FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Financial Statements

June 30, 2021 and 2020

(With Independent Auditor's Report Thereon)

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Table of Contents

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Foothill/Eastern Transportation Corridor Agency ("Agency"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Crowe LLP

Crowe LLP

Costa Mesa, California
October 14, 2021

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, 2021 and 2020. 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 was impacted by the COVID-19 pandemic resulting in a decrease in transactions to 49.8 million during the year ended June 30, 2021, compared to 58.7 million transactions in 2020, and 69.2 million transactions in 2019.

Financial Highlights

Tolls, fees, and fines earned in fiscal year 2021 (FY21) totaled $158,103 compared to $177,703 in fiscal year 2020 (FY20), a decrease of 11.0% (see discussion of COVID-19 in "Economic Factors").

As of June 30, 2021 and 2020, the Agency had $340,524 and $340,115, 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 $441,848 and $405,546, respectively, of unrestricted cash and investments.

The Agency's net position at June 30, 2021 and 2020 was $(1,491,011) and $(1,481,449), 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.

(In thousands)

Financial Analysis

The following table summarizes the net position of the Agency as of June 30, 2021, 2020, and 2019:

	2021	Percentage increase (decrease)	2020	Percentage increase (decrease)	2019
Assets and deferred outflows:					
Current assets	$ 456,953	9.4 %	$ 417,703	(11.9) %	$ 180,509
Capital assets, net	132,075	9.5	120,612	2.6	117,516
Net pension asset	2,213	137.2	933	100.0	—
Other noncurrent assets	488,860	0.9	484,388	0.2	742,106
Deferred outflows	334,803	66.7	200,806	1,854.3	10,275
Total assets and deferred outflows	1,414,904	15.6	1,224,442	16.6	1,050,406
Liabilities and deferred inflows:					
Current liabilities *	94,194	(2.1)	96,236	(12.6)	110,090
Bonds payable	2,808,996	7.7	2,607,800	5.7	2,467,823
Net pension liability	—	-	—	(100.0)	9,226
Deferred inflows	2,725	46.9	1,855	74.0	1,066
Total liabilities and deferred inflows	2,905,915	7.4	2,705,891	4.5	2,588,205
Net position	$ (1,491,011)	(0.6)	$ (1,481,449)	3.7	$ (1,537,799)

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

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 increase in deferred outflows is due to the amortized reacquisition price of refunded bonds in excess of the net carrying amount of $143,984 in FY21. See note "Debt Administration" for the change in bonds payable.

(In thousands)

The following is a summary of the Agency's revenue, expenses, and changes in net position for the years ended June 30, 2021, 2020, and 2019:

	2021	Percentage increase (decrease)	2020	Percentage increase (decrease)	2019
Operating revenues:					
Tolls, fees, and fines	$ 158,103	(11.0) %	$ 177,703	(8.3) %	$ 193,791
Development impact fees	13,992	8.1	12,947	(12.9)	14,860
Other revenues	756	3.4	731	-	731
Total operating revenues	172,851	(9.7)	191,381	(8.6)	209,382
Operating expenses	21,874	(8.6)	23,931	(24.8)	31,832
Operating income	150,977	(9.8)	167,450	(5.7)	177,550
Nonoperating expenses, net	(160,539)	44.5	(111,100)	(18.0)	(135,553)
Change in net position	(9,562)		56,350		41,997
Net position at beginning of year	(1,481,449)	3.7	(1,537,799)	2.7	(1,579,796)
Net position at end of year	$ (1,491,011)	(0.6)	$ (1,481,449)	3.7	$ (1,537,799)

Tolls, fees, and fines comprised 91.4% of total revenue in FY21 compared to 92.9% of total revenue in FY20. Tolls, fees, and fines decreased by 11.0% and 8.3%, respectively, over each of the two preceding years. The decreases were primarily due to the COVID-19 pandemic which resulted in reduced traffic on the roads beginning in March of 2020 following the governor's stay-at-home order. Although the lowest point to date occurred in April 2020, traffic has been increasing during FY21 but has not yet reached pre-pandemic levels. Development impact fees were $13,992 in FY21 and $12,947 in FY20, an increase of 8.1% and a decrease of 12.9%, respectively. 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 $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. Operating expenses were $23,931 in FY20 compared to $31,832 in FY19, a decrease of 24.8%. Included in operating expenses in FY20 is noncash depreciation expense on capital assets of $2,494, compared to $4,988 in FY19. Excluding depreciation, operating expenses were $21,437 in FY20 and $26,844 in FY19, a decrease of $5,407. 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.

