SANDAG

SOUTH BAY EXPRESSWAY

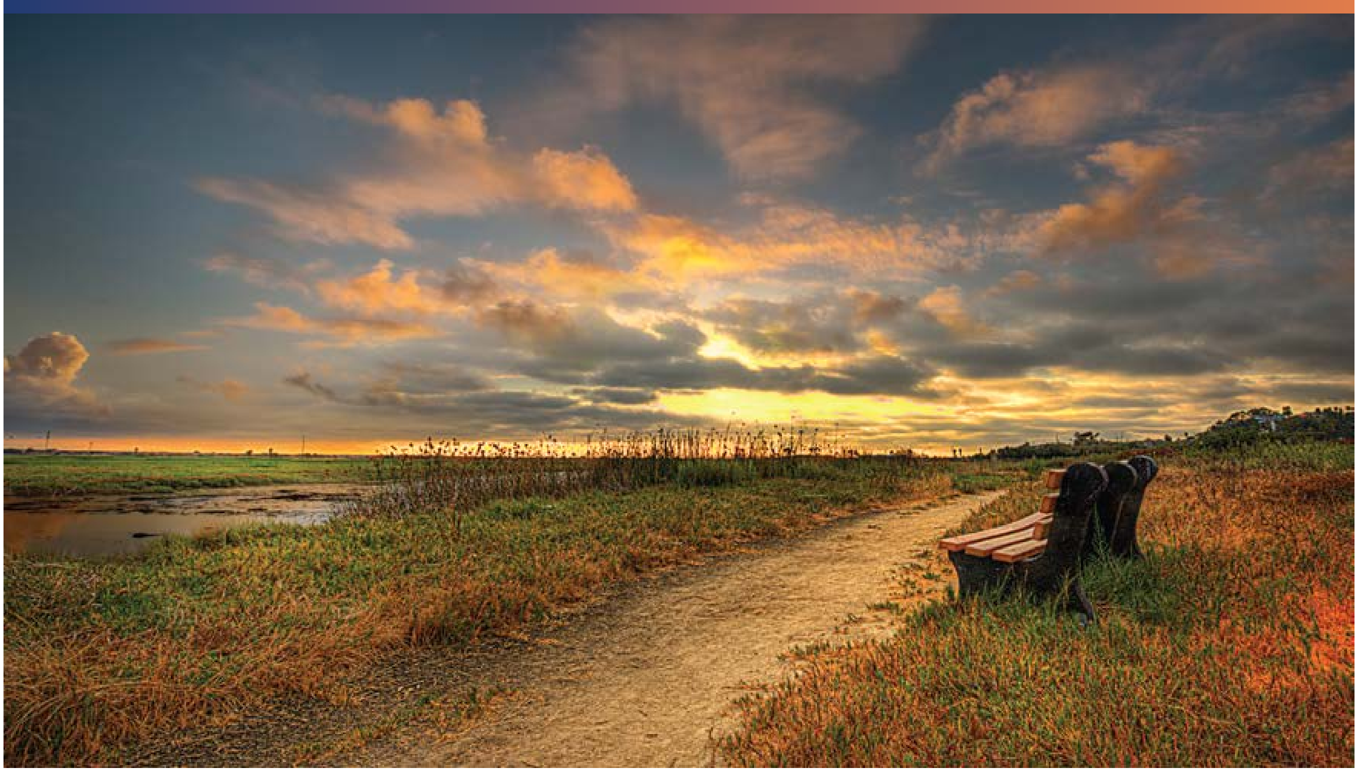
San Diego Association of Governments

BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2022

San Diego, California

2022



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San Diego Association of Governments

South Bay Expressway

San Diego, California

Financial Statements and Independent Auditor's Report

For the year ended June 30, 2022

PREPARED BY THE SAN DIEGO ASSOCIATION OF GOVERNMENTS

FINANCE DEPARTMENT

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San Diego Association of Governments
South Bay Expressway

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Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Association of Governments
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the South Bay Expressway (State Route 125 or “SR 125”) fund of the San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SR 125 fund of SANDAG, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the SR 125 fund and do not purport to, and do not, present fairly the financial position of SANDAG as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

Report on Summarized Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2021, from which such summarized information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the plan's proportionate share of net OPEB liability, schedule of the plan's OPEB contributions, schedule of the plan's proportionate share of net pension liability, and schedule of the plan's pension contributions, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Crowe LLP

Crowe LLP

Costa Mesa, California
December 21, 2022

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Management's Discussion and Analysis (Unaudited)

As management of the San Diego Association of Governments (SANDAG) South Bay Expressway (State Route 125 [SR 125]), we provide this narrative overview and analysis of the financial activities of SR 125 for the fiscal year ended June 30, 2022. The intent of this analysis is to assist the readers of SR 125 financial statements to better understand the overall financial condition of SR 125.

