FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Financial Statements

June 30, 2022 and 2021

(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, 2022 and 2021, 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, 2022 and 2021, 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
November 21, 2022

This discussion and analysis of the financial performance of the Foothill/Eastern Transportation Corridor Agency (the Agency) provide an overview of the Agency's financial activities for the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with the Agency's financial statements and accompanying notes.

Background

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

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

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

In 1993, the first 3.2-mile segment of the Foothill (State Route 241) toll road opened to traffic, the first toll road in Southern California to use FasTrak®, an electronic toll collection system that allowed drivers to pay tolls without stopping at a toll booth. The State Route 241, State Route 261, and State Route 133 toll roads serve as important, time-saving alternative routes to local freeways and arterial roads. As discussed in "Economic Factors", traffic has steadily recovered from the COVID-19 pandemic resulting in an increase in transactions to 60.9 million during the year ended June 30, 2022, compared to 49.8 million during the year ended June 30, 2021.

Financial Highlights

Tolls, fees, and fines earned in fiscal year 2022 (FY22) totaled $199,348 compared to $158,103 in fiscal year 2021 (FY21), an increase of 26.1% (see additional discussion of recovery from COVID-19 in "Economic Factors").

As of June 30, 2022 and 2021, the Agency had $488,120 and $339,797, respectively, of restricted cash and investments that were subject to master indentures of trust for the bonds outstanding at each date. The Agency also had $359,842 and $442,575, respectively, of unrestricted cash and investments.

(In thousands)

The Agency's net position at June 30, 2022 and 2021 was $(1,439,866) and $(1,491,011), 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.

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, 2022, 2021, and 2020:

	2022	Percentage increase (decrease)	2021	Percentage increase (decrease)	2020
Assets and deferred outflows:					
Current assets	$ 543,157	16.3 %	$ 466,946	9.4 %	$ 417,704
Capital assets, net	142,733	8.1	132,075	9.5	120,612
Net pension asset	6,529	195.0	2,213	137.2	933
Other noncurrent assets	466,990	(2.4)	478,620	0.9	484,387
Deferred outflows	320,415	(4.4)	335,050	66.7	200,806
Total assets and deferred outflows	1,479,824	4.6	1,414,904	15.6	1,224,442
Liabilities and deferred inflows:					
Current liabilities *	86,048	(8.6)	94,194	(2.1)	96,236
Bonds payable	2,828,661	0.7	2,808,996	7.7	2,607,800
Deferred inflows	4,981	82.8	2,725	46.9	1,855
Total liabilities and deferred inflows	2,919,690	0.5	2,905,915	7.4	2,705,891
Net position	$ (1,439,866)	3.4	$ (1,491,011)	(0.6)	$ (1,481,449)

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

(In thousands)

The increase in current assets is primarily attributable to the Agency's accumulation of additional cash reserves, as cash generated from operations has continued to surpass its immediate debt service requirements. The Agency committed $125,000 of previously unrestricted cash for the early pay-down of bonds subsequent to fiscal year end. The increase in net pension asset is primarily attributable to the Agency's deferred inflows 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, 2022, 2021, and 2020:

	2022	Percentage increase (decrease)	2021	Percentage increase (decrease)	2020
Operating revenues:					
Tolls, fees, and fines	$ 199,348	26.1 %	$ 158,103	(11.0) %	$ 177,703
Development impact fees	17,004	21.5	13,992	8.1	12,947
Other revenues	601	(20.5)	756	3.4	731
Total operating revenues	216,953	25.5	172,851	(9.7)	191,381
Operating expenses	23,549	7.7	21,874	(8.6)	23,931
Operating income	193,404	28.1	150,977	(9.8)	167,450
Nonoperating expenses, net	(142,259)	(11.4)	(160,539)	44.5	(111,100)
Change in net position	51,145		(9,562)		56,350
Net position at beginning of year	(1,491,011)	(0.6)	(1,481,449)	3.7	(1,537,799)
Net position at end of year	$ (1,439,866)	3.4	$ (1,491,011)	(0.1)	$ (1,481,449)

Tolls, fees, and fines comprised 91.9% of total revenue in FY22 compared to 91.4% of total revenue in FY21. Tolls, fees, and fines increased by 26.1% in FY22 after a decrease of 11.0% in FY21. The increase was primarily due to the continued recovery from the COVID-19 pandemic which resulted in reduced traffic on the roads beginning in March 2020 following the governor's stay-at-home order. Development impact fees increased by 21.5% and 8.1%, respectively, over each of the preceding years. 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 $23,549 in FY22 compared to $21,874 in FY21, an increase of 7.7%. Included in operating expenses in FY22 is noncash depreciation expense on capital assets of $1,428, compared to $1,811 in FY21, and noncash contra-expense recorded in salaries and wages related to the OCERS pension of ($1,700), compared to ($524) in FY21. Excluding depreciation and the pension contra-expense, operating expenses were $23,821 in FY22 and $20,587 in FY21, an increase of $3,234. The increase in operating expenses is primarily due to the aforementioned increase in traffic and related toll revenue due to continued recovery from COVID-19, which in turn resulted in increased toll compliance and customer service costs as well as insurance costs. Operating expenses were $21,874 in FY21 compared to $23,931 in FY20, a decrease of 8.6%. Included in operating expenses in FY21 is noncash depreciation expense on capital assets of $1,811, compared to $2,494 in FY20. Excluding depreciation, operating expenses were $20,063 in FY21 and $21,437 in FY20, a decrease of $1,374. The decrease in operating expenses is primarily due to the aforementioned reduced traffic and related toll revenue due to COVID-19, which in turn resulted in lower toll compliance and customer service costs as well as professional services.