Net nonoperating expenses for FY21 were ($160,539) and include investment income of $3,717; a write off of construction in progress of $143; costs of bond issuance and an arbitrage rebate of $4,208 and $25,365, respectively, due to the 2021 bond refunding; and interest expense of $134,540. Net nonoperating expenses for FY20 were ($111,100) and include investment income of $30,594; a write off of construction in progress of $17,288 for the South County Traffic Relief Effort Project (SCTRE); bond remarketing and cost of bond

(Continued)

(In thousands)

issuance of $5,468 due to the 2019 bond remarketing and the 2019 bond refunding; interest expense of $118,934, and settlement expense of $4. Net nonoperating expenses for FY19 were ($135,553) and include investment income of $23,053; interest expense of $144,009; and settlement expense of $14,597.

Significant changes that resulted in the net increase from FY20 to FY21 include a decrease in the unrealized gain on investments; a much smaller write off of construction in progress due to the SCTRE write off in FY20; the arbitrage rebate that did not occur in FY20; and increased interest expense due to the amortization of bond premiums, prepaid insurance, and refunding debt included in interest expense due to the 2021 bond refunding transaction. Significant changes that resulted in the net decrease from FY19 to FY20 include an increase in the unrealized gain on investments; a significant decrease in settlement expense due to the $14,500 accrual for the legal settlement in FY19; the write off of the SCTRE in FY20; costs of bond issuance and remarketing that only occurred in FY20; and decreased interest expense due to the bond remarketing and refunding. Legal settlements in FY19 include a tentative settlement of $14,500 for a class action lawsuit alleging that the Agency, along with other 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. The settlement will eliminate the costs of ongoing litigation, minimize the Agency's risk profile, and help protect the Agency against future potential claims.

Capital Assets, Net

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

		2021	2020	2019
Construction in progress	$	103,113	90,524	86,271
Right-of-way acquisitions, grading, or improvements		18,689	18,689	18,698
Furniture and equipment		10,273	11,399	12,547
Total capital assets, net	$	132,075	120,612	117,516

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, 2021, 2020, and 2019, the Agency had outstanding bonds payable of $2,808,996, $2,607,800, and $2,467,823, respectively. The changes in FY21 are primarily attributable to the accretion of principal on capital appreciation bonds of $34,169 and principal payments of $8,585. Additionally, 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, 2021, 2020 and 2019.

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 has continued to exceed the budget through the date of this report. 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 July 2019, the Agency successfully remarketed the Toll Road Refunding Revenue Bonds Series 2013B-2. The transaction reset the interest rate of the bonds to 3.5% until January 15, 2053, reducing interest payments by approximately $62,700 through the final maturity of the bonds.

In December 2019, the Agency also issued $897,055 of federally taxable Series 2019 Toll Road Refunding Revenue Bonds, which were used to refund $820,285 of certain 2013 Senior Term current interest bonds at lower interest rates ranging from 3.824% to 4.094%. The favorable interest rates and Agency cash of $75,000 utilized in the transactions reduced interest payments by approximately $335,000 through the final maturity of the bonds.

In February 2021, the Agency also 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, 2021 and 2020

(In thousands)

	2021	2020
Assets:		
Current assets:		
Cash and investments	$ 396,136	$ 350,923
Restricted cash and investments	45,952	54,892
Receivables:		
Accounts, net of allowance of $2,859 and $2,359, respectively	11,553	7,950
Fees	319	13
Interest	1,826	2,508
Other assets	1,167	1,417
Total current assets	456,953	417,703
Noncurrent assets:		
Cash and investments	45,712	54,623
Restricted cash and investments	294,572	285,223
Depreciable capital assets, net	6,339	8,025
Non-depreciable capital assets	125,736	112,587
Unamortized prepaid bond insurance	19,499	16,916
Net pension asset	2,213	933
Note receivable – San Joaquin Hills Transportation Corridor Agency	129,077	127,626
Total noncurrent assets	623,148	605,933
Deferred outflows of resources:		
Unamortized deferral of bond refunding costs	333,573	199,493
Pension costs	1,230	1,313
Total assets and deferred outflows of resources	1,414,904	1,224,442
Liabilities:		
Current liabilities:		
Accounts payable	13,835	9,337
Unearned revenue	24,025	22,661
Due to San Joaquin Hills Transportation Corridor Agency	5,014	2,543
Employee compensated absences payable	625	566
Interest payable	36,195	46,629
Reserve for settlement	14,500	14,500
Current portion of bonds payable	12,362	8,397
Total current liabilities	106,556	104,633
Long-term bonds payable	2,796,634	2,599,403
Total liabilities	2,903,190	2,704,036
Deferred inflows of resources:		
Pension costs	2,725	1,855
Total liabilities and deferred inflows of resources	2,905,915	2,705,891
Net position:		
Net investment in capital assets	(2,343,348)	(2,287,695)
Restricted	283,618	257,607
Unrestricted	568,719	548,639
Total net position	$ (1,491,011)	$ (1,481,449)