Financial Highlights

The annual performance returned to pre COVID-19 pandemic performance, resulting in revenues of 2.0 percent below the annual budget, while operating costs were 14.8 percent under budget during fiscal year (FY) 2022. SR 125 continues to meet debt service obligations and reserve funding commitments.

- SR 125 reported a net position of $176,853,250, of which $90,383,898 is invested in capital assets, $18,888,149 is restricted for debt service; $24,934,775 is restricted for capital expenditures, $41,036,618 is restricted for project spending, and $1,609,810 is restricted for customer prepaid accounts.

- SR 125 total net position decreased by $2,870,897 in fiscal year 2022.

- SR 125 total debt balance at the end of June 2022 was $204,377,015, a decrease of $7,083,529 compared to the same period in the prior year. The decrease is due to principal payment of $4,765,000 and bond premium amortization of $2,318,529.

- Net investment in capital assets decreased by $5,040,995 from a decrease of capital assets net of depreciation and a decrease in bonds payable.

Overview of the Financial Statements

Management's discussion and analysis provided here is intended to serve as an introduction to the SR 125 financial statements. The SR 125 financial statements consist of three components: (1) financial statements; (2) notes to the financial statements; and (3) required supplementary information.

Financial statements. SR 125 is a proprietary fund. Proprietary funds can either be enterprise funds or internal service funds. Enterprise funds are used to report the same functions presented as business-type activities.

The financial statements are designed to provide readers with a broad overview of SR 125's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents financial information on all of SR 125's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SR 125 is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing changes in SR 125's net position during the most recent fiscal year. All changes in net position are reported when the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods. This statement reflects the results of SR 125's operations for the period identified and can be used to determine credit worthiness of SR 125 and its ability to successfully recover all its costs through toll revenues and other charges.

The *Statement of Cash Flows* presents information about SR 125's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 19 to 48 of this report.

Other information. In addition to the financial statements, required supplemental information can be found on pages 51 to 54 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SR 125's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $176,853,250 as of June 30, 2022.

SR 125's Net Position

	2022	2021
Current and other assets	$ 103,097,559	$ 103,866,587
Capital assets	295,635,792	309,681,455
Total assets	398,733,351	413,548,042
Deferred outflows of resources	2,506,652	2,760,985
Current liabilities	16,641,871	22,035,278
Long-term liabilities	204,033,714	214,082,916
Total liabilities	220,675,585	236,118,194
Deferred inflows of resources	3,711,168	466,686
Net Position:		
Net investment in capital assets	90,383,898	95,424,893
Restricted for:		
Debt service	18,888,149	18,642,934
Capital expenditures	24,934,775	30,315,681
Project revenue	41,036,618	35,340,639
Customer prepaid accounts	1,609,810	-
Total net position	$ 176,853,250	$ 179,724,147

As of June 30, 2022, there was a total of $177,455,000 of bond liability with a premium balance of $26,922,015. Restricted net position is predominantly set aside for major maintenance and capital expenditures, a majority of which is anticipated to be spent for toll road improvements over the next several years.

Capital assets decreased $14 million due to large depreciation balances incurred on the toll road franchise and related toll road improvements. Long-term liabilities decreased $10 million from principal payment and premium amortization for the Series 2017A bonds, and reduction in pension liabilities. Current liabilities decreased $7.1 million due to increased disbursements to vendors. Furthermore, the deferred inflows of resources increased $3.2 million from pension and lease related items.

SR 125's Change in Net Position

	2022	2021
Operating revenue	$ 34,342,864	$ 29,483,519
Operating expenses	26,653,900	26,299,909
Operating income	7,688,964	3,183,610
Nonoperating revenues (expenses)	(6,348,365)	(7,674,178)
Income (loss) before contributions and transfers	1,340,599	(4,490,568)
Transfers out	(4,211,496)	(8,114,650)
Change in net position	(2,870,897)	(12,605,218)
NET POSITION:		
Beginning of year	179,724,147	192,329,365
End of year	$ 176,853,250	$ 179,724,147

As the *Statement of Revenues, Expenses, and Changes in Net Position* (page 12) illustrates, SR 125 collected $34.3 million in operating revenues, which adequately covered operating expenses and debt obligations. Revenue increased $4.9 million as traffic volumes returned to pre-COVID pandemic levels. Transfers out to SANDAG to fund the design and construction of the SR 125 connector southbound to westbound SR 905 decreased by $3.9 million in FY2022. The SR 125 was able to effectively manage costs related to the operations of the facility.

Capital Assets and Debt Administration

Capital assets. SR 125 investment in capital assets as of June 30, 2022, amounts to $295,635,792 (net of accumulated depreciation). This investment in capital assets include land, toll road and roadway improvements, building, new back office and roadway service systems, equipment, vehicles, toll equipment and office furnishings. The SR 125 placed $12.6 million of the roadway service system and tolling equipment, and $6.0 million of back-office system in service in FY2022.