(In thousands)

Net nonoperating expenses for FY22 were ($142,259) and include investment losses of ($13,373) compared to investment income of $3,717 in FY21 with the decrease due to the change in unrealized gain/loss on investments driven by changes in interest rates set by the Federal Reserve; one-time insurance recovery income of $1,350 for legal costs incurred in a prior year; and interest expense of ($130,236), compared to ($134,540) in FY21. Net nonoperating expenses in FY21 include a write off of construction in progress of ($143); and costs of bond issuance and an arbitrage rebate of ($4,208) and ($25,365), respectively.

Capital Assets, Net

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

		2022	2021	2020
Construction in progress	$	114,586	103,113	90,524
Right-of-way acquisitions, grading, or improvements		18,689	18,689	18,689
Furniture and equipment		9,458	10,273	11,399
Total capital assets, net	$	142,733	132,075	120,612

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

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

Debt Administration

At June 30, 2022, 2021, and 2020, the Agency had outstanding bonds payable of $2,828,661, $2,808,996, and $2,607,800, respectively. The changes in FY22 are primarily attributable to the accretion of principal on capital appreciation bonds of $35,781 and principal payments of $12,655. In FY21 the Agency completed a refunding of certain 2013 current interest bonds. This resulted in net additional carried debt of $67,567, additional bond premiums of $88,495, and a write off of unamortized bond discounts of $20,787. See next section, "Economic Factors", for the total savings obtained through this bond refunding.

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

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, 2022, 2021 and 2020.

Economic Factors

During the first eight months of FY20, transactional toll revenue was trending up compared to FY19 until government action taken in response to the COVID-19 pandemic resulted in significantly reduced traffic throughout the region. On March 19, 2020, the governor implemented a stay-at-home order which resulted in traffic reaching a low point at the end of March and then steadily increasing beginning in late April. In response, the board of directors approved a very conservative budget for FY21. Actual transactions and revenue significantly exceeded these budgeted amounts. For FY22, the board of directors again approved a conservative budget and the Agency exceeded budgeted amounts. 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 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, which were used to refund $186,835 and exchange $505,370 of certain 2013 Senior and Junior Term current interest bonds at lower interest rates ranging from 1.16% to 5.00%. The favorable interest rates reduced interest payments by approximately $214,400 through the final maturity of the bonds.

Contacting the Agency's Financial Management

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

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Net Position

June 30, 2022 and 2021

(In thousands)

	2022	2021
Assets:		
Current assets:		
Cash and investments	$ 339,815	$ 396,864
Restricted cash and investments	189,464	55,464
Receivables:		
Accounts, net of allowance of $2,948 and $2,859, respectively	10,565	11,553
Fees	62	319
Interest	2,076	1,826
Other assets	1,175	920
Total current assets	543,157	466,946
Noncurrent assets:		
Cash and investments	20,027	45,711
Restricted cash and investments	298,656	284,333
Depreciable capital assets, net	5,228	6,339
Non-depreciable capital assets	137,505	125,736
Unamortized prepaid bond insurance	18,674	19,499
Net pension asset	6,529	2,213
Note receivable – San Joaquin Hills Transportation Corridor Agency	129,633	129,077
Total noncurrent assets	616,252	612,908
Deferred outflows of resources:		
Unamortized deferral of bond refunding costs	319,475	333,573
Pension costs	940	1,477
Total assets and deferred outflows of resources	1,479,824	1,414,904
Liabilities:		
Current liabilities:		
Accounts payable	17,017	13,835
Unearned revenue	25,348	24,025
Due to San Joaquin Hills Transportation Corridor Agency	5,062	5,014
Employee compensated absences payable	559	625
Interest payable	38,062	36,195
Reserve for settlement	—	14,500
Current portion of bonds payable	141,961	12,362
Total current liabilities	228,009	106,556
Long-term bonds payable	2,686,700	2,796,634
Total liabilities	2,914,709	2,903,190
Deferred inflows of resources:		
Pension costs	4,981	2,725
Total liabilities and deferred inflows of resources	2,919,690	2,905,915
Net position:		
Net investment in capital assets	(2,366,453)	(2,343,348)
Restricted	439,201	283,618
Unrestricted	487,386	568,719
Total net position	$ (1,439,866)	$ (1,491,011)

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

(In thousands)

		2022		2021
Operating revenues:				
Tolls, fees, and fines	$	199,348	$	158,103
Development impact fees		17,004		13,992
Other revenues		601		756
Total operating revenues		216,953		172,851
Operating expenses:				
Toll compliance and customer service		12,398		9,304
Salaries and wages		2,303		3,104
Professional services		2,295		2,939
Toll systems		2,360		2,306
Depreciation		1,428		1,811
Insurance		1,100		689
Toll facilities		687		663
Facilities operations, maintenance, and repairs		255		216
Other operating expenses		723		842
Total operating expenses		23,549		21,874
Operating income		193,404		150,977
Nonoperating revenues (expenses):				
Investment income (loss)		(13,373)		3,717
Insurance recovery income		1,350		—
Write off of construction in progress (note 5)		—		(143)
Cost of bond issuance		—		(4,208)
Arbitrage rebate		—		(25,365)
Interest expense		(130,236)		(134,540)
Nonoperating expenses, net		(142,259)		(160,539)
Change in net position		51,145		(9,562)
Net position at beginning of year		(1,491,011)		(1,481,449)
Net position at end of year	$	(1,439,866)	$	(1,491,011)

