bond premiums. This resulted in a reduction of the Agency's future debt service interest payments by $181,953.

In January 2023, the Board authorized the Agency's Open Market Bond Buyback Program. In February and March 2023, the Agency purchased and retired a portion of its 2021 Bonds on the open market. The $107,353 of outstanding bonds were purchased for a total acquisition price of $92,305, which resulted in a recognized gain on retirement of bonds of $15,121. This resulted in a reduction of the Agency's future debt service interest payments by $115,240.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Foothill/Eastern Transportation Corridor Agency, 125 Pacifica, Suite 100, Irvine, CA 92618 or to info@thetollroads.com.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Net Position

June 30, 2023 and 2022

(In thousands)

	2023	2022 (Restated)
Assets:		
Current assets:		
Cash and investments	$ 329,693	$ 339,815
Restricted cash and investments	70,167	189,464
Receivables:		
Accounts, net of allowance of $3,421 and $2,948, respectively	12,526	10,565
Fees	77	62
Interest	4,703	2,076
Other assets	1,219	1,175
Total current assets	418,385	543,157
Noncurrent assets:		
Cash and investments	30,070	20,027
Restricted cash and investments	299,744	298,656
Depreciable capital assets, net	84,848	85,023
Non-depreciable capital assets	78,178	137,505
Unamortized prepaid bond insurance	17,890	18,674
Net pension asset	383	6,529
Note receivable – San Joaquin Hills Transportation Corridor Agency	131,186	129,633
Total noncurrent assets	642,299	696,047
Deferred outflows of resources:		
Unamortized deferral of bond refunding costs	305,398	319,475
Pension costs	2,653	940
Total assets and deferred outflows of resources	1,368,735	1,559,619
Liabilities:		
Current liabilities:		
Accounts payable	17,307	17,017
Unearned revenue	27,190	25,348
Due to San Joaquin Hills Transportation Corridor Agency	5,076	5,062
Employee compensated absences payable	425	559
Interest payable	33,131	38,062
Current portion of bonds payable	11,010	141,961
Total current liabilities	94,139	228,009
PPP liability	82,406	82,406
PPP interest payable	6,219	3,053
Long-term bonds payable	2,596,710	2,686,700
Total liabilities	2,779,474	3,000,168
Deferred inflows of resources:		
Pension costs	551	4,981
Total liabilities and deferred inflows of resources	2,780,025	3,005,149
Net position:		
Net investment in capital assets	(2,221,702)	(2,369,064)
Restricted	323,257	439,201
Unrestricted	487,155	484,333
Total net position	$ (1,411,290)	$ (1,445,530)

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022 (Restated)
Operating revenues:		
Tolls, fees, and fines	$ 212,324	$ 199,348
Development impact fees	9,285	17,004
Other revenues	602	601
Total operating revenues	222,211	216,953
Operating expenses:		
Toll compliance and customer service	12,668	12,398
Salaries and wages	4,299	2,303
Professional services	3,054	2,295
Toll systems	2,707	2,360
Depreciation and amortization	4,271	4,039
Insurance	1,409	1,100
Toll facilities	767	687
Facilities operations, maintenance, and repairs	300	255
Other operating expenses	1,328	723
Total operating expenses	30,803	26,160
Operating income	191,408	190,793
Nonoperating revenues (expenses):		
Investment income (loss)	15,534	(13,373)
Insurance recovery income	—	1,350
Gain on retirement of bonds	19,970	—
Contribution of capital improvements to Caltrans/County	(65,565)	—
Interest expense	(127,107)	(133,289)
Nonoperating expenses, net	(157,168)	(145,312)
Change in net position	34,240	45,481
Net position at beginning of year	(1,445,530)	(1,491,011)
Net position at end of year	$ (1,411,290)	$ (1,445,530)

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION
CORRIDOR AGENCY

Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022 (Restated)
Cash flows from operating activities:		
Cash received from toll road patrons	$ 212,219	$ 201,708
Cash received from development impact fees	9,270	17,261
Cash received from other revenue	602	601
Cash payments to suppliers	(21,987)	(16,644)
Cash payments to employees	(4,430)	(4,139)
Cash payments for legal settlement	—	(14,500)
Net cash provided by operating activities	195,674	184,287
Cash flows from capital and related financing activities:		
Cash payments for acquisition of capital assets	(10,333)	(12,086)
Cash received for insurance recovery	—	1,350
Cash payments for interest and principal	(314,983)	(93,780)
Net cash used in capital and related financing activities	(325,316)	(104,516)
Cash flows from investing activities:		
Cash receipts for interest and dividends	12,641	8,802
Cash receipts from the maturity and sale of investments	389,464	412,561
Cash payments for purchase of investments	(414,362)	(427,975)
Net cash used in investing activities	(12,257)	(6,612)
Net increase (decrease) in cash and cash equivalents	(141,899)	73,159
Cash and cash equivalents at beginning of year	287,196	214,037
Cash and cash equivalents at end of year (note 4)	$ 145,297	$ 287,196
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 191,408	$ 190,793
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,271	4,039
Legal settlement	—	(14,500)
Changes in operating assets and liabilities:		
Accounts receivable	(1,961)	990
Fees receivable	(15)	257
Due to/from San Joaquin Hills Transportation Corridor Agency	14	48
Other assets	(44)	(9)
Accounts payable	290	3,182
Unearned revenue	1,842	1,323
Net pension asset	6,146	(4,316)
Deferred outflows of resources related to pensions	(1,713)	290
Deferred inflows of resources related to pensions	(4,430)	2,255
Employee compensated absences payable	(134)	(65)
Total adjustments	4,266	(6,506)
Net cash provided by operating activities	$ 195,674	$ 184,287

(Continued)

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

	2023	2022 (Restated)
Noncash capital and related financing and investing activities:		
Interest expense recorded for accretion of bonds outstanding	$ (37,143)	$ (35,780)
Amortization of bond discount/premium recorded as reduction of interest expense	3,501	3,460
Amortization of deferred bond refunding cost recorded as interest expense	(14,077)	(14,098)
Amortization of prepaid bond insurance recorded as interest expense	(784)	(825)
Amortization of PPP liability discount recorded as interest expense	(3,166)	(3,053)
Contribution of capital improvements to Caltrans/County	(65,564)	—
Interest accrued on note receivable from San Joaquin Hills Transportation Corridor Agency	1,552	557
Change in unrealized gain/loss on investments	(3,010)	20,418
Gain on retirement of bonds	19,970	—
Amortization of discount/premium on investments	1,724	(2,245)

See accompanying notes to financial statements.

(1) Reporting Entity

In recognition of the regional transportation needs in the County of Orange (County), the California State Legislature enacted various amendments to the California Government Code to authorize the financing of bridges and major thoroughfares by joint powers agencies. Pursuant to such authorization, the Foothill/Eastern Transportation Corridor Agency (the Agency) was created in January 1986 by a joint exercise of powers agreement. Current members are the County and the cities of Anaheim, Dana Point, Irvine, Lake Forest, Mission Viejo, Orange, Rancho Santa Margarita, San Juan Capistrano, Santa Ana, Tustin, and Yorba Linda (collectively, the member agencies). The purpose of the Agency is to plan, design, construct, finance, administer funds for, and operate the Foothill and Eastern Transportation Corridors. The Agency is governed by a board of directors comprising representatives from the member agencies. The Agency has the power to, among other things, incur debt and establish and collect tolls.