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2021 and 2020

(In thousands)

	2021	2020
Operating revenues:		
Tolls, fees, and fines	$ 158,103	$ 177,703
Development impact fees	13,992	12,947
Other revenues	756	731
Total operating revenues	172,851	191,381
Operating expenses:		
Toll compliance and customer service	9,304	9,750
Salaries and wages	3,104	3,812
Professional services	2,939	3,346
Toll systems	2,306	1,807
Depreciation	1,811	2,494
Insurance	689	707
Toll facilities	663	765
Facilities operations, maintenance, and repairs	216	258
Other operating expenses	842	992
Total operating expenses	21,874	23,931
Operating income	150,977	167,450
Nonoperating revenues (expenses):		
Investment income	3,717	30,594
Settlement expense	—	(4)
Write off of construction in progress (note 5)	(143)	(17,288)
Costs of bond remarketing transaction	—	(778)
Cost of bond issuance	(4,208)	(4,690)
Arbitrage rebate	(25,365)	—
Interest expense	(134,540)	(118,934)
Nonoperating expenses, net	(160,539)	(111,100)
Change in net position	(9,562)	56,350
Net position at beginning of year	(1,481,449)	(1,537,799)
Net position at end of year	$ (1,491,011)	$ (1,481,449)

See accompanying notes to financial statements.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021		2020
Cash flows from operating activities:				
Cash received from toll road patrons	$	158,334	$	170,359
Cash received from development impact fees		13,686		12,947
Cash received from other revenue		756		731
Cash payments to suppliers		(12,211)		(19,039)
Cash payment to pension fund for unfunded actuarial accrued liability		—		(8,744)
Cash payments to employees		(3,370)		(3,492)
Net cash provided by operating activities		157,195		152,762
Cash flows from capital and related financing activities:				
Cash received from bond refunding/remarketing transactions		29,641		—
Cash payments for acquisition of capital assets		(13,417)		(22,878)
Cash payments in connection with bond refunding/remarketing transactions		(29,572)		(5,468)
Cash payments for interest and principal		(110,085)		(176,981)
Net cash used in capital and related financing activities		(123,433)		(205,327)
Cash flows from investing activities:				
Cash receipts for interest and dividends		10,643		11,351
Cash receipts from the maturity and sale of investments		399,208		590,011
Cash payments for purchase of investments		(458,524)		(553,848)
Net cash provided by (used in) investing activities		(48,673)		47,514
Net decrease in cash and cash equivalents		(14,911)		(5,051)
Cash and cash equivalents at beginning of year		82,634		87,685
Cash and cash equivalents at end of year (note 4)	$	67,723	$	82,634
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	150,977	$	167,450
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		1,811		2,494
Changes in operating assets and liabilities:				
Accounts receivable		(3,603)		537
Fees receivable		(306)		(3)
Due to/from San Joaquin Hills Transportation Corridor Agency		2,471		(5,090)
Other assets		250		164
Accounts payable		4,498		(1,575)
Unearned revenue		1,364		(2,791)
Net pension liability/asset		(1,280)		(10,159)
Deferred outflows of resources related to pensions		83		889
Deferred inflows of resources related to pensions		870		789
Employee compensated absences payable		60		57
Total adjustments		6,218		(14,688)
Net cash provided by operating activities	$	157,195	$	152,762

(Continued)