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

	2022	2021
Cash flows from operating activities:		
Cash received from toll road patrons	$ 201,708	$ 158,334
Cash received from development impact fees	17,261	13,686
Cash received from other revenue	601	756
Cash payments to suppliers	(16,644)	(12,211)
Cash payments to employees	(4,139)	(3,370)
Cash payments for legal settlement	(14,500)	—
Net cash provided by operating activities	184,287	157,195
Cash flows from capital and related financing activities:		
Cash payments for acquisition of capital assets	(12,086)	(13,417)
Cash received for insurance recovery	1,350	—
Cash received from bond refunding/remarketing transactions	—	29,641
Cash payments in connection with bond refinancing	—	(29,572)
Cash payments for interest and principal	(93,780)	(110,085)
Net cash used in capital and related financing activities	(104,516)	(123,433)
Cash flows from investing activities:		
Cash receipts for interest and dividends	8,802	10,643
Cash receipts from the maturity and sale of investments	412,561	399,208
Cash payments for purchase of investments	(373,769)	(458,524)
Net cash provided by (used in) investing activities	47,594	(48,673)
Net increase (decrease) in cash and cash equivalents	127,365	(14,911)
Cash and cash equivalents at beginning of year	67,723	82,634
Cash and cash equivalents at end of year (note 4)	$ 195,088	$ 67,723
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 193,404	$ 150,977
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,428	1,811
Legal settlement	(14,500)	—
Changes in operating assets and liabilities:		
Accounts receivable	990	(3,603)
Fees receivable	257	(306)
Due to/from San Joaquin Hills Transportation Corridor Agency	48	2,471
Other assets	(9)	250
Accounts payable	3,182	4,498
Unearned revenue	1,323	1,364
Net pension asset	(4,316)	(1,280)
Deferred outflows of resources related to pensions	290	83
Deferred inflows of resources related to pensions	2,255	870
Employee compensated absences payable	(65)	60
Total adjustments	(9,117)	6,218
Net cash provided by operating activities	$ 184,287	$ 157,195

(Continued)

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

	2022	2021
Noncash capital and related financing and investing activities:		
Interest expense recorded for accretion of bonds outstanding	$ (35,780)	$ (34,168)
Amortization of bond discount/premium recorded as interest expense	3,460	1,220
Amortization of deferred bond refunding cost recorded as interest expense	(14,098)	(9,904)
Amortization of prepaid bond insurance recorded as interest expense	(825)	(620)
Write-off of construction in progress	—	(143)
Interest accrued on note receivable from San Joaquin Hills Transportation Corridor Agency	557	1,451
Change in unrealized gain/loss on investments	20,418	5,415
Amortization of discount/premium on investments	(2,245)	(1,881)
Refunded bond proceeds through escrow	—	(692,205)

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(l) of the financial statements for interagency transactions detail.

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

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

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

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

(2) Summary of Significant Accounting Policies (Continued)

(b) Basis of Accounting

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

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

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(2) Summary of Significant Accounting Policies (Continued)

(g) 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 more than five thousand dollars, with the exception of transponders that are valued in total, and an estimated useful life in excess of one year. The cost of capital assets includes ancillary charges necessary to place the assets into their intended location and condition for use.

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

Capital assets are recorded at cost 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
Leasehold improvements, other equipment, and furniture	5–10 Years

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

(h) Unearned Revenue

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

(i) 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.

(2) Summary of Significant Accounting Policies (Continued)

(j) 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.

(k) Revenue Recognition

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

(l) Transactions with SJHTCA

Expenses directly related entirely to the Agency are charged to the Agency, and those incurred on behalf of both the Agency and SJHTCA are allocated between the two agencies based on the estimated benefit to each. In addition, the Agency has amounts due from SJHTCA related to SJHTCA customers who incur tolls on the Agency's corridors and other expenses and amounts due to SJHTCA related to the Agency's customers who incur tolls on State Route 73. At June 30, 2022 and June 30, 2021, the Agency had tolls due to SJHTCA of $5,062 and $5,014, respectively.

A note receivable from SJHTCA was established when the Agency's board of directors and the board of directors of SJHTCA approved an agreement that provided for the termination of the Mitigation Payment and Loan Agreement between the agencies, concurrently with the closing of a refinance transaction proposed by SJHTCA. The termination agreement also provided for SJHTCA to pay $120,000, plus accrued interest, to the Agency, in annual installments beginning January 15, 2025 equal to 50% of SJHTCA's surplus funds. At June 30, 2022 and June 30, 2021, the Agency had a note receivable of $129,633 and $129,077, respectively.

(m) Net Position

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

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

(In thousands)

(2) Summary of Significant Accounting Policies (Continued)

(m) Net Position (Continued)

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

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

(n) 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.

(o) Reclassifications

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

(3) Development Impact Fees

The sources of development impact fees for the three months ended June 30, 2022 and 2021 were as follows:

	2022	2021
City of Irvine	$ 12,748	$ 9,783
City of Lake Forest	2,493	1,947
City of Tustin	988	125
City of Yorba Linda	424	169
County of Orange	142	236
City of Mission Viejo	97	—
City of Anaheim	61	40
City of Santa Ana	23	1,628
City of San Clemente	15	27
City of Rancho Santa Margarita	9	28
City of Orange	4	9
	$ 17,004	$ 13,992

(In thousands)

(4) Cash and Investments

Cash and investments as of June 30, 2022 and June 30, 2021 are classified in the accompanying financial statements, as follows:

	2022	2021
Current cash and investments	$ 339,815	$ 396,864
Noncurrent cash and investments	20,027	45,711
Current restricted cash and investments	189,464	55,464
Noncurrent restricted cash and investments	298,656	284,333
	$ 847,962	$ 782,372