The financial statements comprise the activities of the Agency. There are no other organizations for which the Agency is financially accountable or for which it is fiscally responsible. The Agency and the San Joaquin Hills Transportation Corridor Agency (SJHTCA) are under common management and together are called the Transportation Corridor Agencies (TCA). However, each agency has an independent governing board. Refer to note 2(m) of the financial statements for interagency transactions detail.

During the year ended June 30, 2021, the city of San Clemente voluntarily withdrew from participation in the Agency as a member city. The city of San Clemente remains responsible for remitting development impact fees to the Agency and there is no foreseen financial impact to the Agency due to the withdrawal.

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

The Agency records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged in business-type activities as an enterprise fund. This model allows all financial information for the Agency to be reported in a single column in each of the accompanying financial statements.

The Agency distinguishes operating revenue and expenses from nonoperating items in the preparation of its financial statements. Operating revenue and expenses generally result from the collection of tolls, fees, and fines on the corridors. The Agency’s operating expenses include depreciation, materials, services, and other expenses related to the operation of the corridors, in addition to costs associated with the Agency’s ongoing obligations for environmental mitigation and certain costs related to construction administration. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(2) Summary of Significant Accounting Policies (Continued)

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when incurred.

Restricted resources are used in accordance with the Agency's master indentures of trust. Unrestricted resources are used at the Agency's discretion. When both restricted and unrestricted resources are available for use, it is the Agency's policy to determine on a case-by-case basis when to use restricted or unrestricted resources.

(c) New Accounting Pronouncement

During the year ended June 30, 2023, the Agency implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement, an operator is required to recognize a liability for installment payments to be made to the transferor in relation to the PPP measured at the present value of the payments expected to be made during the PPP term. Amortization of the present value discount is to be recorded as interest expense. Additionally, an operator is required to recognize an intangible right-to-use asset measured as the present value of the amount of consideration to be provided to the transferor over the PPP term, plus any payments made to the transferor at or before commencement of the term, and certain direct costs. A right-to-use asset should be amortized over the shorter of the PPP term or the useful life of the underlying PPP asset as amortization expense. This statement was applied retroactively by restating financial statements for all prior periods presented. See note 9.

(d) Budget

Fiscal year budgets are prepared by the Agency's staff for estimated revenue and expenses. The board of directors adopts the annual budget at the June board meeting for the fiscal year commencing the following July. The approval of the budget requires the consent of at least two-thirds of the board members. No expenditures in excess of the total budget for each board-designated category are made without the approval of a budget amendment of at least two-thirds of the board members. All budgets are adopted on a basis consistent with U.S. GAAP. All budget appropriations lapse at year-end. Any budgeted expenses not incurred by each year-end must be reappropriated in the next fiscal year.

(e) Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Agency classifies cash and cash equivalents as current or noncurrent based on intended use and/or restriction for construction or debt service in accordance with GASB Statement No. 62.

(f) Investments

Investments, except for money market funds, are stated at fair value on a recurring basis. Money market funds are recorded at amortized cost.

(2) Summary of Significant Accounting Policies (Continued)

(f) Investments (Continued)

The Agency classifies investments as current or noncurrent based on intended use and/or restriction for construction or debt service in accordance with GASB Statement No. 62.

(g) Receivables

Receivables include amounts due from member agencies for development impact fees collected on behalf of the Agency, credit card receivables, interoperable receivables due from other California toll agencies, receivables from patrons for tolls, and interest.

(h) Capital Assets

Capital assets include construction in progress, environmental mitigation sites, easements, the corridor operations facility, transponders, toll and violations collection equipment, buildings, changeable message signs, vehicles, furniture, and intangible right-to-use assets. Capital assets are defined by the Agency as assets with an initial individual cost of more than five thousand dollars, with the exception of transponders that are valued in total, and an estimated useful life in excess of one year. The cost of capital assets includes ancillary charges necessary to place the assets into their intended location and condition for use.

As described further in note 5, the Foothill/Eastern Transportation Corridors and the related purchases of rights of way, for which title vests with the California Department of Transportation (Caltrans), are not included as capital assets because the Agency does not have title to these assets. The Agency holds the title and capitalizes these projects while in construction until project completion, at which point the title is transferred to Caltrans to be maintained as part of the state highway system. The costs of normal maintenance and repairs and mitigation that do not add value to the assets or materially extend asset useful lives are not capitalized.

Capital assets are recorded at cost (except for intangible right-to-use assets, the measurement of which is discussed in note 9 below) and are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset type	Useful life
Buildings	20–30 Years
Changeable message signs	15 Years
Toll revenue equipment	5 Years
Vehicles	5 Years
Right-to-use asset	31 Years
Leasehold improvements, other equipment, and furniture	5–10 Years

Assets determined to be impaired are recorded at the lower of cost or estimated net realizable value.

(i) Unearned Revenue

Unearned revenue represents prepaid tolls collected from patrons, including those using FasTrak®, an electronic toll collection system.

(2) Summary of Significant Accounting Policies (Continued)

(j) Unamortized Deferral of Bond Refunding Costs

Deferred bond-refunding costs represent certain costs related to the issuance of bonds. In refunding debt resulting in the legal defeasance of the old debt, the difference in the carrying value of the refunded debt and its reacquisition price is reported as deferred outflows or deferred inflows of resources in the Statements of Net Position and amortized over the life of the old or the new debt, whichever is shorter.

(k) Pension Plan

Qualified permanent employees of the Agency participate in a cost-sharing, multiple-employer defined benefit pension plan administered by the Orange County Employees Retirement System (OCERS). For purposes of measuring the Agency's net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by OCERS. For this purpose, plan contributions are recognized when they are due and payable in accordance with plan terms. Investments are reported at fair value.

(l) Revenue Recognition

Toll revenue is recognized at the time each vehicle passes through the toll plaza. Violation revenue is recognized upon receipt of payment. Development impact fees are earned when building permits are issued and funds are collected by the member agencies. Other revenue is recognized when earned.

(m) Transactions with SJHTCA

Expenses directly related entirely to the Agency are charged to the Agency, and those incurred on behalf of both the Agency and SJHTCA are allocated between the two agencies based on the estimated benefit to each. In addition, the Agency has amounts due from SJHTCA related to SJHTCA customers who incur tolls on the Agency's corridors and other expenses and amounts due to SJHTCA related to the Agency's customers who incur tolls on State Route 73. At June 30, 2023 and June 30, 2022, the Agency had tolls due to SJHTCA of $5,076 and $5,062, respectively.