FOOTHILL/EASTERN TRANSPORTATION
CORRIDOR AGENCY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021		2020
Noncash capital and related financing and investing activities:				
Interest expense recorded for accretion of bonds outstanding	$	(34,168)	$	(32,471)
Amortization of bond discount/premium recorded as interest expense		1,220		(382)
Amortization of deferred bond refunding cost recorded as interest expense		(9,904)		(4,137)
Amortization of prepaid bond insurance recorded as interest expense		(620)		(472)
Write-off of construction in progress		(143)		(17,288)
Interest accrued on note receivable from San Joaquin Hills Transportation Corridor Agency		1,451		6,228
Change in unrealized gain/loss on investments		5,415		9,048
Amortization of discount/premium on investments		(1,881)		(498)
Refunded bond proceeds through escrow		(692,205)		(820,285)

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 Clemente, 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.

(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.

(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

(Continued)

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.

(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, 2021 and 2020, the Agency had tolls due to SJHTCA of $5,014 and $2,543, 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 to the Agency, in annual installments beginning January 15, 2025 equal to 50% of SJHTCA's surplus funds, plus accrued interest. At June 30, 2021 and 2020, the Agency had a note receivable of $129,077 and $127,626, 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.

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.

(In thousands)

(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.

(p) Recent Events

In December 2019, a novel strain of coronavirus (COVID-19) surfaced in Wuhan, China, and has spread around the world with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. TCA has been closely monitoring the impact of the COVID-19 pandemic on vehicle transactions and revenue. As COVID-19 measures increased during March, 2020, following the governor's stay-at-home order, transactions continued to decline and reached a low point at the end of March during the current fiscal year. Beginning in late April 2020 and through the date of this report, vehicle transactions have increased as businesses have begun to reopen. FY 2022 toll revenues have exceeded the FY 2022 Board approved budgeted toll revenue through the date of this report. During this evolving situation, TCA will continue to analyze the impact on its financial position.

(3) Development Impact Fees

The sources of development impact fees for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
City of Irvine	$ 9,783	$ 8,454
City of Lake Forest	1,947	2,561
City of Santa Ana	1,628	29
County of Orange	236	67
City of Yorba Linda	169	253
City of Tustin	125	1,253
City of Anaheim	40	105
City of Rancho Santa Margarita	28	1
City of San Clemente	27	33
City of Orange	9	56
City of Mission Viejo	—	132
City of Dana Point	—	3
	$ 13,992	$ 12,947

(In thousands)

(4) Cash and Investments

Cash and investments as of June 30, 2021 and 2020 are classified in the accompanying financial statements, as follows:

	2021	2020
Current cash and investments	$ 396,136	$ 350,923
Noncurrent cash and investments	45,712	54,623
Current restricted cash and investments	45,952	54,892
Noncurrent restricted cash and investments	294,572	285,223
	$ 782,372	$ 745,661

(In thousands)

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

(In thousands)

Cash and investments as of June 30, 2020 consist of the following:

	Cash and cash equivalents	Investments	Total
Deposit accounts	$ 6,025	$ —	$ 6,025
Money market funds	38,645	—	38,645
California Asset Management Trust Cash Reserve Portfolio (CAMP)	—	76,481	76,481
LAIF	—	59,569	59,569
Commercial paper	—	23,969	23,969
Corporate notes	—	68,003	68,003
U.S. Treasury securities	—	5,538	5,538
Federal agency, U.S. government-sponsored enterprise, and supranational notes	—	166,341	166,341
Investments held with trustee per debt agreements:			
U.S. Treasury securities	35,545	67,968	103,513
Commercial paper	2,419	—	2,419
Federal agency and U.S. government-sponsored enterprise notes and bonds	—	125,267	125,267
Corporate notes	—	69,891	69,891
Total	$ 82,634	$ 663,027	$ 745,661

(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, 2021 and 2020, the carrying amounts of the Agency's cash deposits were $16,572 and $6,025, respectively, and the corresponding aggregate bank balances were $20,307 and $8,352, respectively. The differences of $3,735 and $2,327 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.