SR 125 Capital Assets
(Net of accumulated depreciation)

	2022	2021
Land	$ 1,980,000	$ 1,980,000
Toll road	261,189,722	273,945,303
Roadway improvements	10,567,378	12,067,355
Roadway Service & Toll Systems	12,562,271	-
Back Office System	6,009,013	-
Building	3,175,800	3,256,200
Equipment	61,484	97,203
Vehicles	68,207	132,348
Software	7,640	16,809
Office furnishings	14,277	14,115
Construction-in-progress	-	18,172,122
SR 125 activities capital assets, net	$ 295,635,792	$ 309,681,455

Additional information on SR 125's capital assets can be found in Note III.G of this report.

Debt Administration

Long-term debt. At June 30, 2022, SR 125 had total debt outstanding of $204,377,015 which comprised of $177,455,000 tax-exempt toll revenue bonds with a net premium balance of $26,922,015.

	SR 125 activities	
	2022	2021
2017 Series A Toll Revenue Bonds	$ 177,455,000	$ 182,220,000
Premium	26,922,015	29,240,544
Total	$ 204,377,015	$ 211,460,544

SR 125's total debt decreased by $7,083,529 due to principal payment of $4,765,000 and bond premium amortization of $2,318,529.

Additional information on SR 125 long-term debts can be found in Note III.H of this report.

Requests for Information

This financial report was designed to provide a general overview of SR 125 finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, San Diego Association of Governments, 401 B Street, Suite 800, San Diego, California 92101, or emailed to the Public Information Officer at pio@sandag.org.

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FINANCIAL STATEMENTS

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San Diego Association of Governments
South Bay Expressway
Statement of Net Position
June 30, 2022
(With comparative information for the prior year)

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted	$ 6,104,779	$ 548,563
Accounts receivable, net	3,024,004	3,344,738
Lease Receivable	16,221	-
Prepaid items and other assets	2,293,891	1,574,325
Due from other funds	-	1,923,240
Due from other governments	536,328	180,134
Total current assets	11,975,223	7,571,000
Noncurrent assets:		
Cash and cash equivalents - restricted	90,267,336	96,295,587
Non-depreciable capital assets	1,980,000	20,152,122
Depreciable capital assets, net of accumulated depreciation	293,655,792	289,529,333
Lease Receivable	855,000	-
Total noncurrent assets	386,758,128	405,977,042
Total assets	398,733,351	413,548,042
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	1,803,941	2,253,569
OPEB related	301,924	72,113
Loss on debt refunding	400,787	435,303
Total deferred outflows of resources	2,506,652	2,760,985
LIABILITIES		
Current liabilities:		
Accounts payable	704,568	3,800,879
Accrued liabilities	337,241	346,736
Retentions payable	1,091,431	941,228
Due to other funds	3,196,974	4,220,632
Due to other governments	259,809	181,351
Transponder deposits	19,474	19,585
Unearned revenue	665,161	2,004,367
Claims payable	920,838	1,200,000
Accrued interest	4,436,375	4,555,500
Bonds payable due within one year	5,010,000	4,765,000
Total current liabilities	16,641,871	22,035,278
Long-term liabilities:		
Bonds payable	199,367,015	206,695,544
Net pension liability	4,406,633	7,291,998
Net OPEB liability	260,066	95,374
Total long-term liabilities	204,033,714	214,082,916
Total liabilities	220,675,585	236,118,194
DEFERRED INFLOWS OF RESOURCES		
Lease related	849,506	-
Pension related	2,799,886	443,814
OPEB related	61,776	22,872
Total deferred inflows of resources	3,711,168	466,686
NET POSITION		
Net investment in capital assets	90,383,898	95,424,893
Restricted for:		
Debt service	18,888,149	18,642,934
Capital expenditures	24,934,775	30,315,681
Project revenue	41,036,618	35,340,639
Customer prepaid accounts	1,609,810	-
Total net position	$ 176,853,250	$ 179,724,147

See accompanying Notes to the Financial Statements.

San Diego Association of Governments
South Bay Expressway
Statement of Revenues, Expenses, and Changes in Net Position
For the Year ended June 30, 2022
(With comparative information for the prior year)

	2022	2021
OPERATING REVENUES:		
Electronic toll collection	$ 21,390,604	$ 19,178,523
Cash and credit card tolls	10,171,283	8,624,478
Violations	1,459,961	1,302,544
Other	1,321,016	377,974
Total operating revenues	34,342,864	29,483,519
OPERATING EXPENSES:		
Facilities, roadway and landscaping operations	2,311,253	2,130,266
Payroll and other compensation	5,805,356	6,761,756
Administrative	319,696	164,479
Insurance	625,777	566,660
Utilities	495,824	406,551
Professional services	2,194,891	1,859,362
Depreciation	14,901,103	14,410,835
Total operating expenses	26,653,900	26,299,909
Operating income	7,688,964	3,183,610
NONOPERATING REVENUES (EXPENSES):		
Interest income	160,371	291,478
Interest expense	(6,588,736)	(6,765,656)
Other income (expense)	80,000	(1,200,000)
Total nonoperating revenues (expenses)	(6,348,365)	(7,674,178)
Income (loss) before contributions and transfers	1,340,599	(4,490,568)
TRANSFERS		
Transfer to SANDAG	(4,211,496)	(8,114,650)
CHANGE IN NET POSITION	(2,870,897)	(12,605,218)
NET POSITION:		
Beginning of year	179,724,147	192,329,365
End of year	$ 176,853,250	$ 179,724,147

See accompanying Notes to the Financial Statements.