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

	Cash and cash equivalents	Investments	Total
Deposit accounts	$ 18,413	$ —	$ 18,413
Money market funds	25,705	—	25,705
California Asset Management Trust Cash Reserve Portfolio (CAMP)	—	69,527	69,527
LAIF	—	22,581	22,581
Certificates of deposit	—	50,670	50,670
Commercial paper	—	35,810	35,810
Corporate notes	—	22,299	22,299
U.S. Treasury securities	—	85,928	85,928
Federal agency, U.S. government-sponsored enterprise, and supranational notes	—	109,198	109,198
Investments held with trustee per debt agreements:			
U.S. Treasury securities	150,970	79,599	230,569
Commercial paper	—	3,298	3,298
Federal agency and U.S. government-sponsored enterprise notes and bonds	—	108,007	108,007
Corporate notes	—	65,957	65,957
Total	$ 195,088	$ 652,874	$ 847,962

(In thousands)

(4) Cash and Investments (Continued)

Cash and investments as of June 30, 2021 consist of the following:

	Cash and cash equivalents	Investments	Total
Deposit accounts	$ 16,572	$ —	$ 16,572
Money market funds	25,078	—	25,078
California Asset Management Trust Cash Reserve Portfolio (CAMP)	—	15,023	15,023
LAIF	—	131,291	131,291
Certificates of deposit	—	28,004	28,004
Commercial paper	—	14,494	14,494
Corporate notes	—	10,754	10,754
U.S. Treasury securities	—	90,074	90,074
Federal agency, U.S. government-sponsored enterprise, and supranational notes	—	163,928	163,928
Investments held with trustee per debt agreements:			
U.S. Treasury securities	26,073	60,712	86,785
Commercial paper	—	9,865	9,865
Federal agency and U.S. government-sponsored enterprise notes and bonds	—	145,287	145,287
Corporate notes	—	45,217	45,217
Total	$ 67,723	$ 714,649	$ 782,372

(a) Cash Deposits

Custodial Credit Risk Related to Cash Deposits

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

At June 30, 2022 and June 30, 2021, the carrying amounts of the Agency's cash deposits were $18,413 and $16,572, respectively, and the corresponding aggregate bank balances were $19,395 and $20,307, respectively. The differences of $982 and $3,735 were principally due to outstanding checks. The Agency's custodial credit risk is mitigated in that the full amounts of the bank balances outlined 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.

(4) Cash and Investments (Continued)

(b) Investments

(i) Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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. The Agency's investment policy sets specific parameters by type of investment for credit quality, maximum maturity, and maximum percentage investment. Both the policy and the Agency's debt agreements generally require that all securities must be issued by companies with a long-term debt rating of at least "A" by two of the Nationally Recognized Statistical Rating Organizations (NRSRO) or at least "AA" by one NRSRO. The policy also indicates specific rating requirements for certain types of investments. Further, there are percentage limitations on the purchase of specific types of securities, based on the purchase price of the security as compared to the market value of the total portfolio at the time of purchase. However, the policy does not require sales of individual securities due to subsequent changes in market value that cause their values to exceed the prescribed maximum percentages of the portfolio.

The table below identifies the types of investments that are authorized by the Agency's investment policy and certain provisions of the Agency's policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee, which are governed by the provisions of the Agency's debt agreements rather than by the Agency's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio*	Maximum percentage investment in one issuer	Specific rating requirement
U.S. Treasury bills, notes, and bonds	5 Years	100	100	N/A
Federal agency and U.S. government-sponsored enterprise notes and bonds	5 Years	100	35	N/A
Federal agency mortgage-backed securities	5 Years	20	15	Second highest ratings category by an NRSRO
Supranational agency notes and bonds	5 Years	30	5	Second highest ratings category by an NRSRO

(In thousands)

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(i) Credit Risk and Concentration of Credit Risk (Continued)

Authorized investment type		Maximum maturity	Maximum percentage of portfolio*	Maximum percentage investment in one issuer	Specific rating requirement
Certificates of deposit	**	5 Years	100	5	Long-term debt rating in one of the highest ratings categories by two NRSROs
Certificates of Deposit Account Registry Service		5 Years	30	5	Long-term debt rating in one of the highest ratings categories by two NRSROs
Negotiable certificates of deposit		5 Years	30	5	Long-term debt rating in one of the highest ratings categories by two NRSROs
Banker's acceptances		180 Days	30	5	Drawn on and accepted by a bank that carries the highest short-term ratings category by one NRSRO
Commercial paper		270 Days	40	Lesser of 10% of portfolio or 10% of outstanding paper of issuer	Highest short-term rating by an NRSRO
Repurchase agreements		90 Days	25	5	N/A
Medium-term maturity corporate notes		5 Years	30	5	Long-term debt rating in one of the highest ratings categories by two NRSROs

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(i) Credit Risk and Concentration of Credit Risk (Continued)

Authorized investment type	Maximum maturity	Maximum percentage of portfolio*	Maximum percentage investment in one issuer	Specific rating requirement
State of California Local Agency Investment Fund	N/A	Lesser of $75 million or 15% of portfolio	5	N/A
County or local agency investment pools	N/A	15	5	N/A
Shares in a California common law trust	N/A	20	5	Highest rating category by an NRSRO
Asset-backed securities	5 Years	20	5	Highest rating by one NRSRO; issuer must also have one of the three highest ratings from two NRSROs
Money market mutual funds	N/A	20	5	Highest applicable rating by two NRSROs
Bonds or notes issued by the State of California, any local agency in the state, or any other state	5 Years	30	5	One of the three highest rating categories by at least two NRSROs