(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)

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

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

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

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, 2021 and 2020, 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:

(In thousands)

Investment type	June 30, 2021 S&P	June 30, 2021 Moody's	June 30, 2020 S&P	June 30, 2020 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
Toyota Motor Corp	A-1+	P-1	A-1+	P-1
Certificates of Deposit:				
Bank of Nova Scotia Houston	A-1	P-1	—	—
Royal Bank Canada	A-1+	P-1	—	—
Corporate notes – Medium term:				
Apple Inc.	AA+	Aa1	AA+	Aa1
Bank of America Corp	—	—	A-	A2
Charles Schwab Corp	A	A2	A	A2
ChevronTexaco Corp	AA-	Aa2	AA	Aa2
Chubb Corporation	—	—	A	A3
Cisco Systems	AA-	A1	AA-	A1
Deere & Company	A	A2	A	A2
HSBC USA Corp	—	—	A-	A2
IBM	A-	A2	A	A2
Intel Corp	—	—	A+	A1
JP Morgan Chase & Co	A-	A2	A-	A2
Paccar Financial	—	—	A+	A1
PNC Financial Services Group	A	A2	A	A2
State Street Bank	A	A1	A	A1
Toyota Motor Corp	A+	A1	A+	A1
US Bancorp	A+	A1	A+ & AA-	A1
Visa Inc	—	—	AA-	Aa3
Walmart	AA	Aa2	AA	Aa2
Wells Fargo and Company	—	—	A-	A2

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.

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

(In thousands)

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.

At June 30, 2020, 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 21% and 11%, 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.

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)

A summary of the Agency's investments held at June 30, 2020 that are governed by the Agency's investment policy and its bond agreements, including money market funds of $38,645, U.S. Treasury securities of $35,545 and commercial paper of $2,419 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	$ 291,607	$ 32,122	$ 84,119	$ 175,365	$ —
Corporate notes	137,894	80,761	14,567	42,566	—
U.S. Treasury securities	109,051	98,886	2,748	7,416	—
Certificates of deposit	—	—	—	—	—
Commercial paper	26,388	26,388	—	—	—
CAMP	76,481	76,481	—	—	—
Money market funds	38,645	38,645	—	—	—
Local Agency Investment Fund	59,569	59,569	—	—	—
Total	$ 739,636	$ 412,854	$ 101,434	$ 225,348	$ —

(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.

(In thousands)

At June 30, 2021 and 2020, the Agency had the following fair value measurements:

Investment type	Fair value	June 30, 2021 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.

Investment type	Fair value	June 30, 2020 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	$ 291,607	$ —	$ 291,607	$ —
Corporate notes	137,894	—	137,894	—
U.S. Treasury securities	109,051	—	109,051	—
Certificates of deposit	—	—	—	—
Commercial paper	26,388	—	26,388	—
Total	$ 564,940	$ —	$ 564,940	$ —

Excluded from the table above are money market funds of $38,645, which are reported at amortized cost, and funds on deposit with CAMP totaling $76,481 and LAIF totaling $59,569, which are not subject to fair value measurement categorization.

(In thousands)

(5) Capital Assets

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

Capital assets activity for the year ended June 30, 2020 was as follows:

		Balance at beginning of year		Additions		Transfers/ deletions		Balance at end of year
Construction in progress	$	86,271	$	21,532	$	(17,279)	$	90,524
Right-of-way acquisitions, grading, or improvements		18,698		—		(9)		18,689
Furniture and equipment		2,880		494		—		3,374
Non-depreciable capital assets	$	107,849	$	22,026	$	(17,288)	$	112,587
Furniture and equipment	$	35,030	$	852	$	(4,557)	$	31,325
Accumulated depreciation		(25,363)		(2,494)		4,557		(23,300)
Depreciable capital assets, net	$	9,667	$	(1,642)	$	—	$	8,025

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.

During the year ended June 30, 2020, the Agency completed the environmental scoping and screening process for the South County Traffic Relief Effort (SCTRE) Project, resulting in the recommendation that the County of Orange advance the extension of Los Patrones Parkway as an un-tolled County major thoroughfare. This formally concluded the Agency’s study to complete the southern extension of the SR 241 Toll Road as it transitions the tolled portion of the roadway into the regional arterial network. Accordingly, the Agency recognized expenses of $17,288 to write off previously incurred costs associated with the planning for this project.

(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.