A note receivable from SJHTCA was established when the Agency's board of directors and the board of directors of SJHTCA approved an agreement that provided for the termination of the Mitigation Payment and Loan Agreement between the agencies, concurrently with the closing of a refinance transaction proposed by SJHTCA. The termination agreement also provided for SJHTCA to pay $120,000, plus accrued interest, to the Agency, in annual installments beginning January 15, 2025 equal to 50% of SJHTCA's surplus funds. At June 30, 2023 and June 30, 2022, the Agency had a note receivable of $131,186 and $129,633, respectively.

(n) Net Position

The Agency's net position is classified within the following categories:

Net investment in capital assets: Represents the Agency's capital assets, net of accumulated depreciation and unamortized bond refunding costs, reduced by the outstanding principal balances of debt attributable to the acquisition, construction, and improvement of the Agency's capital assets and capital assets related to construction, rights-of-way, grading, and improvements that were transferred to Caltrans in previous years. See note 5.

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(n) Net Position (Continued)

Restricted: Represents the Agency's assets subject to externally imposed conditions, related primarily to restricted bond proceeds and the Agency's tolls, fees, fines, and development impact fee revenue, less certain expenses, in accordance with the Agency's master indentures of trust.

Unrestricted: Represents the remainder of the Agency's net position not included in the categories above.

(o) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(p) Reclassifications

Certain amounts reported in the prior period have been reclassified to conform to the current period presentation. There was no impact on total net position or changes in net position as a result of these reclassifications.

(3) Development Impact Fees

The sources of development impact fees for the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
City of Irvine	$ 4,930	$ 12,748
City of Lake Forest	2,558	2,493
City of Tustin	1,016	988
City of Mission Viejo	164	97
County of Orange	154	142
City of Anaheim	152	61
City of San Clemente	118	15
City of Yorba Linda	110	424
City of Rancho Santa Margarita	48	9
City of Santa Ana	23	23
City of Dana Point	9	—
City of Orange	2	4
City of San Juan Capistrano	1	—
	$ 9,285	$ 17,004

(In thousands)

(4) Cash and Investments

Cash and investments as of June 30, 2023 and June 30, 2022 are classified in the accompanying financial statements, as follows:

	2023	2022
Current cash and investments	$ 329,693	$ 339,815
Noncurrent cash and investments	30,070	20,027
Current restricted cash and investments	70,167	189,464
Noncurrent restricted cash and investments	299,744	298,656
	$ 729,674	$ 847,962

Cash and investments as of June 30, 2023 consist of the following:

	Cash and cash equivalents	Investments	Total
Deposit accounts	$ 25,848	$ —	$ 25,848
Money market funds	24,057	—	24,057
California Asset Management Trust Cash Reserve Portfolio (CAMP)	71,895	—	71,895
LAIF	754	—	754
Certificates of deposit	—	48,932	48,932
Commercial paper	—	18,795	18,795
Corporate notes	—	106,318	106,318
U.S. Treasury securities	—	93,389	93,389
Federal agency, U.S. government-sponsored enterprise, and supranational notes	—	61,313	61,313
Investments held with trustee per debt agreements:			
U.S. Treasury securities	22,743	98,007	120,750
Commercial paper	—	12,558	12,558
Federal agency and U.S. government-sponsored enterprise notes and bonds	—	78,664	78,664
Corporate notes	—	66,401	66,401
Total	$ 145,297	$ 584,377	$ 729,674

(Continued)

(In thousands)

(4) Cash and Investments (Continued)

Cash and investments as of June 30, 2022 consist of the following:

	Cash and cash equivalents	Investments	Total
Deposit accounts	$ 18,413	$ —	$ 18,413
Money market funds	25,705	—	25,705
California Asset Management Trust Cash Reserve Portfolio (CAMP)	69,527	—	69,527
LAIF	22,581	—	22,581
Certificates of deposit	—	50,670	50,670
Commercial paper	—	35,810	35,810
Corporate notes	—	22,299	22,299
U.S. Treasury securities	—	85,928	85,928
Federal agency, U.S. government-sponsored enterprise, and supranational notes	—	109,198	109,198
Investments held with trustee per debt agreements:			
U.S. Treasury securities	150,970	79,599	230,568
Commercial paper	—	3,298	3,298
Federal agency and U.S. government-sponsored enterprise notes and bonds	—	108,007	108,007
Corporate notes	—	65,957	65,957
Total	$ 287,196	$ 560,766	$ 847,962

(a) Cash Deposits

Custodial Credit Risk Related to Cash Deposits

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party.

The Agency's custodial credit risk is mitigated in that the full amounts of the deposit accounts above are insured by federal depository insurance or collateralized in accordance with Section 53652 of the California Government Code with securities held by the pledging financial institution in the Agency's name.

(In thousands)

(4) Cash and Investments (Continued)

(b) Investments

(i) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency mitigates this risk by matching maturity dates, to the extent possible, with the Agency's expected cash flow.

A summary of the Agency's investments held at June 30, 2023 that are governed by the Agency's investment policy and its bond agreements, including money market funds of $24,057, U.S. Treasury securities of $22,742, CAMP of $71,895 and LAIF of $754 that are considered cash equivalents, is as follows:

		Remaining maturity (in years)	
Investment type	**Total**	**Less than one**	**One to five**
Federal agency, U.S. government-sponsored enterprise, and supranational notes and bonds	$ 139,977	$ 73,944	$ 66,033
Corporate notes	172,719	52,347	120,372
U.S. Treasury securities	214,139	87,959	126,180
Certificates of deposit	48,932	48,932	—
Commercial paper	31,353	31,353	—
CAMP	71,895	71,895	—
Money market funds	24,057	24,057	—
LAIF	754	754	—
Total	$ 703,826	$ 391,241	$ 312,585

(In thousands)

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(i) Interest Rate Risk (Continued)

A summary of the Agency's investments held at June 30, 2022 that are governed by the Agency's investment policy and its bond agreements, including money market funds of $25,705, U.S. Treasury securities of $150,970, CAMP of $69,527 and LAIF of $22,581 that are considered cash equivalents, is as follows:

		Remaining maturity (in years)	
Investment type	**Total**	**Less than one**	**One to five**
Federal agency, U.S. government-sponsored enterprise, and supranational notes and bonds	$ 217,205	$ 112,103	$ 105,102
Corporate notes	88,256	10,374	77,882
U.S. Treasury securities	316,497	186,175	130,322
Certificates of deposit	50,670	50,670	—
Commercial paper	39,108	39,108	—
CAMP	69,527	69,527	—
Money market funds	25,705	25,705	—
LAIF	22,581	22,581	—
Total	$ 829,549	$ 516,243	$ 313,306

(ii) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. The Agency's investment policy sets specific parameters by type of investment for credit quality, maximum maturity, and maximum percentage investment. Both the policy and the Agency's debt agreements generally require that all securities must be issued by companies with a long-term debt rating of at least "A" by two of the Nationally Recognized Statistical Rating Organizations (NRSRO) or at least "AA" by one NRSRO.

The investment of debt proceeds and toll revenue held by the Agency's bond trustee is governed by provisions of the debt agreements, rather than by the general provisions of the California Government Code or the Agency's investment policy.

At June 30, 2023 and 2022, all of the Agency's investments were rated at or above the minimum levels required by its investment policy and debt agreements.