San Diego Association of Governments
South Bay Expressway
Statement of Cash Flows
For the Year ended June 30, 2022
(With comparative information for the prior year)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 32,536,569	$ 28,471,242
Receipts from rental and miscellaneous income	85,641	65,429
Payments for employee salaries and benefits	(5,920,731)	(6,132,598)
Payments for operations	(7,877,306)	(2,838,273)
Net cash provided by operating activities	18,824,173	19,565,800
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfer to SANDAG	(4,211,496)	(8,114,650)
Transfer from SANDAG	899,582	1,647,832
Net cash used for noncapital financing activities	(3,311,914)	(6,466,818)
CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES:		
Payments for acquisition of construction of capital assets	(2,387,790)	(11,353,471)
Principal payments on debt	(4,765,000)	(4,535,000)
Interest payments on debt	(8,991,875)	(9,224,375)
Net cash used for capital financing and related activities	(16,144,665)	(25,112,846)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	160,371	291,479
Net cash from investing activities	160,371	291,479
Net change in cash and investments	(472,035)	(11,722,386)
Cash and cash equivalents, beginning of year	96,844,150	108,566,536
Cash and cash equivalents, end of year	$ 96,372,115	$ 96,844,150
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 7,688,964	$ 3,183,610
Adjustments to reconcile net cash provided by operating activities:		
Depreciation	14,901,103	14,410,835
Change in:		
Accounts receivable	478,149	607,354
Prepaid expenses and other assets	(2,403,014)	(1,048,003)
Due from other governments	(356,194)	50,711
Accounts payable	162,984	687,263
Accrued liabilities and other liabilities	(82,029)	885,206
Due to other governments	78,458	62,554
Unearned revenue	(1,339,206)	111,412
Claims payable	(199,162)	-
Net pension liability	(2,885,365)	(55,697)
Pension related deferred outflows	449,628	533,847
Pension related deferred inflows	2,356,072	157,364
Net OPEB liability	164,692	(8,376)
OPEB related deferred outflows	(229,811)	(2,711)
OPEB related deferred inflows	38,904	(9,569)
Total adjustments	11,135,209	16,382,190
Net cash provided by operating activities	$ 18,824,173	$ 19,565,800
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Bond premium amortization	$ (2,318,530)	$ (2,380,787)
Refunding loss amortization	34,516	35,443
Capital assets purchase included in accounts payable	184,235	2,290,093

See accompanying Notes to the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS

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San Diego Association of Governments
South Bay Expressway
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

I. ORGANIZATION AND OPERATIONS

A. General

On December 21, 2011, the San Diego Association of Governments (SANDAG) acquired the rights and interest in a Franchise Agreement (Agreement) between South Bay Expressway, LLC and Caltrans. Under the Agreement, SANDAG has contractual rights to develop and operate the South Bay Expressway (State Route 125 [SR 125]), an 11.2 mile, limited-access toll road in the County of San Diego. The SR 125 fund was established in December 2011 as a proprietary fund under the oversight of SANDAG to operate the toll road. As part of this acquisition, a fair value analysis of the acquired assets and liabilities had been performed as of the valuation date. As a result of this valuation analysis, the purchase price was allocated to the assets and liabilities and those assets and liabilities were recorded at fair value.

B. Organization

The SR 125 is an integral part of the reporting entity of SANDAG, where it is classified as a proprietary fund. The accounts and activities of the SR 125 have been included within the scope of the financial statements of SANDAG because SANDAG has financial accountability and continuing oversight responsibility over SR 125. SR 125's financial statements should be read in conjunction with those of SANDAG. Only the accounts and activities of SR 125 are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of SANDAG as a whole.

The SANDAG Board of Directors (Board) provides executive oversight and decision making related to SR 125. The SANDAG Executive Team provides management oversight and has established a management team to oversee the day-to-day operations of the toll road.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of SR 125 have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body of established governmental accounting and financial reporting principles. The more significant of SR 125's accounting policies are described below.