(In thousands)

(7) Long-Term Obligations

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 thousands)

The following is a summary of changes in long-term obligations during the year ended June 30, 2020:

	Balance at beginning of year	Additions/ accretions	Reductions	Balance at end of year	Due within one year
Series 2019 Toll Road Refunding Revenue Bonds:					
Senior Term Current Interest Bonds	$ —	$ 897,055	$ —	$ 897,055	$ —
Series 2013 Toll Road Refunding Revenue Bonds:					
Senior Term Current Interest Bonds	1,749,440	—	(820,285)	929,155	—
Junior Lien Current Interest Bonds	198,050	—	—	198,050	—
Capital Appreciation Bonds	181,606	11,035	(4,660)	187,981	8,397
Convertible Capital Appreciation Bonds	272,442	16,898	—	- 289,340	—
Series 2015 Toll Road Refunding Revenue Bonds:				- -	
Capital Appreciation Bonds	104,711	4,540	—	109,251	—
Total bonds payable	$ 2,506,249	$ 929,528	$ (824,945)	$ 2,610,832	$ 8,397
Less unamortized bond discount/premium, net	(38,426)	—	35,394	(3,032)	
Total bonds payable less unamortized discount/premium, net	$ 2,467,823	$ 929,528	$ (789,551)	$ 2,607,800	

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.

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, 2021, the amount of the 2013 bonds outstanding, which were eliminated from the financial statements as a result of the February 2021 refunding, was $692,205.

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, 2020, the amount of the 2013 bonds outstanding, which were eliminated from the financial statements as a result of the December 2019 refunding, was $820,285.

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.

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%. In connection with the remarketing transaction, the Agency incurred expenses of $882.

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%. In connection with the remarketing transaction, the Agency incurred expenses of $778.

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 accreted amounts, at rates ranging from 5.30% to 6.85% through January 15, 2024. After this date, interest is 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, 2021 and 2020, is $211,268 and $177,098, 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, 2021, and 2020, the amounts of the previously refunded 1995 bonds outstanding, which were previously eliminated from the financial statements as a result of the refunding, are $661,509 and $700,142, 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)

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, 2021:

	Principal	Interest[1]	Junior lien interest[1]	Total
2022	$ 12,362	$ 70,531	$ 12,764	$ 95,657
2023	16,211	71,103	12,754	100,068
2024	10,056	81,843	12,718	104,617
2025	4,578	92,120	12,648	109,346
2026	12,733	92,450	12,539	117,722
2027 – 2031	158,004	457,091	59,461	674,556
2032 – 2036	278,457	531,716	47,922	858,095
2037 – 2041	315,064	667,905	25,743	1,008,712
2042 – 2046	662,716	331,926	2,521	997,163
2047 – 2051	842,167	166,697	—	1,008,864
2052 – 2053	391,635	15,990	—	407,625
	$ 2,703,983	$ 2,579,372	$ 199,070	$ 5,482,425

(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, 2021, the Agency has outstanding commitments and contracts related to construction activities of approximately $39 million.

(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 and is still subject to final approval by the Court. 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 preliminarily approved by the Court in May 2021. Once the settlement is finally approved by the Court, it will eliminate the costs of ongoing litigation, minimize the Agency's risk profile, and help protect the Agency against future potential claims.

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 the years ended June 30, 2021 and 2020 of $692 and $709, 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 $73 and $74 of expense for the years ended June 30, 2021 and 2020, 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.

(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 12.11% to 65.24% for the year ended December 31, 2020, and from 12.46% to 62.38% for the year ended December 31, 2019. Employee contributions are established by the OCERS Board of Retirement and guided by applicable state statutes. Employee contribution rates ranged from 9.63% to 17.22% for the year ended December 31, 2020, and from 9.61% to 17.15% for the year ended December 31, 2019. 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, 2020 and 2019, were $498 and $9,532, respectively, and equaled 100% of the required contributions, and represented 11.4% and 273.4% of the Agency's covered payroll, respectively.

The actuarially determined contributions from the Agency for the years ended June 30, 2021 and 2020, were $475 and $450, respectively and represented 10.9% and 12.9%, 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, 2020 and 2019, with respective actuarial valuations as of

(In thousands)