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(iii) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Agency mitigates these risks by holding a diversified portfolio of high-quality investments. Further, the Agency's investment policy generally limits the amount of the portfolio that can be invested in a single issuer to no more than 5% of the portfolio, with the exception of securities and deposits issued or guranteed by the U.S. Treasury, federal agency institutions, and government sponsored enterprises.

At June 30, 2023, with the exception of investments issued or explicitly guaranteed by the U.S. government, money market mutual funds, and external investment pools, there were no investments in any issuers that accounted for 5% or more of the Agency's total investments, other than investments with Federal Home Loan Bank, and Federal Farm Credit Bank that represented approximately 9% and 5%, respectively, of the Agency's total investments, as permitted by the Agency's investment policy and the applicable bond indentures.

At June 30, 2022, with the exception of investments issued or explicitly guaranteed by the U.S. government, money market mutual funds, and external investment pools, there were no investments in any issuers that accounted for 5% or more of the Agency's total investments, other than investments with Federal Home Loan Bank, and Federal Farm Credit Bank that represented approximately 12% and 5%, respectively, of the Agency's total investments, as permitted by the Agency's investment policy and the applicable bond indentures.

(iv) Custodial Credit Risk

Custodial credit risk for investments is the risk that the Agency will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the Agency are deposited in the Agency's trustee bank, with the exception of a money market account, LAIF, and CAMP funds that are deposited in the Agency's primary bank. Securities are not held in broker accounts.

(In thousands)

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(v) Fair Value Measurements

Because investing is not a core part of the Agency's mission, the Agency has determined that the disclosures related to these investments only need to be disaggregated by major type and has chosen a tabular format for disclosing the levels within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

Level 1 inputs are quoted prices in active markets for identical assets.

Level 2 inputs are significant other observable inputs.

Level 3 inputs are significant, unobservable inputs.

Debt securities classified as Level 2 in the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial paper and certificates of deposit are valued based on quoted prices in active markets of similar securities.

At June 30, 2023 and June 30, 2022, the Agency had the following fair value measurements:

		June 30, 2023		
Investment type	**Fair value**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Federal agency, U.S. government-sponsored enterprise, and supranational notes and bonds	$ 139,977	$ —	$ 139,977	$ —
Corporate notes	172,719	—	172,719	—
U.S. Treasury securities	214,139	—	214,139	—
Certificates of deposit	48,932	—	48,932	—
Commercial paper	31,353	—	31,353	—
Total	$ 607,120	$ —	$ 607,120	$ —

Excluded from the table above are money market funds of $24,057, which are reported at amortized cost, and funds on deposit with CAMP totaling $71,895 and LAIF totaling $754, which are not subject to fair value measurement categorization.

(In thousands)

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(v) Fair Value Measurements (Continued)

Investment type	Fair value	June 30, 2022 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Federal agency, U.S. government-sponsored enterprise, and supranational notes and bonds	$ 217,205	$ —	$ 217,205	$ —
Corporate notes	88,256	—	88,256	—
U.S. Treasury securities	316,497	—	316,497	—
Certificates of deposit	50,670	—	50,670	—
Commercial paper	39,108	—	39,108	—
Total	$ 711,736	$ —	$ 711,736	$ —

Excluded from the table above are money market funds of $25,705, which are reported at amortized cost, and funds on deposit with CAMP totaling $69,527 and LAIF totaling $22,581, which are not subject to fair value measurement categorization.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance at beginning of year (restated)	Additions	Transfers/ deletions	Balance at end of year
Construction in progress	$ 114,586	$ 9,431	$ (69,063)	$ 54,954
Right-of-way acquisitions, grading, or improvements	18,689	—	—	18,689
Furniture and equipment	4,230	305	—	4,535
Non-depreciable capital assets	$ 137,505	$ 9,736	$ (69,063)	$ 78,178
Furniture and equipment	$ 28,113	$ 4,096	(1,791)	$ 30,418
Right-to-Use asset	82,406	—	—	82,406
Accumulated depreciation and amortization	(25,496)	(4,271)	1,791	(27,976)
Depreciable capital assets, net	$ 85,023	$ (175)	$ —	$ 84,848

(In thousands)

(5) Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance at beginning of year (restated)	Additions	Transfers/ deletions	Balance at end of year (restated)
Construction in progress	$ 103,113	$ 11,473	$ —	$ 114,586
Right-of-way acquisitions, grading, or improvements	18,689	—	—	18,689
Furniture and equipment	3,934	296	—	4,230
Non-depreciable capital assets	$ 125,736	$ 11,769	$ —	$ 137,505
Furniture and equipment	$ 29,575	$ 317	$ (1,779)	$ 28,113
Right-to-Use asset	82,406	—	—	82,406
Accumulated depreciation and amortization	(23,236)	(4,039)	1,779	(25,496)
Depreciable capital assets, net	$ 88,745	$ (3,722)	$ —	$ 85,023

Right-of-way acquisitions, grading, and improvements include easements and environmental mitigation parcels. Furniture and equipment include transponders, toll and violations collection equipment, buildings, vehicles, and leasehold improvements and capitalized software. Those not yet placed in service are reported as non-depreciable.

Transfers/Deletions

Ownership of the Foothill/Eastern Transportation Corridor construction, rights-of-way, grading, and improvements were transferred to Caltrans during the year ended June 30, 1999 upon satisfaction of all conditions contained within the cooperative agreements between the Agency and Caltrans. The Agency incurs additional costs for improvements and enhancements to the thoroughfares previously transferred to Caltrans. These improvements and enhancements are covered by separate project-specific cooperative agreements with Caltrans. They are transferred to Caltrans on an ongoing basis and recognized as contribution expense. For the years ended June 30, 2023 and 2022, expenses of $65,565 and $0, respectively, were recognized for the transfer of capital improvements to Caltrans and the County related to the Oso Parkway Bridge project. The balance of construction in progress represents capital improvement projects, most of which will also be transferred to Caltrans upon completion and recognized as contribution expense upon completion.

(6) Mitigation Payment and Loan Agreement

On November 10, 2005, the Agency's board of directors and the board of directors of SJHTCA entered into a Mitigation Payment and Loan Agreement (the Agreement). The terms of the Agreement called for the Agency to make payments totaling $120,000 over four years to SJHTCA to mitigate for anticipated loss of revenue due to the construction of the State Route 241 to I-5 connection project. All scheduled payments totaling $120,000 were made to SJHTCA as of June 2009 and were recorded as construction in progress.

In addition, the Agency committed to provide loans to SJHTCA on an as-needed basis up to $1,040,000, subject to the terms of the Agreement, to assist SJHTCA in achieving its required debt service coverage ratio. Payments of accrued interest and outstanding principal would begin in the fiscal year when SJHTCA achieved a surplus in revenue in excess of the amount needed to meet the debt coverage requirement. All principal and accrued interest would be due and payable on January 1, 2037 to the extent that SJHTCA had surplus revenue available to pay all amounts due. The Agreement also stipulated that the Agency would not be obligated to make loans to SJHTCA prior to securing the necessary funds for constructing the State Route 241 to I-5 connection project unless the Agency determined that it would not build the project. If the commencement and diligent pursuit of the construction of the State Route 241 to I-5 connection project did not occur by June 30, 2015, the mitigation payments would be added to the principal amount of the loan. No amounts were loaned in connection with this arrangement.