A. Measurement focus, basis of accounting, and financial statement presentation

The SR 125 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the SR 125 are toll revenues. Operating expenses include roadway maintenance, cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Toll revenue includes toll charges earned, net of promotions, and an uncollectible accounts allowance. Customer accounts are opened by the deposit of prepaid tolls into a *FasTrak®* transponder account. Prepaid tolls are held as customer deposits until the customer travels the roadway and incurs a toll charge. At that time, revenues are earned and charged against the customer's account. Revenues from cash-paying customers are recognized at the time the transactions occur. The SR 125 recognizes violation tolls and fines revenues when collected. Violation revenue receivables net of allowance are adjusted annually based on the historical collection percentage.

B. Budgetary information

An annual budget is adopted on a basis consistent with GAAP for the enterprise fund.

C. Assets, liabilities, and net position/fund balance

1. *Cash and cash equivalents*

SR 125 cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Securities purchased with a maturity date greater than three months at the date of acquisition have been classified as investments.

The SR 125 investment policy is consistent with the SANDAG investment policy and is in accordance with California Government Code Section 53601. SR 125 is authorized to invest in the following:

- Treasury obligations
- Federal agencies and United States government-sponsored enterprises
- State municipal obligations
- Local agency obligations
- Repurchase agreements
- Bankers' acceptances
- Commercial paper
- Medium-term notes
- Negotiable and nonnegotiable certificates of deposit
- State of California's Local Agency Investment Fund

- San Diego County Treasurer's pooled investment fund
- Savings/money market accounts
- California Asset Management Program (CAMP)
- Money market funds
- Mortgage and asset-backed obligations
- Supranationals

Authorized Investment Type	Maximum Effective Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Ratings
Treasury obligations	5 Years	N/A	N/A	N/A
Federal agencies and U.S. government sponsored	5 Years	N/A	N/A	N/A
State municipal obligations	5 Years	N/A	N/A	A-1/AA
Local agency obligations	5 Years	N/A	N/A	A-1/AA
Repurchase agreements	90 Days	N/A	N/A	A-1
Bankers' acceptances	180 Days	40%	10%	A-1
Commercial paper	270 Days	25%	10%	A-1
Medium-Term notes	5 Years	30%	10%	A
Negotiable certificates of deposits	5 Years	30%	N/A	A
Nonnegotiable certificates of deposit	5 Years	30%	N/A	N/A
State of California's Local agency investment fund (LAIF)	N/A	Set by LAIF	Set by LAIF	N/A
San Diego county treasurer's pooled investment fund	N/A	Set by LAIF	Set by LAIF	N/A
Savings/money market accounts	5 Years	Not to exceed equity	N/A	N/A
California asset management program	N/A	N/A	N/A	AA/A-2
Money market funds	5 Years	20%	N/A	AAA
Mortgage and asset-backed obligations	5 Years	20%	N/A	AA
Supranationals	5 Years	30%	N/A	AA

SR 125 is a voluntary participant in CAMP, which is an investment pool, offered by the California Asset Management Trust (the "Trust"). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 *et seq*., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. In accordance with Section 53601(p) of the California Government Code, CAMP's investments are limited to investments permitted by subdivisions (a) through (n), inclusive, of Section 53601. SR 125 reports its investments in CAMP pool share at amortized cost provided by CAMP, which is the same as the value of the pool share. On June 30, 2022, the pool had an average maturity of 28 days.

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3), SR 125 adheres to certain disclosure requirements, if applicable for deposit and investment risks. These requirements are specified for the following areas:

- Interest rate risk
- Credit risk
  - Overall
  - Custodial
  - Concentration

2. *Restricted cash and cash equivalents*

Certain cash and cash equivalents are restricted as these assets are either restricted for specific purpose or are used for debt service. Restricted cash consists of cash in the bank, cash in money market accounts, and funds which are restricted in accordance with the debt related Master Indenture. Such restrictions are related to the use of trustee-controlled accounts and the order of priority of withdrawals from such accounts which are subject to the approval of the secured lenders under the bonds payable or their representative agents.

Certain investments are classified as restricted on the Statement of Net Position because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

3. *Non-current restricted cash and cash equivalents*

In accordance with GASB 62, certain restricted cash and cash equivalents are non-current as these funds are restricted as to withdrawal or use for other than current operations, for disbursement in the acquisition or construction of non-current assets, or for the liquidation of long-term debt.

4. *Fair value measurements*

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are inactive
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect SR 125's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the SR 125's own data.

5. *Accounts receivable*

Accounts receivable are recognized when invoiced to customers. As of June 30, 2022, an allowance for uncollectible accounts was provided for accounts receivable. The allowance is determined by management to be uncollectible amounts based on historical collection percentages and other information.

6. *Prepaid expenses and other assets*

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased. In addition, prepayment of one year maintenance costs for the back-office system, roadway service system, and tolling equipment on the SR-125 are prepaid expenses. When all projects have completed system acceptance, the cost of these prepaid items is recorded as consumed one-twelfth per month over the one year of service, similar to other prepaid expenses.