December 31, 2019 and 2018 and standard procedures to roll forward to the respective measurement dates that correspond with the Agency's reporting dates of June 30, 2021 and 2020. 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,	
	2021	**2020**
Collective net pension liability - OCERS	$ 4,213,247	$ 5,075,682
Proportionate share attributable to Transportation Corridor Agencies	(3,881)	(1,753)
Share allocable to Foothill/Eastern Transportation Corridor Agency	(2,213)	(933)
Agency's proportion (percentage) of the collective net pension liability	-0.05%	-0.02%
Collective deferred outflows of resources - OCERS	$ 663,467	$ 503,281
Proportionate share attributable to Transportation Corridor Agencies	1,687	1,496
Share allocable to Foothill/Eastern Transportation Corridor Agency	1,230	1,038
Collective deferred inflows of resources - OCERS	$ 1,521,246	$ 902,538
Proportionate share attributable to Transportation Corridor Agencies	4,304	2,857
Share allocable to Foothill/Eastern Transportation Corridor Agency	2,725	1,855
Collective pension expense	$ 255,862	$ 590,748
Proportionate share attributable to Transportation Corridor Agencies	(81)	1,061
Share allocable to Foothill/Eastern Transportation Corridor Agency	(49)	559

The Agency's deferred outflows of resources related to pensions as of June 30, 2021 and 2020 are attributable to the following:

	2021	**2020**
Changes of assumptions	$ 555	$ 611
Differences between expected and actual experience	675	427
Contributions to the plan subsequent to the measurement date of the collective net pension liability	—	275
Total deferred outflows of resources related to pensions	$ 1,230	$ 1,313

(Continued)

(In thousands)

The Agency's deferred inflows of resources related to pensions as of June 30, 2021 and 2020 are attributable to the following:

	2021	2020
Differences between expected and actual experience	$ 394	$ 611
Net difference between projected and actual earnings on pension plan investments	2,331	1,226
Changes of assumptions or other inputs	—	18
Total deferred inflows of resources related to pensions	$ 2,725	$ 1,855

The Agency's balances of deferred outflows and deferred inflows of resources as of June 30, 2021 will be recognized as changes to the net pension liability/asset as follows:

Year ending June 30:	
2022	$ (490)
2023	(241)
2024	(611)
2025	(214)
2026	61
	$ (1,495)

(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, 2020 and 2019:

- 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.

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.

The discount rate used to measure the Plan's total pension liability as of December 31, 2020 and 2019 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 12 and 13 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.

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

(Continued)

(In thousands)

expected rate of return assumptions for each measurement date are summarized in the following tables:

	December 31, 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%	65.00%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	53.00%
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)

	December 31, 2019	
	Target allocation	Long-term expected real rate of return
Asset Class:		
Global Equity	35.00%	6.38%
Core Bonds	13.00%	1.03%
High Yield Bonds	4.00%	3.52%
Bank Loan	2.00%	2.86%
TIPS	4.00%	0.96%
Emerging Market Debt	4.00%	3.78%
Real Estate	10.00%	4.33%
Core Infrastructure	2.00%	5.48%
Natural Resources	10.00%	7.86%
Risk Mitigation	5.00%	4.66%
Mezzanine/Distressed Debts	3.00%	6.53%
Private Equity	8.00%	9.48%
Total	100.00%	

The following table presents the Agency's proportionate share of the Plan's net pension liability, calculated using the discount rates used in each year's actuarial valuation (7.0% for 2020 and 2019), 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	
	2021	2020
Net pension (asset)/liability, as calculated:		
With assumed discount rate	$ (2,213)	$ (933)
With a 1% decrease	2,180	3,083
With a 1% increase	(5,794)	(4,201)

(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.

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Required Supplementary Information

(In thousands)

(Unaudited)

Schedule of Net Pension Liability and Related Ratios

	Plan year ended December 31,						
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Agency's proportion (percentage) of the collective net pension liability	-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	$ (2,213)	$ (933)	$ 9,226	$ 7,417	$ 8,742	$ 8,918	$ 7,556
Agency's covered payroll	$ 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	-51%	-23%	232%	177%	224%	218%	176%
Plan's fiduciary net position as a percentage of the total pension liability	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.

(Continued)

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,						
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contributions	$ 498	$ 612	$ 944	$ 1,024	$ 1,038	$ 949	$ 896
Contributions recognized	(498)	(9,532)	(944)	(1,024)	(1,038)	(949)	(896)
Contribution deficiency (excess)	$ —	$ (8,920)	$ —	$ —	$ —	$ —	$ —
Agency's covered payroll	$ 4,363	$ 3,486	$ 3,971	$ 4,191	$ 3,908	$ 4,083	$ 3,908
Contributions recognized as a percentage of covered payroll	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.