FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Financial Statements

June 30, 2024 and 2023

(With Independent Auditor's Report Thereon)

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

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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, 2024 and 2023, 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, 2024 and 2023, 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.

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 14, 2024

This discussion and analysis of the financial performance of the Foothill/Eastern Transportation Corridor Agency (the Agency) provides an overview of the Agency's financial activities for the fiscal years ended June 30, 2024 and 2023. 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.

Financial Highlights

Toll transactions have increased to 66.4 million during the year ended June 30, 2024, compared to 63.4 million during the year ended June 30, 2023, an increase of 4.7%. Tolls, fees, and fines earned in fiscal year 2024 (FY24) totaled $225,849 compared to $212,324 in fiscal year 2023 (FY23), an increase of 6.4%.

As of June 30, 2024 and 2023, the Agency had $378,902 and $369,911, 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 $448,207 and $359,763, respectively, of unrestricted cash and investments.

The Agency's net position at June 30, 2024 and 2023 was ($1,283,806) and ($1,411,290), 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 $82.4 million 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 Fiscal Year 2041 and ending in Fiscal Year 2053. 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, 2024, 2023, and 2022:

	2024	Percentage increase (decrease)	2023	Percentage increase (decrease)	2022
Assets and deferred outflows:					
Current assets	$ 493,513	18.0 %	$ 418,385	(23.0) %	$ 543,157
Capital assets, net	165,807	1.7	163,026	(26.7)	222,528
Net pension asset	1,115	191.1	383	(94.1)	6,529
Other noncurrent assets	505,602	5.6	478,890	2.5	466,990
Deferred outflows	293,496	(4.7)	308,051	(3.9)	320,415
Total assets and deferred outflows	1,459,533	6.6	1,368,735	(12.2)	1,559,619
Liabilities and deferred inflows:					
Current liabilities *	87,773	5.6	83,129	(3.4)	86,048
Bonds payable	2,563,260	(1.7)	2,607,720	(7.8)	2,828,661
PPP liability and interest payable	91,909	3.7	88,625	3.7	85,459
Deferred inflows	397	(27.9)	551	(88.9)	4,981
Total liabilities and deferred inflows	2,743,339	(1.3)	2,780,025	(7.5)	3,005,149
Net position	$ (1,283,806)	9.0	$ (1,411,290)	2.4	$ (1,445,530)

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

(In thousands)

The increase in current assets in FY24 is primarily attributable to increased cash collections, while the decrease in FY23 is due 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, 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. Capital assets in FY24 have remained relatively flat on the prior year and the decrease in capital assets in FY23 is due to the $65.6 million cost of capital improvements contributed to Caltrans and the County, described in note 5.

The increase 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, 2024, 2023, and 2022:

	2024	Percentage increase (decrease)	2023	Percentage increase (decrease)	2022
Operating revenues:					
Tolls, fees, and fines	$ 225,849	6.4 %	$ 212,324	6.5 %	$ 199,348
Development impact fees	9,944	7.1	9,285	(45.4)	17,004
Other revenues	614	2.0	602	0.2	601
Total operating revenues	236,407	6.4	222,211	2.4	216,953
Operating expenses	33,313	8.1	30,803	17.7	26,160
Operating income	203,094	6.1	191,408	0.3	190,793
Nonoperating expenses, net	(75,610)	(51.9)	(157,168)	8.2	(145,312)
Change in net position	127,484		34,240		45,481
Net position at beginning of year	(1,411,290)	2.4	(1,445,530)	3.1	(1,491,011)
Net position at end of year	$ (1,283,806)	9.0	$ (1,411,290)	2.4	$ (1,445,530)

Tolls, fees, and fines comprised 95.6% of total revenue in FY24 and FY23. Tolls, fees, and fines increased by 6.4% in FY24 after an increase of 6.5% in FY23. The increase was primarily due to increased traffic on the system. Development impact fees increased by 7.1% after a decrease of 45.4% in FY23. 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 $33,313 in FY24 compared to $30,803 in FY23, an increase of 8.1%. Included in operating expenses in FY24 is noncash depreciation and amortization expense on capital assets of $4,820, compared to $4,271 in FY23, and noncash pension contra-expense recorded in salaries and wages related to the OCERS pension of ($444), compared to noncash expense of $45 in fiscal year 2023. Excluding depreciation and amortization and the noncash pension expense, operating expenses were $28,937 in FY24 and $26,487 in FY23. The increase in operating expenses is primarily due to the aforementioned increase in traffic and related toll revenue, which in turn resulted in increased toll compliance and customer service costs, and insurance costs as well as other operating expenses.