7. *Capital assets*

Capital assets are reported net of accumulated depreciation, except for construction-in-progress and land which are not depreciated. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and an initial, individual cost equal to or greater than $5,000. Such assets are recorded at historical cost or estimated historical cost if constructed. The purchase of the toll road franchise and related assets were valued on the acquisition date at fair value. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

Assets	Years
Computer equipment and software	3
Office and other equipment	5
Vehicles	5
Roadway improvements	4-10
Toll road franchise	31
Building	50
Electronic toll collection system	10

8. *Other post-employment benefits (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the SANDAG plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the basis that are reported by CERBT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

9. *Pensions*

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

10. *Deferred outflows/inflows of resources on OPEB and pensions*

Most changes in net OPEB and pension liability are required to be included in OPEB and pension expense in the period of the change such as service cost, interest on the total OPEB and pension liability and changes in benefit terms. The following changes in net OPEB and pension liability are not included in OPEB or pension expense as of the beginning of the measurement period and are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB or pensions:

1) Changes in total OPEB and pension liability arising from differences between expected and actual experience with regard to economic or demographic factors.

2) The effects of changes in assumptions about future economic or demographic factors or of other inputs.

3) Differences between projected and actual investment earnings on OPEB and pension plan investments.

4) Changes in proportionate share of the total OPEB and pension deferral-related items.

The amounts in items 1, 2, and 4 are recognized as pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period. Item 3 is recognized as pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report SR 125's contributions to CalPERS and the Employees Retirement Plans subsequent to the measurement date of the net OPEB and pension liability. They will be recognized as a reduction of the net OPEB and pension liability in the next fiscal year.

11. ***Deferred outflows/inflows of resources on debt refunding***

In November 2017, SR 125 issued toll revenue bonds to refund the TIFIA and *TransNet* loans. The purpose of the refunding was to achieve debt service costs savings, to restructure the repayment of the loans, to change the type of instrument being used, and to retire an indenture in order to remove undesirable covenants when more favorable interest rates and financing terms became available.

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 Statement of Net Position and amortized over the life of the old or the new debt, whichever is shorter.

12. ***Lease receivable and Deferred inflows of resources on Leases***

The SR 125 is a lessor for a noncancellable lease a portion of the SR 125 property for the purpose of installing and operating an antenna (cell phone tower). The SR-125 recognizes a lease receivable and a deferred inflow of resources in its financial statements.

At the commencement of a lease, the SR-125 initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the SR-125 determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The SR-125 uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in measurement of the lease receivable are composed of fixed payments from lessee.

The SR-125 monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

13. ***Net position***

The difference between assets and deferred outflows and liabilities and deferred inflows is reported as “Net Position” on proprietary fund financial statements.

Net position is reported as restricted when constraints are placed on net position use by creditors or by law or enabling legislation. The following terms are used in the reporting of net position:

Net investment in capital assets – Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt balances that are attributable to the acquisition, construction, or improvement of those assets.

Debt service – Net position restricted for the payments of future debt service.

Capital expenditures – Net position restricted for funding SR 125 toll road major maintenance and capital projects.

Project revenue – Net position restricted for other legally restricted funds.

Customer prepaid – Net position restricted for SR 125 *FasTrak* customers' deposits for future toll payments.

Unrestricted net position – Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the above restricted categories of net position.

14. *Net position flow assumption*

SR 125 funds outlays for particular purposes from both restricted (e.g., restricted for major maintenance) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is SR 125 policy to consider restricted net position to have been depleted before unrestricted net position is applied.

15. *Long-term debt*

In the Proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities, net of related original issue premiums and discounts. Bonds issue costs are reported as current period costs and accounting gains and losses resulting from refunding of debts are reported as deferred outflows of resources or deferred inflows of resources in conformity with GASB 65.

16. *Unearned revenues*

In the Proprietary fund financial statements, unearned revenues are resource inflows that do not meet the criteria for revenue recognition. Unearned revenues arise when resources are received by SR 125 before it has a legal claim to them, such as prepaid tolls held as customer deposits until the customer travels the roadway and incurs a toll charge. When revenue recognition criteria are met, or when SR 125 has a legal claim to the resources, unearned revenue is removed from the Statement of Net Position and the revenue is recognized.

17. *Estimates*

The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities and the related reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

18. *Prior year comparative information*

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SR 125's prior year financial statements, from which this selected financial data was derived.

19. *Effects of new pronouncements*

Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments.

Governments enter leases for many types of assets. The previous guidance for leases has been in effect for many years. Under the previous guidance, leases were classified as either capital or operating depending on whether the lease met any of four tests. In many cases, the previous guidance resulted in reporting lease transactions differently than similar non-lease financing transactions.

The SR-125 roadway has one contract to lease a portion of its property for the purpose of installing and operating an antenna (cell phone tower). There was a financial statement impact from the adoption. Additional information SR 125 leases can be found in Note III.J. At the implementation date July 1, 2021, the initial lease receivable and deferred inflows related to leases recorded was $887,801.