On August 14, 2014, the Agency's board of directors and the board of directors of SJHTCA approved an agreement that provided for termination of the Agreement concurrently with the closing of a refinance transaction proposed by SJHTCA. The closing of this refinance transaction occurred on November 6, 2014. The termination agreement also provided for SJHTCA to pay $120,000 to the Agency, in annual installments beginning January 15, 2025 equal to 50% of SJHTCA's surplus funds as defined in the agreement. Interest accrual based on the average annual yield of the State of California Pooled Money Investment Account commenced upon closing of the transaction and interest is payable annually beginning January 15, 2025.

As a result of this agreement, the aggregate payments of $120,000 that were made to SJHTCA through 2009 were reclassified during 2015 as a note receivable from SJHTCA and a reduction of construction in progress. The balance of the note receivable and related interest due from SJHTCA as of June 30, 2023 and June 30, 2022 was $131,186 and $129,633, respectively.

(In thousands)

(7) Long-Term Obligations

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

	Balance at beginning of year	Additions/ accretions	Reductions	Balance at end of year	Due within one year
Series 2021 Toll Road Refunding					
Revenue Bonds:					
Junior Term Current Interest Bonds	$ 222,015	$ —	$ (186)	$ 221,829	$ 364
Senior Term Current Interest Bonds	537,757	—	(2,315)	535,442	—
Series 2019 Toll Road Refunding					
Revenue Bonds:					
Senior Term Current Interest Bonds	897,055	—	(92,830)	804,225	—
Series 2015 Toll Road Refunding					
Revenue Bonds:					
Capital Appreciation Bonds	118,929	5,011	(10,208)	113,732	—
Series 2013 Toll Road Refunding					
Revenue Bonds:					
Senior Term Current Interest Bonds	435,000	—	(127,000)	308,000	10,646
Capital Appreciation Bonds	189,971	11,847	(17,195)	184,623	—
Convertible Capital					
Appreciation Bonds	326,382	20,285	—	346,667	—
Total bonds payable	$ 2,727,109	$ 37,143	$ (249,734)	$ 2,514,518	$ 11,010
Less unamortized bond discount/premium, net	101,552	—	(8,350)	93,202	
Total bonds payable less unamortized discount/premium, net	$ 2,828,661	$ 37,143	$ (258,084)	$ 2,607,720	

(In thousands)

(7) Long-Term Obligations (Continued)

The following is a summary of changes in long-term obligations during the year ended June 30, 2022:

	Balance at beginning of year	Additions/ accretions	Reductions	Balance at end of year	Due within one year
Series 2021 Toll Road Refunding Revenue Bonds:					
Junior Term Current Interest Bonds	$ 222,015	$ —	$ —	$ 222,015	$ —
Senior Term Current Interest Bonds	537,757	—	—	537,757	—
Series 2019 Toll Road Refunding Revenue Bonds:					
Senior Term Current Interest Bonds	897,055	—	—	897,055	—
Series 2015 Toll Road Refunding Revenue Bonds:					
Capital Appreciation Bonds	113,987	4,942	—	118,929	—
Series 2013 Toll Road Refunding Revenue Bonds:					
Senior Term Current Interest Bonds	435,000	—	—	435,000	125,000
Capital Appreciation Bonds	190,870	11,756	(12,655)	189,971	16,961
Convertible Capital Appreciation Bonds	307,299	19,083	—	326,382	—
Total bonds payable	$ 2,703,983	$ 35,781	$ (12,655)	$ 2,727,109	$ 141,961
Less unamortized bond discount/premium, net	105,013	—	(3,461)	101,552	
Total bonds payable less unamortized discount/premium, net	$ 2,808,996	$ 35,781	$ (16,116)	$ 2,828,661	

In February and March 2023, the Agency purchased and retired a portion of its 2021 Bonds, 2019 Bonds, 2015 Bonds, and 2013 Bonds on the open market. The $107,353 of outstanding bonds were purchased for a total acquisition price of $92,305, which resulted in a recognized gain on retirement of bonds of $15,121.

In July 2022, the Agency completed a $125,000 early pay-down of its 2013 Bonds, which resulted in a recognized gain on retirement of bonds of $4,849.

In February 2021, the Agency exchanged $519,242 of tax-exempt Series 2021 Toll Road Revenue Refunding Bonds with qualified institutional bondholders, issued $187,585 of federally taxable Series 2021 Toll Road Refunding Revenue Bonds, and issued $52,945 of tax-exempt Series 2021 Toll Road Revenue Refunding Bonds (collectively, “2021 Bonds”). The proceeds of the issuance were used to refund $186,835 and exchange $505,370 of certain 2013 Senior and Junior Term current interest bonds.

The reacquisition price of the refunded bonds exceeded their net carrying amount by $143,984; this amount was considered a deferred outflow of resources for accounting purposes and is being amortized through 2043 and 2046, the remaining periods during which the refunded bonds were scheduled to be repaid. In addition, the Agency incurred bond insurance premiums of $3,201, which are being amortized over the life of the 2021 Bonds. The 2021 Bonds were issued at a total premium of $88,495 and mature in annual installments from January 2023 to January 2046. Interest on the 2021 Bonds is payable semiannually at rates ranging from 1.16% to 5%. The 2021 Bonds are subject to early redemption on or after January 15, 2031 at the option of the Agency by payment of principal and accrued interest.

(7) Long-Term Obligations (Continued)

A portion of the net proceeds of the bond refunding totaling $183,922 from the issuance of the federally taxable bonds were used to purchase U.S. government securities, which were placed in an irrevocable escrow fund to be used for the debt service payments related to the portion of the 2013 bonds which are to be refunded in their entirety on January 15, 2024. The transaction resulted in a present value savings of approximately $156,990 and cash flow savings of approximately $214,400. As of June 30, 2023 and June 30, 2022, the amount of the 2013 bonds outstanding, which were eliminated from the financial statements as a result of the February 2021 refunding, was $161,135.

The following information has been provided for additional historical context and details for our current outstanding bonds:

In December 2019, the Agency issued $897,055 of federally taxable Series 2019 Toll Road Refunding Revenue Bonds (2019 Bonds); the proceeds of the issuance were used to refund $820,285 of certain 2013 Senior Term current interest bonds. The reacquisition price of the refunded bonds exceeded their net carrying amount by $195,558; this amount was considered a deferred outflow of resources for accounting purposes and is being amortized through 2053, the remaining period during which the refunded bonds were scheduled to be repaid. In addition, the Agency incurred bond insurance premiums of $7,608, which are being amortized over the life of the 2019 Bonds. The 2019 Bonds were issued at par and mature in annual installments from January 2049 to January 2053. Interest on the 2019 Bonds is payable semiannually at rates ranging from 3.824% to 4.094%. The 2019 Bonds are subject to early redemption on or after January 15, 2030 at the option of the Agency by payment of principal and accrued interest.