* Excluding amounts held by trustee, which are subject to provisions of the bond indentures

** The full amounts of principal and accrued interest must be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(i) Credit Risk and Concentration of Credit Risk (Continued)

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. The following table identifies the investment types that are authorized for these funds, and if applicable, the specific rating requirements:

Investments authorized by debt agreements	Specific rating requirement
U.S. government obligations	N/A
U.S. federal agency debt instruments	N/A
State and local government debt securities	One of the two highest rating categories by Moody's and S&P, and if rated by Fitch, in one of the two highest rating categories
Certificates of deposit, savings accounts, deposit accounts, or money market deposits insured by the FDIC	N/A
Certificates of deposit collateralized by U.S. government or federal agency obligations	N/A
Federal funds or bankers' acceptances	Prime-1 or A3 or better by Moody's, A-1 or A or better by S&P and, if rated by Fitch, F-1 or A or better
Commercial paper	Prime-1 or better by Moody's and A-1 or better by S&P and, if rated by Fitch, F-1 or better
Repurchase agreements with terms up to 30 days, secured by U.S. government or federal agency obligations	A or better by both Moody's and S&P and, if rated by Fitch, A or better
Medium-term corporate notes with maximum maturity of five years	One of the three highest applicable rating categories, or approved in writing, by S&P, and, if rated by Fitch, one of the three highest applicable rating categories

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(i) Credit Risk and Concentration of Credit Risk (Continued)

Investments authorized by debt agreements		Specific rating requirement
Money market mutual funds		AAAm-G, AAA-m, or AA-m by S&P and, if rated by Moody's, Aaa, Aa1, or Aa2 and, if rated by Fitch, AAA or AA
Investment agreements	*	N/A

* Investments may be allowed if the Agency certifies to the trustee that the investment was approved in writing by each rating agency, which has assigned a rating to the Agency's bonds, and by the Agency's bond insurer.

At June 30, 2022 and June 30, 2021, all of the Agency's investments were rated at or above the minimum levels required by its investment policy and its debt agreements, as shown below:

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(i) Credit Risk and Concentration of Credit Risk (Continued)

Investment type	June 30, 2022 S&P	June 30, 2022 Moody's	June 30, 2021 S&P	June 30, 2021 Moody's
U.S. Treasury bills	AA+	Aaa	AA+	Aaa
U.S. Treasury notes	—	—	—	—
Federal agency, U.S. government-sponsored enterprise, and supranational notes	AA+	Aaa	AA+	Aaa
Money market funds	AAA	Aaa	AAA	Aaa
CAMP	AAA	NR	AAA	NR
LAIF	**	**	**	**
Commercial paper:				
MUFG Bank Ltd /NY	A-1	P-1	A-1	P-1
Royal Bank of Canada NY	A-1+	P-1	—	—
Toyota Motor Corp	A-1+	P-1	A-1+	P-1
Certificates of Deposit:				
Bank of Montreal Chicago	A-1+	P-1	—	—
Bank of Nova Scotia Houston	—	—	A-1	P-1
MUFG Bank Ltd /NY	A-1	P-1	—	—
Royal Bank Canada	A-1+	P-1	A-1+	P-1
Toronto Dominion Holdings	A-1+	P-1	—	—
Westpac Banking Corp	A-1+	P-1	—	—
Corporate notes – Medium term:				
Amazon.com Inc	AA	A1	—	—
Apple Inc.	AA+	Aaa	AA+	Aa1
Bank of America Corp	A-	A2	—	—
Caterpillar Inc	A	A2	—	—
Charles Schwab Corp	A	A2	A	A2
ChevronTexaco Corp	—	—	AA-	Aa2
Cisco Systems	AA-	A1	AA-	A1
Deere & Company	A	A2	A	A2
IBM	A-	A3	A-	A2
JP Morgan Chase & Co	A-	A2	A-	A2
Morgan Stanley	A-	A1	—	—
National Rural Utilities	A-	A1	—	—
Northern Trust Corp	A+	A2	—	—
Paccar Financial	A+	A1	—	—
PNC Financial Services Group	—	—	A	A2
Salesforce.com	A+	A2	—	—
State Street Bank	A	A1	A	A1
Target Corp	A	A2	—	—
Toyota Motor Corp	A+	A1	A+	A1
United Health Group Inc	A+	A3	—	—
US Bancorp	A+	A2	A+	A1
Walmart	AA	Aa2	AA	Aa2

Ratings are indicated to the extent available. However, in some instances, discounted federal agency bonds are not rated.
* The Agency has investments in LAIF which is not rated.

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(i) Credit Risk and Concentration of Credit Risk (Continued)

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

At June 30, 2021, with the exception of investments issued or explicitly guaranteed by the U.S. government, money market mutual funds, and external investment pools, there were no investments in any issuers that accounted for 5% or more of the Agency's total investments, other than investments with Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation that represented approximately 18%, 12% and 6%, respectively, of the Agency's total investments, as permitted by the Agency's investment policy and the applicable bond indentures.

(ii) Custodial Credit Risk

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

(iii) 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.