Statement No. 99

In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees.

This Statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements of this Statement apply to the financial statements of all state and local governments.

SANDAG is early adopting the Lease Topic of GASB 99 paragraphs 11-17 only. These paragraphs were considered in conjunction with the adoption of GASB 87 discussed above.

III. DETAILED NOTES

A. Cash and cash equivalents

Cash and cash equivalents consisted of the following on June 30, 2022:

Investment Type	Balance Amount	Weighted Average Maturity (Days)	NRSRO Rating
Cash and cash equivalents:			
Cash - demand deposits	$ 35,796,843	1	Not rated
California Asset Management Program	60,575,272	28	AAAm
Total cash and cash equivalents	$ 96,372,115		

On June 30, 2022, SR 125's carrying amount of deposits was $35,796,843 and the bank balance was $34,834,922

1. *Interest rate risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from the rising interest rates, the SANDAG investment policy, which is adopted by SR 125, limits investments to a maximum maturity of five years from purchase date, unless the Board has granted express authority to make that investment specifically or as a part of an investment program approved by the Board no less than three months prior to the investment. The total portfolio shall not exceed SR 125's anticipated liquidity needs for operations for the next six months. SR 125 is in compliance with all maturity provisions of the investment policy.

2. ***Credit risk***

Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price to decline. SANDAG maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations for its investments.

The portfolio is diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Credit requirements listed in the investment policy apply at the time of purchase. In the event a security held by SR 125 is subject to a credit rating change that brings it below the minimum credit ratings specified for purchase, the Chief Financial Officer shall review the security. The course of action to be followed will then be decided by the Chief Financial Officer and either the Executive Director or the Chief Deputy Executive Director on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security. Any credit rating changes below the minimum credit ratings specified for purchase will be reported to the Board of Directors along with the findings and any actions taken.

The SR 125 portfolio is in compliance with all minimum rating requirements of the investment policy and did not experience any credit rating changes that brought the security below the minimum credit ratings.

3. ***Concentration of credit risk***

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issuers. The SR 125 maintains investment policies that establish thresholds for holdings of individual securities. The SR 125 did not have any holdings meeting or exceeding the allowable threshold levels as of June 30, 2022.

As of June 30, 2022, with the exception of investments that are explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments, SANDAG did not have any investments with more than 5 percent of the total investments under one issuer.

4. ***Custodial credit risk***

The California Government Code requires California banks and savings and loan associations to secure SANDAG cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the SANDAG name.

The market value of pledged securities must equal at least 110 percent of SANDAG cash deposits. California law also allows institutions to secure SANDAG deposits by pledging first trust deed mortgage notes having a value of 150 percent of SANDAG total cash deposits. SANDAG may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. SANDAG, however, has not waived the collateralization requirements.

B. Fair value measurements

The SR 125 categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The SR 125 did not invest in securities that qualify for the reporting of fair value measurements as of June 30, 2022.

C. Accounts Receivables, Net

To ensure collection of toll revenue, the SR 125 uses a violation enforcement system capable of identifying vehicle license plates at any operating speed. Persons who fail to pay their tolls may be charged a penalty in addition to the toll. The SR 125 accrues violation revenue in an amount management expects to collect the following fiscal year.

Receivables as of June 30, 2022, were $3,576,553 which is primarily comprised of $2,563,995 violations fines receivable, net of an allowance for doubtful accounts. Gross violation receivables as of June 30, 2022 was $62,575,913 with an estimated uncollectible allowance of $60,011,918.

D. Due to other funds

Due to/from other funds represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. The reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the fund that initially incurred the expense.

Due to other funds from the SR125 totaled $3,196,974 for the fiscal year ended June 30, 2022.

- $2,990,776 due to the SANDAG for capital project and administrative expenses
- $206,198 due to the I-15 Fastrak for toll interoperability reimbursement

E. Due to/from other governments

Due from other governments represent revenue receivables due from the Department of Motor Vehicles and the Franchise Tax Board collected on behalf of SR 125. Monthly interoperable toll transactions between the SR 125 and other California tolling agencies are also recorded as due to/from other governments.

F. Transfers in/out

Transfers to SANDAG consisted of transactions related to capital improvements that increase access to the SR 125 such as tollway-to-freeway connectors that better integrate the SR 125 into the San Diego region's transportation network as well as interchange improvements that provide local road access to the SR 125. These capital projects will increase traffic capacity and operational efficiencies while also maintain the system in a state of good repair.

Transfers from the SR 125 capital reserve to fund capital projects totaled $4,211,496 for the fiscal year end June 30, 2022.