The net proceeds of the bond refunding along with $75,000 of unrestricted cash were used to purchase U.S. government securities, which were placed in an irrevocable escrow fund to be used for the debt service payments related to the 2013 bonds which are to be refunded in their entirety on January 15, 2024. The transaction resulted in a present value savings of approximately $210,000 and cash flow savings of approximately $335,000. As of June 30, 2023 and June 30, 2022, the amount of the 2013 bonds outstanding, which were eliminated from the financial statements as a result of the December 2019 refunding, was $844,758.

In February 2015, the Agency issued $87,008 of Senior Lien Toll Road Refunding Revenue Bonds (2015 Capital Appreciation Bonds); together with certain funds held in trust, the proceeds of the issuance were used to refund certain outstanding revenue bonds. The bonds accrue interest at rates ranging from 4.21% to 4.42%, compounded semiannually, and are scheduled to mature in annual installments from January 2033 to January 2035.

In December 2013, the Agency issued $2,274,617 of Series 2013 Toll Road Refunding Revenue Bonds (2013 Bonds); the proceeds of the issuance were used to refund certain outstanding revenue bonds. The reacquisition price of the refunded bonds exceeded their net carrying amount by $14,534; this amount was considered a deferred loss for accounting purposes and is being amortized through 2040, the remaining period during which the refunded bonds were scheduled to be repaid. In addition, the Agency incurred bond insurance premiums of $9,533, which are being amortized over the life of the 2013 bonds. The 2013 Bonds were issued at a discount of $41,009, which are being amortized over the life of the bonds.

(7) Long-Term Obligations (Continued)

The 2013 current interest bonds include $1,374,440 of Senior Term Bonds that mature in installments from January 2042 through January 2053; $375,000 of Term Rate Bonds that mature in installments from January 2050 through January 2053; and $198,050 of Junior Lien Bonds that mature in installments from January 2023 through January 2043. Interest on the 2013 current interest bonds is payable semiannually at rates ranging from 5.00% to 6.50%. The Senior Term Bonds and the Junior Lien Bonds are subject to early redemption on or after January 15, 2024, at the option of the Agency, by payment of principal and accrued interest. The Term Rate Bonds are subject to early redemption, at the option of the Agency, by payment of principal and accrued interest, on or after dates ranging from July 15, 2017 through July 15, 2022.

During August 2017, $125,000 of the 2013 Term Rate Bonds were remarketed, resulting in a reduction in the applicable interest rate from 5.00% to 3.95%.

During July 2019, $125,000 of the 2013 Term Rate Bonds (Subseries B-2) were remarketed, resulting in a reduction in the applicable interest rate from 5.00% to 3.50%.

The 2013 capital appreciation bonds accrue interest at rates ranging from 3.750% to 7.125%, compounded semiannually, and are scheduled to mature in annual installments from January 2020 to January 2042. The bonds are subject to early redemption, at the option of the Agency, based on an independent make-whole calculation.

The 2013 convertible capital appreciation bonds accrue interest, compounded semiannually based on payable semiannually based on accreted amounts. The bonds are scheduled to mature in annual installments from January 2025 to January 2042. The bonds are subject to early redemption on or after January 15, 2031, at the option of the Agency, by payment of the accreted amounts and accrued interest.

Included in principal at June 30, 2023 and 2022, is $268,616 and $247,049 respectively, related to accreted principal on convertible capital appreciation bonds and capital appreciation bonds.

A portion of the net proceeds of a prior bond refunding was used to purchase U.S. government securities, which were placed in an irrevocable escrow fund to be used for the debt service payments related to a previously refunded portion of the 1995 bonds. As of June 30, 2023 and June 30, 2022, the amounts of the previously refunded 1995 bonds outstanding, which were previously eliminated from the financial statements as a result of the refunding, are $589,576 and $640,997, respectively.

The master indentures of trust require the trustee to hold bond proceeds, pledged revenue, and any other amounts pledged for repayment of the bond debt described above. The balance of pledged funds held by the trustee are included in restricted cash and investments.

(In thousands)

(7) Long-Term Obligations (Continued)

The following is a summary of the annual debt service requirements by fiscal year for the Agency's long-term debt obligations as of June 30, 2023:

	Principal	Interest	Junior lien interest	Total
2024	11,010	76,380	7,880	95,270
2025	5,055	86,354	7,865	99,274
2026	13,756	86,097	7,843	107,696
2027	19,901	85,539	7,727	113,167
2028	26,619	84,640	7,581	118,840
2029 – 2033	238,642	415,470	34,570	688,682
2034 – 2038	266,050	583,565	24,915	874,530
2039 – 2043	507,852	458,362	9,903	976,117
2044 – 2048	727,798	224,414	—	952,212
2049 – 2053	697,835	77,657	—	775,492
	$ 2,514,518	$ 2,178,478	$ 108,284	$ 4,801,280

(8) Commitments and Contingencies

(a) Toll Collection and Revenue Management System Agreements

The Agency and SJHTCA have entered into agreements with contractors for various services, including toll collection systems operation and maintenance. The agreements expire on various dates through June 30, 2025 and are cancelable by the Agency, without further obligation, with advance written notice.

(b) Project Costs

As of June 30, 2023, the Agency has outstanding commitments and contracts related to construction activities of approximately $49.8 million.

(c) Litigation

The agency is a defendant in various legal actions. Management believes that the ultimate resolution of these actions will not have a significant effect on the agency's financial position or results of operations.

(d) Risk Management

The Agency maintains insurance coverage for various risks, including but not limited to property, liability, earthquake, and flood coverage. Coverage is purchased in accordance with the Agency's master indentures of trust, as applicable. No losses have exceeded insurance coverage in the past three fiscal years.

(In thousands)

(9) Public-Public Partnership (PPP) Arrangement for State Highways

As discussed in Notes 2 and 5, the Agency entered into an agreement with the California Department of Transportation, under which the Agency would design, build, and finance state highways and be granted the right to operate the highways as toll roads until January 15, 2053. The Agency has the right to set, collect, and retain tolls during this period. The Agency recognizes highway improvements as construction in progress, and transfers title to the constructed assets to the State as each segment is completed. The Agency will also make payments to the State totaling $212,897 over fiscal years 2041-2053 in monthly installment payments. The Agency recognized a liability and an intangible right-to-use asset of $82,406, which was the net present value of the future installment payments as of July 1, 2021, the measurement date used for the implementation of GASB Statement No. 94. The discount rate applied to the future installment payments is 3.7%, which is the Agency's estimated incremental borrowing rate as of the implementation date, and amortization of the discount is recognized as interest expense. For the year ended June 30, 2023, total interest expense related to the PPP liability discount was $3,166, and total amortization expense of the right-to-use asset was $2,611.

The adoption of this statement resulted in the restatement of the Agency’s Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows for the year ended June 30, 2022 to recognize the asset and liability as of the beginning of the period and $3,053 of related interest expense and $2,611 of related amortization expense. Net position as of June 30, 2022 and for the year then ended was restated by $5,664 in total as a result of adoption.