(In thousands)

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(iii) Interest Rate Risk (Continued)

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

		Remaining maturity (in years)			
Investment type	**Total**	**Less than one**	**One to two**	**Two to five**	**More than five**
Federal agency, U.S. government-sponsored enterprise, and supranational notes and bonds	$ 217,205	$ 112,103	$ 74,173	$ 30,929	$ —
Corporate notes	88,256	10,374	37,953	39,929	—
U.S. Treasury securities	316,497	186,175	36,000	94,322	—
Certificates of deposit	50,670	50,670	—	—	—
Commercial paper	39,108	39,108	—	—	—
CAMP	69,527	69,527	—	—	—
Money market funds	25,705	25,705	—	—	—
Local Agency Investment Fund	22,581	22,581	—	—	—
Total	$ 829,549	$ 516,243	$ 148,126	$ 165,180	$ —

A summary of the Agency's investments held at June 30, 2021 that are governed by the Agency's investment policy and its bond agreements, including money market funds of $25,078 and U.S. Treasury securities of $26,073 that are considered cash equivalents, is as follows:

		Remaining maturity (in years)			
Investment type	**Total**	**Less than one**	**One to two**	**Two to five**	**More than five**
Federal agency, U.S. government-sponsored enterprise, and supranational notes and bonds	$ 309,215	$ 87,512	$ 113,932	$ 107,771	$ —
Corporate notes	55,971	14,207	12,289	29,475	—
U.S. Treasury securities	176,859	60,671	3,757	112,431	—
Certificates of deposit	28,003	28,003	—	—	—
Commercial paper	24,359	24,359	—	—	—
CAMP	15,023	15,023	—	—	—
Money market funds	25,078	25,078	—	—	—
Local Agency Investment Fund	131,291	131,291	—	—	—
Total	$ 765,799	$ 386,144	$ 129,978	$ 249,677	$ —

(In thousands)

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(iv) Fair Value Measurements

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

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

Level 2 inputs are significant other observable inputs.

Level 3 inputs are significant, unobservable inputs.

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

At June 30, 2022 and June 30, 2021, the Agency had the following fair value measurements:

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

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

(In thousands)

(4) Cash and Investments (Continued)

(b) Investments (Continued)

(iv) Fair Value Measurements (Continued)

		June 30, 2021		
Investment type	**Fair value**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Federal agency, U.S. government-sponsored enterprise, and supranational notes and bonds	$ 309,215	$ —	$ 309,215	$ —
Corporate notes	55,971	—	55,971	—
U.S. Treasury securities	176,859	—	176,859	—
Certificates of deposit	28,003	—	28,003	—
Commercial paper	24,359	—	24,359	—
Total	$ 594,407	$ —	$ 594,407	$ —

Excluded from the table above are money market funds of $25,078, which are reported at amortized cost, and funds on deposit with CAMP totaling $15,023 and LAIF totaling $131,291, which are not subject to fair value measurement categorization.

(5) Capital Assets

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

	Balance at beginning of year	**Additions**	**Transfers/ deletions**	**Balance at end of year**
Construction in progress	$ 103,113	$ 11,473	$ —	$ 114,586
Right-of-way acquisitions, grading, or improvements	18,689	—	—	18,689
Furniture and equipment	3,934	296	—	4,230
Non-depreciable capital assets	$ 125,736	$ 11,769	$ —	$ 137,505
Furniture and equipment	$ 29,575	$ 317	$ (1,779)	$ 28,113
Accumulated depreciation	(23,236)	(1,428)	1,779	(22,885)
Depreciable capital assets, net	$ 6,339	$ (1,111)	$ —	$ 5,228

(In thousands)

(5) Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2021 was as follows:

		Balance at beginning of year		Additions		Transfers/ deletions		Balance at end of year
Construction in progress	$	90,524	$	12,732	$	(143)	$	103,113
Right-of-way acquisitions, grading, or improvements		18,689		—		—		18,689
Furniture and equipment		3,374		560		—		3,934
Non-depreciable capital assets	$	112,587	$	13,292	$	(143)	$	125,736
Furniture and equipment	$	31,325	$	125	$	(1,875)	$	29,575
Accumulated depreciation		(23,300)		(1,811)		1,875		(23,236)
Depreciable capital assets, net	$	8,025	$	(1,686)	$	—	$	6,339

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

Transfers/Deletions

Ownership of the Foothill/Eastern Transportation Corridor construction, rights-of-way, grading, and improvements were transferred to Caltrans during the year ended June 30, 1999 upon satisfaction of all conditions contained within the cooperative agreements between the Agency and Caltrans. The Agency incurs additional costs for improvements and enhancements to the thoroughfares previously transferred to Caltrans. These improvements and enhancements are covered by separate project-specific cooperative agreements with Caltrans. The balance of construction in progress represents capital improvement projects, most of which will also be transferred to Caltrans upon completion and recognized as contribution expense upon completion.

(6) Mitigation Payment and Loan Agreement

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

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

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

As a result of this agreement, the aggregate payments of $120,000 that were made to SJHTCA through 2009 were reclassified during 2015 as a note receivable from SJHTCA and a reduction of construction in progress. The balance of the note receivable and related interest due from SJHTCA as of June 30, 2022 and 2021 was $129,633 and $129,077, respectively.