(In thousands)

Net nonoperating expenses for FY24 include investment income of $41,277 compared to investment income of $15,534 in FY23 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 ($115,191), compared to ($127,107) in FY23; contribution of capital improvements to Caltrans and the County of ($65,565) in FY23; accelerated amortization of $3,752 in FY24 due to an early bond paydown; and a gain on retirement of bonds of $19,970 due to an early paydown and the Agency's Open Market Bond Buyback Program activity in FY23. See discussion of early bond paydowns in Economic Factors section below.

Capital Assets, Net

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

		2024	2023	2022
Construction in progress	$	61,737	54,954	114,586
Right-of-way acquisitions, grading, or improvements		18,689	18,689	18,689
Intangible right-to-use asset		74,573	77,184	82,406
Furniture and equipment		10,808	12,199	6,847
Total capital assets, net	$	165,807	163,026	222,528

Right-of-way acquisitions, grading, or improvements include easements and environmental mitigation parcels. Furniture and equipment includes 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, 2024, 2023, and 2022, the Agency had outstanding bonds payable of $2,563,260, $2,607,720, and $2,828,661, respectively. See discussion of early bond paydowns in Economic Factors section below.

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, 2024, 2023 and 2022.

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

Economic Factors

The Agency continues to see increases in traffic on the system, evidenced by the 6.4% increase in tolls, fees, and fines in FY24. 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 implemented 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 paydown 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.

In January 2024, the Agency completed a $60,000 early paydown the Series 2013 Senior Term Current Interest Bonds, which resulted in accelerated amortization of the related bond discount and prepaid bond insurance of $3,752. This resulted in a reduction of the Agency's future debt service interest payments by $54,000.

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.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Net Position
June 30, 2024 and 2023
(In thousands)

	2024	2023
Assets		
Current Assets		
Cash and investments	$ 406,072	$ 329,693
Restricted cash and investments	64,725	70,167
Receivables		
Accounts, net of allowance of $5,133 and $3,421 respectively	12,474	12,526
Fees	42	77
Interest	6,067	4,703
Due from San Joaquin Hills Transportation Corridor Agency	2,944	—
Other assets	1,189	1,219
Total Current Assets	493,513	418,385
Non Current Assets		
Cash and investments	42,135	30,070
Restricted cash and investments	314,177	299,744
Non-depreciable capital assets	82,265	78,178
Depreciable capital assets, net	83,542	84,848
Unamortized prepaid bond insurance	15,442	17,890
Net pension asset	1,115	383
Note receivable – San Joaquin Hills Transportation Corridor Agency	133,848	131,186
Total Non Current Assets	672,524	642,299
Deferred Outflows of Resources		
Unamortized deferral of bond refunding costs	291,305	305,398
Pension costs	2,191	2,653
Total Assets and Deferred Outflows of Resources	**1,459,533**	**1,368,735**
Liabilities		
Current Liabilities		
Accounts payable	20,322	17,307
Unearned revenue	33,817	27,190
Due to San Joaquin Hills Transportation Corridor Agency	—	5,076
Employee compensated absences payable	493	425
Interest payable	33,141	33,131
Current portion of bonds payable	5,194	11,010
Total Current Liabilities	92,967	94,139
PPP liability	82,406	82,406
PPP interest payable	9,503	6,219
Long-term bonds payable	2,558,066	2,596,710
Total Liabilities	2,742,942	2,779,474
Deferred Inflows of Resources		
Pension costs	397	551
Total Liabilities and Deferred Inflows of Resources	**2,743,339**	**2,780,025**
Net position		
Net investment in capital assets	(2,188,554)	(2,221,702)
Restricted	329,128	323,257
Unrestricted	575,620	487,155
Total Net Position	**$ (1,283,806)**	**$ (1,411,290)**

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024 and 2023
(In thousands)