The following is a summary of the installment payment requirements by fiscal year for the Agency’s PPP liability as of June 30, 2023:

	Principal	Interest	Total
2024	—	—	—
2025	—	—	—
2026	—	—	—
2027	—	—	—
2028	—	—	—
2029 – 2033	—	—	—
2034 – 2038	—	—	—
2039 – 2043	—	43,246	43,246
2044 – 2048	1,704	77,897	79,601
2049 – 2053	80,702	9,348	90,050
	$ 82,406	$ 130,491	$ 212,897

(10) Corridor Operations Facility Lease

In January 2000, the Agency, along with SJHTCA, relocated to the corridor operations facility. At that time, an operating lease agreement was executed between the Agency (lessor) and SJHTCA (lessee). The lease agreement expires at the earliest occurrence of 1) dissolution of the Agency, 2) sale of the facility, or 3) dissolution of SJHTCA. Lease payments are based on the estimated fair market rental value and are adjusted annually. The Agency received lease revenue for years ended June 30, 2023 and 2022 of $574 and $581, respectively.

(11) Employees' Retirement Plans

Defined Contribution Plan – The Agency sponsors a defined contribution plan under the provisions of Internal Revenue Code Section 457 that permits employees to defer portions of their pretax compensation. The Agency provides matching contributions to a related Section 401(a) plan, at a rate of 50% of the employees' deferral contributions, up to a maximum of 2% of each employee's related compensation. In connection with this plan, the Agency incurred $77 and $68 of expense for the years ended June 30, 2023 and 2022, respectively. Benefit terms, including contribution rates, for the 401(a) plan are established and may be amended by the Agency. The 401(a) plan is administered by MissionSquare Retirement.

Defined Benefit Plan – Qualified permanent employees of the Agency participate in a cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by OCERS, a public employee retirement system established in 1945. The Plan is subject to the provisions of the County Employees Retirement Law of 1937 (California Government Code Section 31450 et. seq.); the California Public Employees' Pension Reform Act of 2013 (Government Code Section 7522 et. seq.); and other applicable statutes.

(a) Benefits

The Plan provides retirement, disability, and death benefits to eligible plan members and their beneficiaries. Monthly retirement benefits are determined by benefit formulas that depend upon the classification of employees, the date of entering membership in OCERS or a reciprocal plan, retirement age, years of service, and final average compensation. The Agency's members hired prior to January 1, 2013 are subject to a benefit formula of 2.0% of final average compensation per year of service, based upon retirement at age 55. Members hired on or after January 1, 2013 are subject to a benefit formula of 2.5% at 67.

Amounts payable for retired members are subject to annual cost-of-living adjustments based upon changes in the Consumer Price Index for the prior calendar year. Adjustments are limited to a maximum increase or decrease of 3% per year. Any increase greater than 3% is banked and may be used in years when the CPI is less than 3%. The increase is established and approved annually by the Board of Retirement.

(b) Contributions

Employer and employee contribution requirements are determined as percentages of covered payroll amounts and vary based upon the age of each employee at the date of entering membership in OCERS or a reciprocal plan. Employer contribution rates are determined using the entry age normal actuarial cost method based upon a level percentage of payroll. Employer contribution rates ranged from 11.99% to 63.25% for the year ended December 31, 2022, and from 11.93% to 67.55% for the year ended December 31, 2021. Employee contributions are established by the OCERS Board of Retirement and guided by applicable state statutes. Employee contribution rates ranged from 9.59% to 17.27% for the year ended December 31, 2022, and from 9.72% to 17.22% for the year ended December 31, 2021.

(Continued)

(In thousands)

(11) Employees' Retirement Plans (Continued)

(b) Contributions (Continued)

The contributions from the Agency recognized by the Plan, measured as the total amounts of additions to the Plan's fiduciary net position for the years ended December 31, 2022 and 2021, were $477 and $497, respectively, and equaled 100% of the required contributions, and represented 11.6% and 12.4% of the Agency's covered payroll, respectively.

The actuarially determined contributions from the Agency for the years ended June 30, 2023 and 2022, were $477 and $497, respectively and represented 11.6% and 12.4%, respectively, of the Agency's covered payroll.

The Agency paid off its portion of TCA's unfunded actuarial accrued liability (UAAL), totaling $8,920, on July 1, 2019. This is included in the Agency's total contributions during the year ended June 30, 2020.

(c) Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources

For purposes of reporting under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* OCERS arranged for determination of the Plan's collective net pension liability; deferred outflows and inflows of resources related to pensions; and pension expense, as well as the proportionate share of each amount applicable to the Plan's participating employers, using measurement dates of December 31, 2021 and 2020, with respective actuarial valuations as of December 31, 2020 and 2019 and standard procedures to roll forward to the respective measurement dates that correspond with the Agency's reporting dates of June 30, 2022 and 2021. The proportionate share of the total pension liability attributable to TCA has been determined by OCERS's actuary based upon actual employer contributions within each rate group and TCA is the only employer within its rate group. TCA's proportionate share is further allocated between the Agency and SJHTCA on the basis of their respective shares of covered payroll to determine the amounts reportable by the Agency, as indicated below:

	June 30,	
	2023	**2022**
Collective net pension liability (asset) - OCERS	$ 5,391,006	$ 2,050,238
Proportionate share attributable to Transportation Corridor Agencies	(660)	(10,882)
Share allocable to Foothill/Eastern Transportation Corridor Agency	(383)	(6,529)
Agency's proportion (percentage) of the collective net pension liability	-0.01%	-0.32%
Collective deferred outflows of resources - OCERS	$ 1,376,478	$ 443,275
Proportionate share attributable to Transportation Corridor Agencies	4,142	1,119
Share allocable to Foothill/Eastern Transportation Corridor Agency	2,403	671

(In thousands)

(11) Employees' Retirement Plans (Continued)

(c) Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources (Continued)

	June 30, 2023	June 30, 2022
Collective deferred inflows of resources - OCERS	$ 245,240	$ 2,644,140
Proportionate share attributable to Transportation Corridor Agencies	950	8,301
Share allocable to Foothill/Eastern Transportation Corridor Agency	551	4,981
Collective pension expense	$ 728,323	$ (121,127)
Proportionate share attributable to Transportation Corridor Agencies	697	(1,613)
Share allocable to Foothill/Eastern Transportation Corridor Agency	404	(968)

The Agency's deferred outflows of resources related to pensions as of June 30, 2023 and 2022 are attributable to the following:

	2023	2022
Net difference between projected and actual earnings on pension plan investments	$ 2,065	$ —
Changes of assumptions	61	260
Differences between expected and actual experience	277	411
Contributions to the plan subsequent to the measurement date of the collective net pension liability	250	269
Total deferred outflows of resources related to pensions	$ 2,653	$ 940

The Agency's deferred inflows of resources related to pensions as of June 30, 2023 and 2022 are attributable to the following:

	2023	2022
Differences between expected and actual experience	$ 551	$ 668
Net difference between projected and actual earnings on pension plan investments	—	4,313
Total deferred inflows of resources related to pensions	$ 551	$ 4,981

(In thousands)

(11) Employees' Retirement Plans (Continued)

(c) Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources (Continued)

The Agency's balances of deferred outflows and deferred inflows of resources as of June 30, 2023 will be recognized as changes to the net pension liability/asset as follows:

Year ending June 30:		
2024	$	108
2025		261
2026		541
2027		1,208
2028		(16)
	$	2,102

(d) Actuarial Assumptions and Other Inputs

The following significant methods and assumptions were used to measure the Plan's total pension liability as of December 31, 2022 and 2021:

- Actuarial experience study – Three-year period ended December 31, 2019
- Inflation rate of 2.5%.
- Projected salary increases for general members of 4.00% to 11.00% and safety members from 4.60% to 15.00%.
- Mortality rate based on Pub-2010 mortality tables, projected generationally using two-dimensional MP-2019 scale, adjusted separately for healthy and disabled for both general and safety members.