(In thousands)

(7) Long-Term Obligations

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

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

(In thousands)

(7) Long-Term Obligations (Continued)

The following is a summary of changes in long-term obligations during the year ended June 30, 2021:

		Balance at beginning of year		Additions/ accretions		Reductions		Balance at end of year		Due within one year
Series 2021 Toll Road Refunding Revenue Bonds:										
Junior Term Current Interest Bonds	$	—	$	222,015	$	—	$	222,015	$	—
Senior Term Current Interest Bonds		—		537,757		—		537,757		—
Series 2019 Toll Road Refunding Revenue Bonds:										
Senior Term Current Interest Bonds		897,055		—		—		897,055		—
Series 2015 Toll Road Refunding Revenue Bonds:										
Capital Appreciation Bonds		109,251		4,736		—		113,987		—
Series 2013 Toll Road Refunding Revenue Bonds:										
Senior Term Current Interest Bonds		929,155		—		(494,155)		435,000		—
Junior Lien Current Interest Bonds		198,050		—		(198,050)		-		—
Capital Appreciation Bonds		187,981		11,474		(8,585)		190,870		12,362
Convertible Capital Appreciation Bonds		289,340		17,959		—		307,299		—
Total bonds payable	$	2,610,832	$	793,941	$	(700,790)	$	2,703,983	$	12,362
Less unamortized bond discount/premium, net		(3,032)		88,495		19,550		105,013		
Total bonds payable less unamortized discount/premium, net	$	2,607,800	$	882,436	$	(681,240)	$	2,808,996		

In June 2022, the Agency committed $125,000 for the early pay-down of a portion of the 2013 Senior Term Current Interest Bonds subsequent to fiscal year end, the payment was made on July 15, 2022.

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

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

(7) Long-Term Obligations (Continued)

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

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

The net proceeds of the bond refunding along with $75,000 of unrestricted cash were used to purchase U.S. government securities, which were placed in an irrevocable escrow fund to be used for the debt service payments related to the 2013 bonds which are to be refunded in their entirety on January 15, 2024. The transaction resulted in a present value savings of approximately $210,000 and cash flow savings of approximately $335,000. As of June 30, 2022 and June 30, 2021, the amount of the 2013 bonds outstanding, which were eliminated from the financial statements as a result of the December 2019 refunding, was $844,758.

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

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

(7) Long-Term Obligations (Continued)

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

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

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

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

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

Included in principal at June 30, 2022 and 2021, is $221,147and $198,021 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, 2022 and June 30, 2021, the amounts of the previously refunded 1995 bonds outstanding, which were previously eliminated from the financial statements as a result of the refunding, are $640,997 and $661,509, 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, 2022:

	Principal	Interest[1]	Junior lien interest[1]	Total
2023	$ 141,961	$ 68,661	$ 7,884	$ 218,506
2024	10,522	79,972	7,873	98,367
2025	4,810	90,432	7,854	103,096
2026	13,230	90,457	7,785	111,472
2027	19,059	90,216	7,654	116,929
2028 – 2032	205,739	435,688	35,177	676,604
2033 – 2037	292,686	546,179	26,159	865,024
2038 – 2042	378,757	596,283	11,495	986,535
2043 – 2047	706,439	256,871	347	963,657
2048 – 2052	787,350	107,518	—	894,868
2053	166,556	3,201	—	169,757
	$ 2,727,109	$ 2,365,478	$ 112,228	$ 5,204,815

[1] Includes payments scheduled on January 1 and January 15 of the indicated fiscal year and July 1 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

(a) Toll Collection and Revenue Management System Agreements

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

(b) Project Costs

As of June 30, 2022, the Agency has outstanding commitments and contracts related to construction activities of approximately $40 million.

(8) Commitments and Contingencies (Continued)

(c) Litigation

The Agency established a $14,500 reserve for a tentative settlement of a class action lawsuit that was approved by the board of directors. In 2015, a class of drivers filed a complaint alleging that the Agency, along with other California toll operators, violated due process and assessed excessive fines during the toll collection process. In 2016, the plaintiffs amended their complaint to include a claim alleging that the California toll operators violated California Streets and Highways Code 31490 by transmitting drivers' personal information for purposes of toll collection and enforcement, interoperability and communications with customers. In 2018, the Court certified a limited class relating to the alleged violation of California Streets and Highways Code 31490, and found that the Agency's penalties did not violate the excessive fines clause in the State or Federal Constitution. In January 2020, the Court confirmed that the majority of the Agency's enforcement related practices did not violate California Streets and Highways Code 31490. The settlement was granted final approval by the Court in February 2022, and the final payment was made in April 2022.

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

(d) Risk Management

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

(9) Corridor Operations Facility Lease

In January 2000, the Agency, along with SJHTCA, relocated to the corridor operations facility. At that time, an operating lease agreement was executed between the Agency (lessor) and SJHTCA (lessee). The lease agreement expires at the earliest occurrence of 1) dissolution of the Agency, 2) sale of the facility, or 3) dissolution of SJHTCA. Lease payments are based on the estimated fair market rental value and are adjusted annually. The Agency received lease revenue for years ended June 30, 2022 and 2021 of $581 and $692, respectively.

(10) Employees' Retirement Plans

Defined Contribution Plan – The Agency sponsors a defined contribution plan under the provisions of Internal Revenue Code Section 457 that permits employees to defer portions of their pretax compensation. The Agency provides matching contributions to a related Section 401(a) plan, at a rate of 50% of the employees' deferral contributions, up to a maximum of 2% of each employee's related compensation. In connection with this plan, the Agency incurred $68 and $73 of expense for the years ended June 30, 2022 and 2021, respectively. Benefit terms, including contribution rates, for the 401(a) plan are established and may be amended by the Agency. The 401(a) plan is administered by MissionSquare Retirement.

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

(a) Benefits

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

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

(b) Contributions

Employer and employee contribution requirements are determined as percentages of covered payroll amounts and vary based upon the age of each employee at the date of entering membership in OCERS or a reciprocal plan. Employer contribution rates are determined using the entry age normal actuarial cost method based upon a level percentage of payroll. Employer contribution rates ranged from 11.93% to 67.55% for the year ended December 31, 2021, and from 12.11% to 65.24% for the year ended December 31, 2020. Employee contributions are established by the OCERS Board of Retirement and guided by applicable state statutes. Employee contribution rates ranged from 9.72% to 17.22% for the year ended December 31, 2021, and from 9.63% to 17.22% for the year ended December 31, 2020.