	2024	2023
Operating Revenues		
Tolls, fees, and fines	$ 225,849	$ 212,324
Development impact fees	9,944	9,285
Other revenues	614	602
Total Operating Revenues	236,407	222,211
Operating Expenses		
Toll compliance and customer service	16,659	12,668
Salaries and wages	4,048	4,299
Professional services	1,352	3,054
Toll systems	2,650	2,707
Depreciation and amortization	4,820	4,271
Insurance	1,634	1,409
Toll facilities	780	767
Facilities operations, maintenance, and repairs	326	300
Other operating expenses	1,044	1,328
Total Operating Expenses	33,313	30,803
Operating Income	**203,094**	**191,408**
Nonoperating Revenues (Expenses)		
Investment income	41,277	15,534
Insurance recovery income	1,125	—
Miscellaneous income	974	—
(Loss) gain on retirement of bonds	(3,752)	19,970
Contribution of capital improvements to Caltrans/County	—	(65,565)
Write off of contruction in progress	(43)	—
Interest expense	(115,191)	(127,107)
Net Nonoperating Expenses	**(75,610)**	**(157,168)**
Change in Net Position	127,484	34,240
Net Position at Beginning of Period	(1,411,290)	(1,445,530)
Net Position at End of Period	**$ (1,283,806)**	**$ (1,411,290)**

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Cash Flows
Years ended June 30, 2024 and 2023
(In thousands)

	2024	2023
Cash Flows from Operating Activities		
Cash received from toll road patrons	$ 224,508	$ 212,219
Cash received from development impact fees	9,979	9,270
Cash received from other revenue	614	602
Cash payments to suppliers	(21,400)	(21,987)
Cash payments to employees	(4,404)	(4,430)
Net Cash from Operating Activities	209,297	195,674
Cash Flows from Capital and Related Financing Activities		
Cash payments for acquisition of capital assets	(7,644)	(10,333)
Cash payments for interest and principal	(143,569)	(314,983)
Cash received from miscellaneous income	974	—
Cash payment - insurance recovery income	1,125	—
Net Cash used in Capital and Related Financing Activities	(149,114)	(325,316)
Cash Flows from Investing Activities		
Cash receipts for interest and dividends	21,826	12,641
Cash receipts from the maturity and sale of investments	386,622	389,464
Cash payments for purchase of investments	(496,013)	(414,362)
Net Cash used in Investing Activities	(87,565)	(12,257)
Net Decrease in Cash and Cash Equivalents	(27,382)	(141,899)
Cash and Cash Equivalents at Beginning of Year	145,297	287,196
Cash and Cash Equivalents at End of Period	**$ 117,915**	**$ 145,297**
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 203,094	$ 191,408
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	4,820	4,271
Changes in operating assets and liabilities		
Accounts receivable	52	(1,961)
Fees receivable	35	(15)
Due to San Joaquin Hills Transportation Corridor Agency	(8,020)	14
Other assets	30	(44)
Accounts payable	3,015	290
Unearned revenue	6,627	1,842
Net pension asset	(732)	6,146
Deferred outflows of resources related to pensions	462	(1,713)
Deferred inflows of resources related to pensions	(154)	(4,430)
Employee compensated absences payable	68	(134)
Total adjustments	6,203	4,266
Net Cash from Operating Activities	$ 209,297	$ 195,674

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Cash Flows
Years ended June 30, 2024 and 2023
(In thousands)

	2024	2023
Non Cash Capital and Related Financing and Investing Activities		
Interest expense recorded for accretion of bonds outstanding	$ (28,376)	$ (37,143)
Amortization of bond discount/premium recorded as reduction of interest expense	3,652	3,501
Amortization of deferred bond refunding cost recorded as interest expense	(14,093)	(14,077)
Amortization of prepaid bond insurance recorded as interest expense	(795)	(784)
Amortization of PPP liability discount recorded as interest expense	(3,284)	(3,166)
Contribution of capital improvements to Caltrans/County	—	(65,564)
Write off construction in progress	(43)	—
Interest accrued on note receivable from San Joaquin Hills Transportation Corridor Agency	2,662	1,552
Change in unrealized gain on investments	9,865	(3,010)
(Loss) gain on retirement of bonds	(3,752)	19,970
Amortization of discount on investments	5,561	1,724

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 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.

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 corridor. The Agency's operating expenses include depreciation, materials, services, and other expenses related to the operation of the corridor, 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.

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.

(2) Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

During the year ended June 30, 2024, GASB Statement No. 99, Omnibus 2022 and GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62 became effective.

GASB Statement No. 99, Omnibus 2022, enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practical issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement are effective as related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance; related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter; (c) related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Agency adopted all required paragraphs during fiscal years 2022, 2023, and 2024. The adoption of the above requirements has no impact on the Agency's financial statements.

GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The adoption of the above requirements has no impact on the Agency's financial statements in 2024.

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 non-governmental entity) to provide public services by conveying control of the right to operate or use a non-financial 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. See note 9.

(2) Summary of Significant Accounting Policies (Continued)

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.

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.

Investments

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

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.

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, and furniture. Capital assets are defined by the Agency as assets with an initial individual cost of at least five thousand dollars and an estimated useful life in excess of one year. Capital assets with an individual acquisition cost less than five thousand dollars will be capitalized if the assets, in aggregate, are significant. 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 Corridor 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.

(2) Summary of Significant Accounting Policies (Continued)

Capital Assets (continued)

Capital assets are recorded at cost and are depreciated 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 assets	31 years
Leasehold improvement, other equipment and furniture	5 – 10 years

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

Unearned Revenue

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

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.

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.

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, funds are collected by the member agencies, and upon collection by the Agency. Other revenue is recognized when earned.

(2) Summary of Significant Accounting Policies (Continued)

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. Tolls, fees, and fines collected by Transporation Corridor Agencies (TCA), and not specifically related to a particular Agency, are allocated between Foothill Eastern and San Joaquin Hills Transporation Corridor Agencies based on the estimated benefits to each agency. At June 30, 2024 the Agency had tolls due from SJHTCA of $2,944 and at June 30, 2023 the Agency had tolls due to SJHTCA of $5,076.

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 its 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 50.00% of SJHTCA's surplus funds. At June 30, 2024, and June 30, 2023, the Agency had a note receivable of $133,848 and $131,186, respectively.

a) 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.
- *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.

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.

Reclassifications

There have been no reclassifications made in FY24 or in FY23.

(In thousands)

(3) Development Impact Fees

The sources of development impact fees for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
City of Irvine	$ 5,928	$ 4,930
City of Anaheim	1,376	152
City of Santa Ana	1,196	23
City of Lake Forest	574	2,558
County of Orange	341	154
City of Mission Viejo	187	164
City of San Juan Capistrano	136	1
City of Tustin	99	1,016
City of San Clemente	66	118
City of Orange	25	2
City of Yorba Linda	16	110
City of Dana Point	-	9
City of Rancho Santa Margarita	-	48
Total	**$ 9,944**	$ 9,285

(4) Cash and Investments

Cash and investments as of June 30, 2024 and 2023, are classified in the accompanying financial statements as follows:

	2024	2023
Current cash and investments	$ 406,072	$ 329,693
Noncurrent cash and investments	42,135	30,070
Current restricted cash and investments	64,725	70,167
Noncurrent restricted cash and investments	314,177	299,744
Total	**$ 827,109**	$ 729,674

(In thousands)

(4) Cash and Investments (Continued)

Cash and investments as of June 30, 2024 consists of the following:

	Cash and cash equivalents	Investments	**Total**
Deposit accounts	$ 1,035	$ -	$ 1,035
Money market funds	27,157	-	27,157
California Asset Management Trust Cash Reserve Portfolio (CAMP)	45,314	-	45,314
Local Agency Investment Fund (LAIF)	658	-	658
Orange County Investment Pool (OCIP)	124	-	124
Certificates of deposit	-	20,013	20,013
Commercial paper	189	-	189
Corporate notes	-	121,776	121,776
U.S. Treasury securities	-	239,018	239,018
Federal agency, U.S. government sponsored enterprise and supranational notes	-	66,404	66,404
Investments held with trustee per debt agreements:			
U.S. Treasury securities	15,838	133,718	149,556
Money market funds	22,333	-	22,333
Commercial paper	5,267	-	5,267
Federal agency, U.S. government sponsored enterprise and supranational notes and bonds	-	59,698	59,698
Corporate notes	-	68,567	68,567
Total	$ 117,915	$ 709,194	$ **827,109**

(In thousands)

(4) Cash and Investments (Continued)

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
Local Agency Investment Fund (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**

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)

Investments

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, 2024 that are governed by the Agency's investment policy and its bond agreements, including money market funds of $49,490, U.S Treasury securities of $15,838, CAMP of $45,314, LAIF of $658, OCIP of $124, and commercial paper of $5,456 that are considered cash equivalents, is as follows:

			Remaining maturity in years	
		2024 Total	Less than one year	One to five years
Federal agency, U.S. government sponsored enterprise and supranational notes and bonds	$	126,102	$ 32,471	$ 93,631
Corporate notes		190,343	38,242	152,101
U.S. Treasury securities		388,574	142,417	246,157
Certificates of deposit		20,013	20,013	-
Commercial paper		5,456	5,456	-
CAMP		45,314	45,314	-
Money market funds		49,490	49,490	-
LAIF		658	658	-
OCIP		124	124	
Total	$	**826,074**	$ 334,185	$ 491,889

(In thousands)

(4) Cash and Investments (Continued)

Investments (Continued)

Interest Rate Risk (Continued)

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 $22,743, CAMP of $71,895, LAIF of $634, OCIP of $120, and commercial paper of $31,353 that are considered cash equivalents, is as follows:

		Remaining maturity in years	
	2023 Total	Less than one year	One to five years
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	634	634	-
OCIP	120	120	-
Total	$ **703,826**	$ 391,241	$ 312,585

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 securities must be issued by companies with credit ratings in one of the three highest rating categories by at least two Nationally Recognized Statistical Rating Organizations (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, 2024 and June 30, 2023, 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)

Investments (Continued)

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 5.00% 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, 2024, 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 5.00% or more of the Agency's total investments, other than investments with Federal Home Loan Bank, Federal Farm Credit Bank, and Federal National Mortgage Association that represented approximately 5.45%, 8.20%, and 5.70%, respectively, of the Agency's total investments, as permitted by the Agency's investment policy and the applicable bond indentures.

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 5.00% or more of the Agency's total investments, other than investments with Federal Home Loan Bank, and Federal Farm Credit Bank that represented approximately 9.00% and 5.00%, respectively, of the Agency's total investments, as permitted by the Agency's investment policy and the applicable bond indentures.

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 deposited in the Agency's primary bank, and CAMP, LAIF, and OCIP funds. Securities are not held in broker accounts.

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.

All debt securities classified as Level 2 in the fair value hierarchy, other than money market mutual funds that are priced daily when the fund calculates the net asset value, are valued using a matrix pricing technique. Matrix pricing is used to value securities determined by market-based inputs. Commercial paper and certificates of deposit are valued based on quoted prices in active markets of similar securities.

(In thousands)

(4) Cash and Investments (Continued)

Investments (Continued)

Fair Value Measurements (continued)

At June 30, 2024 and June 30, 2023, the Agency had the following fair value measurements:

		2024		
	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	$ 126,102	$ -	$ 126,102	$ -
Corporate notes	190,343	-	190,343	-
U.S. Treasury securities	388,574	-	388,574	-
Certificates of deposit	20,013	-	20,013	-
Commercial paper	5,456	-	5,456	-
Total	$ **730,488**	$ -	$ 730,488	$ -

Excluded from the table above are money market funds of $49,490, that are reported at amortized cost, and funds on deposit with CAMP totaling $45,314, LAIF totaling $658, OCIP totaling $124, and deposits of $1,035 that are not subject to fair value measurement categorization.

		2023		
	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	$ -

(In thousands)

(4) Cash and Investments (Continued)

Investments (Continued)

Fair Value Measurements (continued)

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, LAIF totaling $634, and OCIP totaling $120, which are not subject to fair value measurement categorization.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2024 was as follows:

	Balance at beginning of year	Additions	Transfers / deletions	**Balance at end of year**
Construction in progress	$ 54,954	$ 6,826	$ (43)	$ 61,737
Right-of-way acquisitions, grading or improvements	18,689	-	-	18,689
Furniture and equipment	4,535	-	(2,696)	1,839
Non-depreciable capital assets	78,178	6,826	(2,739)	82,265
Furniture and equipment	30,418	818	1,326	32,562
Right-to-use asset	82,406	-	-	82,406
Accumulated depreciation and amortization	(27,976)	(4,820)	1,370	(31,426)
Depreciable capital assets, net	84,848	(4,002)	2,696	83,542
Capital assets, net	$ 163,026	$ 2,824	$ (43)	$ **165,807**

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
Capital assets, net	$ 222,528	$ 9,561	$ (69,063)	$ **163,026**

(5) Capital Assets (Continued)

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, leasehold improvements, and capitalized software that are 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, 1997, upon satisfaction of all conditions contained within the Cooperative Agreement 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 and are transferred to Caltrans and recognized as contribution expense upon completion. They are transferred to Caltrans on an ongoing basis and are recognized as contribution expenses. For the years ended June 30, 2024 and 2023, expenses of $0 and $65,565, respectively, were recognized for transfer of capital improvements to Caltrans and the County related to the Oso Parkway Bridge project. The balance of contruction in progress represents capital improvement projects, most of which will also be transferred to Caltrans upon completion and reconized as a 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.