The mortality assumptions were based, respectively, on the results of the actuarial experience studies for the period January 1, 2017 through December 31, 2019 using the Pulic Retirement Plans Mortality tables (Pub-2010) published by the Society of Actuaries. Within the Pub-2010 family of mortality tables, OCERS has adopted both the General and Safety Amount-Weighted Above-Median Mortality Tables (adjusted for OCERS experience), projected generationally using the two-dimensional mortality improvements scale MP-2019.

(11) Employees' Retirement Plans (Continued)

(d) Actuarial Assumptions and Other Inputs (Continued)

The discount rate used to measure the Plan's total pension liability as of December 31, 2022 and 2021 was 7.00%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return should be determined without reduction for plan administrative expense. The investment return assumptions are net of administrative expenses, assumed to be 11 basis points for each year. The investment rate of return assumptions remained the same for reporting purposes due to the immaterial impact administrative expenses has on the overall assumed rate of return. The long-term expected rates of return on plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation and deducting expected investment expenses. Additional information on the target allocation and projected arithmetic real rate of return for each major asset class is available in the OCERS' Annual Comprehensive Financial Report for the year ended December 31, 2022.

(In thousands)

(11) Employees' Retirement Plans (Continued)

(d) Actuarial Assumptions and Other Inputs (Continued)

The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected rate of return assumptions for each measurement date are summarized in the following tables:

	December 31, 2022 and 2021	
	Target allocation	Long-term expected real rate of return
Asset Class:		
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure(Core Private)	1.50%	5.08%
Infrastructure(Non-Core Private)	1.50%	8.92%
CTA- Trend following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
Total	100.00%	

(Continued)

(In thousands)

(11) Employees' Retirement Plans (Continued)

(d) Actuarial Assumptions and Other Inputs (Continued)

The following table presents the Agency's proportionate share of the Plan's net pension liability, calculated using the discount rates used in each year's actuarial valuation (7.0%) for 2022 and 2021, as well as what its proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.0%) or one percentage point higher (8.0%) than the assumed discount rate:

	June 30	
	2023	**2022**
Net pension (asset)/liability, as calculated:		
With assumed discount rate	$ (383)	$ (6,529)
With a 1% decrease	4,410	(1,760)
With a 1% increase	(4,292)	(10,417)

(e) Plan's Fiduciary Net Position

OCERS provides publicly available financial information, including comprehensive annual financial reports and actuarial valuations at www.ocers.org. Detailed information about the Plan's fiduciary net position is included in the comprehensive annual financial report for the fiscal year ended December 31, 2022, which may also be obtained by calling (714) 558-6200.

FOOTHILL/EASTERN TRANSPORTATION
CORRIDOR AGENCY

Required Supplementary Information

(In thousands)

(Unaudited)

Schedule of Net Pension Liability and Related Ratios

	Plan year ended December 31,								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Agency's proportion (percentage) of the collective net pension liability	-0.01%	-0.32%	-0.05%	-0.02%	0.15%	0.15%	0.17%	0.16%	0.15%
Agency's proportionate share (amount) of the collective net pension liability	$ (383)	$ (6,529)	$ (2,213)	$ (933)	$ 9,226	$ 7,417	$ 8,742	$ 8,918	$ 7,556
Agency's covered payroll	$ 4,100	$ 4,012	$ 4,363	$ 4,093	$ 3,971	$ 4,191	$ 3,908	$ 4,083	$ 4,287
Agency's proportionate share of the collective net pension liability as a percentage of its covered payroll	-9%	-163%	-51%	-23%	232%	177%	224%	218%	176%
Plan's fiduciary net position as a percentage of the total pension liability	101.1%	119.2%	107.1%	103.4%	71.8%	76.8%	69.9%	67.1%	69.4%

Note - GASB Statement No. 68 requires a 10-year schedule presenting the items above. The applicable information has been presented for the periods since the statement was adopted, and will be supplemented as the same information becomes available for future periods.

Change in Assumptions and Methods

2020

- Actuarial experience study – Three-year period ended December 31, 2019
- Inflation rate was decreased from 2.75% to 2.5%.
- Projected salary increases for general members of 4.25% to 12.25% % changed to 4.00% to 11.00% and safety members changed from 4.75% to 17.25% to 4.60% to 15.00%.
- Mortality rate tables changed to Pub-2010 mortality tables, projected generationally using two-dimensional MP-2019 scale, adjusted separately for healthy and disabled for both general and safety members. Previously, mortality rate tables were based, respectively, on the results of the actuarial experience studies for the period January 1, 2014 through December 31, 2016 using the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally using the two-dimensional Scale MP-2016.

2017

- The assumed rate of return was decreased from 7.25% to 7.00%.
- The inflation rate was decreased from 3.00% to 2.75%.
- Projected salary increases for general members of 4.25% to 13.50% changed to 4.25% to 12.25% and safety members changed from 5.00% to 17.50% to 4.75% to 17.25%.
- Mortality rate tables changed to a Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally using two-dimensional MP-2016 scale, adjusted separately for healthy and disabled for both general and safety members.
- Impact due to assumption changes to be phased-in over three years.

(Continued)

FOOTHILL/EASTERN TRANSPORTATION
CORRIDOR AGENCY

Required Supplementary Information

(In thousands)

(Unaudited)

Schedule of Agency Contributions

	Fiscal year ended June 30,								
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contributions	$ 477	$ 497	$ 498	$ 612	$ 944	$ 1,024	$ 1,038	$ 949	$ 896
Contributions recognized	(477)	(497)	(498)	(9,532)	(944)	(1,024)	(1,038)	(949)	(896)
Contribution deficiency (excess)	$ —	$ —	$ —	$ (8,920)	$ —	$ —	$ —	$ —	$ —
Agency's covered payroll	$ 4,100	$ 4,012	$ 4,363	$ 3,486	$ 3,971	$ 4,191	$ 3,908	$ 4,083	$ 3,908
Contributions recognized as a percentage of covered payroll	11.6%	12.4%	11.4%	273.4%	23.8%	24.4%	26.6%	23.2%	20.9%

Note - GASB Statement No. 68 requires a 10-year schedule presenting the items above. The applicable information has been presented for the periods since the statement was adopted, and will be supplemented as the same information becomes available for future periods.