(In thousands)

(10) Employees' Retirement Plans (Continued)

(b) Contributions (Continued)

The contributions from the Agency recognized by the Plan, measured as the total amounts of additions to the Plan's fiduciary net position for the years ended December 31, 2021 and 2020, were $497 and $498, respectively, and equaled 100% of the required contributions, and represented 12.4% and 11.4% of the Agency's covered payroll, respectively.

The actuarially determined contributions from the Agency for the years ended June 30, 2022 and 2021, were $497 and $498, respectively and represented 12.4% and 11.4%, respectively, of the Agency's covered payroll.

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

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

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

	June 30, 2022	June 30, 2021
Collective net pension liability (asset) - OCERS	$ 2,050,238	$ 4,213,247
Proportionate share attributable to Transportation Corridor Agencies	(10,882)	(3,881)
Share allocable to Foothill/Eastern Transportation Corridor Agency	(6,529)	(2,213)
Agency's proportion (percentage) of the collective net pension liability	-0.32%	-0.05%
Collective deferred outflows of resources - OCERS	$ 443,275	$ 663,467
Proportionate share attributable to Transportation Corridor Agencies	1,119	1,687
Share allocable to Foothill/Eastern Transportation Corridor Agency	671	1,230

(In thousands)

(10) Employees' Retirement Plans (Continued)

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

	June 30, 2022	June 30, 2021
Collective deferred inflows of resources - OCERS	$ 2,644,140	$ 1,521,246
Proportionate share attributable to Transportation Corridor Agencies	8,301	4,304
Share allocable to Foothill/Eastern Transportation Corridor Agency	4,981	2,725
Collective pension expense	$ (121,127)	$ 255,862
Proportionate share attributable to Transportation Corridor Agencies	(1,613)	(81)
Share allocable to Foothill/Eastern Transportation Corridor Agency	(968)	(49)

The Agency's deferred outflows of resources related to pensions as of June 30, 2022 and 2021 are attributable to the following:

	2022	2021
Changes of assumptions	$ 260	$ 555
Differences between expected and actual experience	411	675
Contributions to the plan subsequent to the measurement date of the collective net pension liability	269	247
Total deferred outflows of resources related to pensions	$ 940	$ 1,477

The Agency's deferred inflows of resources related to pensions as of June 30, 2022 and 2021 are attributable to the following:

	2022	2021
Differences between expected and actual experience	$ 668	$ 394
Net difference between projected and actual earnings on pension plan investments	4,313	2,331
Total deferred inflows of resources related to pensions	$ 4,981	$ 2,725

(In thousands)

(10) Employees' Retirement Plans (Continued)

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

The Agency's balances of deferred outflows and deferred inflows of resources as of June 30, 2022 will be recognized as changes to the net pension liability/asset as follows:

Year ending June 30:		
2023	$	(785)
2024		(1,444)
2025		(1,026)
2026		(737)
2027		(49)
	$	(4,041)

(d) Actuarial Assumptions and Other Inputs

The following significant methods and assumptions were used to measure the Plan's total pension liability as of December 31, 2021 and 2020:

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

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

(10) Employees' Retirement Plans (Continued)

The discount rate used to measure the Plan's total pension liability as of December 31, 2021 and 2020 was 7.00%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return should be determined without reduction for plan administrative expense. The investment return assumptions are net of administrative expenses, assumed to be 11 and 12 basis points, respectively. 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, 2021.

(In thousands)

(10) Employees' Retirement Plans (Continued)

(d) Actuarial Assumptions and Other Inputs (Continued)

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

	December 31, 2021 and 2020	
	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%	

(In thousands)

(10) Employees' Retirement Plans (Continued)

(d) Actuarial Assumptions and Other Inputs (Continued)

The following table presents the Agency's proportionate share of the Plan's net pension liability, calculated using the discount rates used in each year's actuarial valuation (7.0% for 2021 and 2020, as well as what its proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.0%) or one percentage point higher (8.0%) than the assumed discount rate:

	June 30	
	2022	**2021**
Net pension (asset)/liability, as calculated:		
With assumed discount rate	$ (6,529)	$ (2,213)
With a 1% decrease	(1,760)	2,180
With a 1% increase	(10,417)	(5,794)

(e) Plan's Fiduciary Net Position

OCERS provides publicly available financial information, including comprehensive annual financial reports and actuarial valuations at www.ocers.org. Detailed information about the Plan's fiduciary net position is included in the comprehensive annual financial report for the fiscal year ended December 31, 2020, which may also be obtained by calling (714) 558-6200.

(11) Subsequent Events

On July 15, 2022, the Agency completed the optional redemption of $125,000 aggregate principal amount of the outstanding 2013 Senior Term Current Interest Bonds, Term Rate Subseries B-3.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Required Supplementary Information

(In thousands)

(Unaudited)

Schedule of Net Pension Liability and Related Ratios

	Plan year ended December 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
Agency's proportion (percentage) of the collective net pension liability	-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	$ (6,529)	(2,213) $	(933) $	9,226 $	7,417 $	8,742 $	8,918 $	7,556
Agency's covered payroll	$ 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	-163%	-51%	-23%	232%	177%	224%	218%	176%
Plan's fiduciary net position as a percentage of the total pension liability	119.2%	107.1%	103.4%	71.8%	76.8%	69.9%	67.1%	69.4%

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

Change in Assumptions and Methods

2020

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

2017

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

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Required Supplementary Information

(In thousands)

(Unaudited)

Schedule of Agency Contributions

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

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