(In thousands)

(6) Mitigation Payment and Loan Agreement

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, 2024 and June 30, 2023 was $133,848 and $131,186, respectively.

(7) Long-Term Obligations

The following is a summary of changes in long-term obligations during the year ended June 30, 2024:

	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	$ 221,829	$ -	$ (364)	$ 221,465	$ 564
Senior Term Current Interest Bonds	535,442	-	-	535,442	-
Series 2019 Toll Road Refunding Revenue bonds:					
Senior Term Current Interest Bonds	804,225	-	-	804,225	-
Series 2015 Toll Road Refunding Revenue Bonds:					
Capital Appreciation Bonds	113,732	4,930	-	118,662	-
Series 2013 Toll Road Refunding Revenue Bonds:					
Senior Term Current Interest Bonds	308,000	-	(60,000)	248,000	-
Capital Appreciation Bonds	184,623	11,948	(10,920)	185,651	-
Converted Capital Appreciation Bonds – Senior Term Current Interest Bonds (1)	346,667	11,498	-	358,165	4,630
	$ 2,514,518	$ 28,376	$ (71,284)	$ 2,471,610	$ 5,194
Plus: unamortized bond discount / premium, net	93,202	-	(1,552)	91,650	
Total bonds payable	**$ 2,607,720**	**28,376**	**(72,836)**	**2,563,260**	

(1) Converted from Convertible Capital Appreciation Bonds on January 15, 2024.

(In thousands)

(7) Long-Term Obligations (Continued)

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	-
	$ 2,727,109	$ 37,143	$ (249,734)	$ 2,514,518	11,010
Plus: unamortized bond discount / premium, net	101,552	-	(8,350)	93,202	
Total bonds payable	$ 2,828,661	37,143	(258,084)	2,607,720	

Toll Road Revenue Bonds

In January 2024, the Agency completed a $60,000 early paydown of the Series 2013 Senior Term Current Interest Bonds. $60,000 of bonds, which resulted in accelerated amortization of the related bond discount and prepaid bond insurance of $3,752. This resulted in a reduction of the Agency's future debt service interest payments by $54,000.

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.

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

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.

(7) Long-Term Obligations (Continued)

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 semi-annually 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.

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 were 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, 2024 and June 30, 2023 the amount of the 2013 bonds outstanding, which were eliminated from the financial statements as a result of the February 2021 refunding, was $0 and $161,135 respectively.

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 semi-annually 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, 2024 and June 30, 2023 the amount of the 2013 bonds outstanding, which were eliminated from the financial statements as a result of the December 2019 refunding, was $0 and $844,758 respectively.

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.

(7) Long-Term Obligations (Continued)

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.

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 semi-annually 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 semi-annually based on payable semiannually based on accreted amounts. In January 2024, the convertible capital appreciation bonds converted to current interest bonds. 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, 2024 and June 30, 2023, is $296,922 and $268,616 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, 2024 and June 30, 2023, the amounts of the previously refunded 1995 bonds outstanding, which were previously eliminated from the financial statements as a result of the refunding, are $540,456 and $589,576, 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, 2024:

	Principal	Interest[1]	Junior lien interest [1]	**Total**
2025	$ 5,194	$ 83,215	$ 7,854	$ 96,263
2026	14,053	82,800	7,785	104,638
2027	20,378	82,062	7,654	110,094
2028	27,312	80,947	7,491	115,750
2029	34,791	79,521	7,297	121,609
2030 – 2034	270,405	407,311	32,343	710,059
2035 – 2039	257,549	611,572	20,677	889,798
2040 – 2044	550,569	340,729	5,370	896,668
2045 – 2049	734,590	181,140	-	915,730
2050 – 2053	556,769	39,995	-	596,764
Total	$ 2,471,610	$ 1,989,292	$ 96,471	$ **4,557,373**

[1] Includes payments scheduled on January 15 of the indicated fiscal year and July 15 of the following fiscal year, to coincide with the annual debt service calculations used for covenant compliance purposes.

(8) Commitments and Contingencies

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.

Project Costs

As of June 30, 2024 and June 30, 2023, the Agency has outstanding commitments and contracts related to construction activities of approximately $62,600 and $49,800 respectively.

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.

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 3.70%, 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 years ended June 30, 2024 and 2023, total interest expense related to the PPP liability discount was $3,283 and $3,166 respectively, and total amortization expense of the right-to-use asset was $2,611 for both years.

The following is a summary of the installment payment requirements by fiscal year for the Agency’s PPP liability as of June 30, 2024:

	Principal	Interest	**Total**
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030 – 2034	-	-	-
2035 – 2039	-	-	-
2040 – 2044	-	43,246	43,246
2045 – 2049	1,704	77,897	79,601
2050 – 2053	80,702	9,348	90,050
Total	$ 82,406	$ 130,491	**$ 212,897**

(10) Corridor Operations Facility Rental

In January 2000, the Agency, along with SJHTCA, relocated to the corridor operations facility. At that time, a rental agreement was executed between the Agency and SJHTCA. The agreement expires at the earliest occurrence of 1) dissolution of the Agency, 2) sale of the facility, or 3) dissolution of SJHTCA. Rental payments are based on the estimated fair market rental value and are adjusted annually. The Agency received rental revenue for the years ended June 30, 2024 and 2023 of $614 and $574, 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 pre-tax compensation. The Agency provides matching contributions to a related Section 401(a) plan, at a rate of 50.00% of the employees' deferral contributions, up to a maximum of 2.00% of each employee's related compensation. In connection with this plan, the Agency incurred $84 and $77 of expense for the years ended June 30, 2024 and 2023, 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 Mission Square 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.

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 2.00% 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 2.50% at 67.

Amounts payable for retired members are subject to annual cost-of-living adjustments based upon changes in the Consumer Price Index (CPI) for the prior calendar year. Adjustments are limited to a maximum increase or decrease of 3.00% per year. Any CPI increase greater than 3.00% is banked and may be used in years when the CPI is less than 3.00%. The increase is established and approved annually by the Board of Retirement.

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. OCERS employer contribution rates ranged from 11.82% to 58.70% for the year ended December 31, 2023, and from 11.99% to 63.25% for the year ended December 31, 2022. OCERS employee contributions are established by the OCERS Board of Retirement and guided by applicable state statutes. Employee contribution rates ranged from 9.77% to 17.39% for the year ended December 31, 2023, and from 9.59% to 17.27% for the year ended December 31, 2022.

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, 2023 and 2022, were $512 and $477, respectively, and equaled 100.00% of the required contributions, and represented 12.60% and 11.60% of the Agency's covered payroll, respectively.

(In thousands)

(11) Employees' Retirement Plans (Continued)

Contributions (Continued)

The actuarially determined contributions from the Agency for the years ended June 30, 2024 and 2023, were $512 and $477, respectively and represented 12.60% and 11.60%, 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.

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, 2023 and 2022, with respective actuarial valuations as of December 31, 2022 and 2021 and standard procedures to roll forward to the respective measurement dates that correspond with the Agency's reporting dates of June 30, 2024 and 2023. 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:

	2024	2023
Collective net pension liability – OCERS	$ 4,846,713	$ 5,391,006
- Proportionate share attributable to Transportation Corridor Agencies	(1,890)	(660)
- Share allocable to Foothill/Eastern Transportation Corridor Agency	(1,115)	(383)
- Agency's proportion (percentage) of the collective net pension liability	-0.02%	-0.01%
Collective deferred outflow of resources – OCERS	1,027,065	1,376,478
- Proportionate share attributable to Transportation Corridor Agencies	3,247	4,142
- Share allocable to Foothill/Eastern Transportation Corridor Agency	1,915	2,403
Collective deferred inflow of resources – OCERS	165,360	245,240
- Proportionate share attributable to Transportation Corridor Agencies	672	950
- Share allocable to Foothill/Eastern Transportation Corridor Agency	397	551
Collective pension expense (income)	474,975	728,323
- Proportionate share attributable to Transportation Corridor Agencies	208	697
- Share allocable to Foothill/Eastern Transportation Corridor Agency	123	404

(In thousands)

(11) Employees' Retirement Plans (Continued)

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

The Agency's deferred outflows of resources related to pensions are attributable to the following:

	2024	2023
Net difference between projected and actual earnings on pension plan investment	$ 871	$ 2,065
Change of assumptions	292	61
Difference between expected and actual experience	752	277
Contribution to the plan subsequent to the measurement date of the collective net liability pension liability	276	250
Total	**$ 2,191**	$ 2,653

The Agency's deferred inflows of resources related to pensions are attributable to the following:

	2024	2023
Difference between expected and actual experience	$ 397	$ 551
Net difference between projected and actual earnings on pension plan investments	-	-
Total	**$ 397**	$ 551

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

	2024
2025	$ 122
2026	406
2027	1,084
2028	(161)
2029	67
Total	**$ 1,518**

Total employer contribution made for FY2024 is $276. The table above represents a deferred outflow of resources related to employer contributions subsequent to the measurement date and will be recognized as an adjustment to the net pension asset in the year ended June 30, 2025.

(11) Employees' Retirement Plans (Continued)

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, 2023 and 2022:

- Actuarial experience study – three-year period ended December 31, 2022;
- Inflation rate of 2.50%;
- Projected salary increases for general members of 3.90% - 8.00% and safety members from 4.50% - 15.00%; and
- Mortality rate based on Pub-2010 mortality tables, projected generationally using two-dimensional MP-2021 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, 2020 through December 31, 2022 using the Public 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-2021.

The discount rate used to measure the Plan's total pension liability as of December 31, 2023 and 2022 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 15 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, 2023.

(In thousands)

(11) Employees' Retirement Plans (Continued)

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 table:

	December 31, 2023	
	Target allocation	Long-term expected real rate of return
Asset Class:		
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bond	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Solutions Lending	1.50%	8.96%
Total	**100.00%**	

(In thousands)

(11) Employees' Retirement Plans (Continued)

Actuarial Assumptions and Other Inputs (Continued)

	December 31, 2022	
	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%**	

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 (7.00% for 2023 and 2022), 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 (6.00%) or one percentage point higher (8.00%) than the assumed discount rate:

	2024	2023
Net pension (asset) liability, as calculated:		
With assumed discount rate	$ (1,115)	$ (383)
With 1.00% decrease	4,073	4,410
With 1.00% increase	(5,356)	(4,292)

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, 2023, which may also be obtained by calling (714) 558-6200.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Required Supplementary Information (unaudited)
(In thousands)

Schedule of Net Pension Liability and Related Ratios

	Plan year ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Agency's portion (percentage) of the collective net pension liability	(0.02%)	(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	$ (1,115)	(383)	(6,529)	(2,213)	(933)	9,226	7,417	8,742	8,918	7,556
Agency's covered payroll	$ 4,097	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	(27%)	(9%)	(163%)	(51%)	(23%)	232%	177%	224%	218%	176%
Plan's fiduciary net position as a percentage of the total pension liability	102.9%	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 listed above.

<u>Change in Assumptions and Methods</u>

2023

- Actuarial experience study – three-year period ended December 31, 2022; and
- Projected salary increases for general members of 4.00% - 11.00% changed to 3.90% - 8.00% and safety members changed from 4.60% - 15.00%; to 4.50% - 15.00%.
- The mortality assumptions used at December 31, 2023, were based on the results of the actuarial experience study for the period January 1, 2020 through December 31, 2022, using the Public 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 improvement scale MP-2021, adjusted separately for healthy and disabled for both general and safety members.

2020

- Actuarial experience study – three-year period ended December 31, 2019;
- The inflation rate was decreased from 2.75% to 2.50%;
- Projected salary increases for general members of 4.25% - 12.25% changed to 4.00% - 11.00% and safety members changed from 4.75% - 17.25% to 4.60% - 15.00%; and
- 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% - 13.50% changed to 4.25% - 12.25% and safety members changed from 5.00% - 17.50% to 4.75% - 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; and
- Impact due to assumption changes to be phased-in over three years.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Required Supplementary Information (unaudited)
(In thousands)

Schedule of Agency Contributions

		Fiscal year ended June 30,									
		2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$	512	477	497	498	612	944	1,024	1,038	949	896
Contributions recognized		(512)	(477)	(497)	(498)	(9,532)	(944)	(1,024)	(1,038)	(949)	(896)
Contribution deficiency (excess)	$	-	-	-	-	(8,920)	-	-	-	-	-
Agency's covered payroll	$	4,097	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		12.5%	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 listed above.