- Transfer of $2,352,235 for the design and construction of the SR 125 connectors southbound to westbound SR 905.
- Transfer of $46,389 for the design of the Joint Transportation Operation Center which will combine management and operation functions in a single facility.
- Transfer of $1,249 for the upgrade of the contract management system.
- Transfer of $20,884 for the Fiber Optic Information Network Gap Closure Project
- Transfer of $1,790,739 for the design and construction of the SR11 Otay Mesa East Port of Entry (POE) to enhance regional mobility, fuel economic growth, and binational trade between the United States and Mexico.

G. Capital assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,980,000	$ -	$ -	$ 1,980,000
Construction-in-progress	18,172,123	773,269	(18,945,392)	-
Total capital assets, not being depreciated	20,152,123	773,269	(18,945,392)	1,980,000
Capital assets, being depreciated:				
Office equipment	273,741	6,750	-	280,491
Computer equipment	954,200	75,420	-	1,029,620
Vehicles	643,868	-	-	643,868
Fixed operating equipment	174,267	-	-	174,267
Software	226,676	-	-	226,676
Roadway improvements	14,999,774	-	-	14,999,774
Toll road franchise	395,423,000	-	-	395,423,000
Roadway Service & Toll Systems	-	12,764,693	-	12,764,693
Back Office System	-	6,180,699	-	6,180,699
Building	4,020,000	-	-	4,020,000
Total capital assets, being depreciated	416,715,526	19,027,562	-	435,743,088
Less accumulated depreciation for:				
Office equipment	(259,626)	(6,588)	-	(266,214)
Computer equipment	(864,475)	(106,759)	-	(971,234)
Vehicles	(511,520)	(64,141)	-	(575,661)
Fixed operating equipment	(166,789)	(4,380)	-	(171,169)
Software	(209,867)	(9,169)	-	(219,036)
Roadway improvements	(2,932,419)	(1,499,977)	-	(4,432,396)
Toll road franchise	(121,477,697)	(12,755,581)	-	(134,233,278)
Roadway Service & Toll Systems	-	(202,422)	-	(202,422)
Back Office System	-	(171,686)	-	(171,686)
Building	(763,800)	(80,400)	-	(844,200)
Total accumulated depreciation	(127,186,193)	(14,901,103)	-	(142,087,296)
Total capital assets, being depreciated, net	289,529,333	4,126,459	-	293,655,792
Capital assets, net	$ 309,681,456	$ 4,899,728	$ (18,945,392)	$ 295,635,792

Effective December 21, 2011, SANDAG entered into an Asset Purchase and Sale Agreement to acquire the rights and interest in a Franchise Agreement with Caltrans. The Franchise Agreement gives the holder the right to operate a toll road (SR 125) in San Diego, California.

The fair value of the consideration paid was $341.5 million. The consideration consisted of a cash payment of $238.3 million, an additional cash component, held in escrow, in the amount of $7.5 million, a promissory note with a principal amount of $1.4 million and an assumption of indebtedness in the amount of $94.2 million. The fair value of the total invested capital, including equity and assumed debt was $402.9 million as of the valuation date and was allocated to each asset type shown in the above schedule.

In November 2017, the SR 125 refunded all acquisition debts by issuing $194,140,000 toll revenue bonds.

H. Long-term debt

1. *The 2017 Series A Toll Revenue Bonds*

In November 2017, the SR 125 issued $194,140,000 of 2017 Series A toll revenue bonds for the purpose of providing funds to refinance indebtedness incurred by the SR 125 in connection with the acquisition of the South Bay Expressway and to pay the cost of issuance of the 2017 Bonds. The 2017 Series A toll revenue bonds included a premium of $38,102,982 and carried an overall all-in interest rate of 3.33 percent with a final maturity date of July 1, 2042.

The principal requirements to maturity for the 2017 Series A bonds, are as follows:

Maturity Fiscal Year (Jan 1, Jul 1)	Principal Amount	Interest Amount
2023	$ 5,010,000	$ 8,747,500
2024	5,265,000	8,490,625
2025	5,535,000	8,220,625
2026	5,820,000	7,936,750
2027	6,120,000	7,638,250
2028 - 2032	35,645,000	33,148,625
2033 - 2037	45,765,000	23,023,125
2038 - 2042	58,775,000	10,020,375
2043	9,520,000	238,000
Total	$ 177,455,000	$ 107,463,875

Under GASB 88, the 2017 Series A toll revenue bonds are classified as other debts. Toll revenues are pledged as collateral for these bonds. There is no unused line of credit on these bonds. In the event of default, the SR 125's revenue and other funds shall be under the control of and applied by the Trustee under the provision of the Indenture. There is no right of acceleration with respect to the debt.

2. *Changes in long-term debt*

Long-term debt activity for the year ended June 30, 2022, is as follows:

	Beginning balance July 1, 2021	Additions	Reductions	Ending Balance June 30, 2022	Due Within One Year
2017 Series A Toll Revenue Bonds	$ 182,220,000	$ -	$ (4,765,000)	$ 177,455,000	$ 5,010,000
Premium	29,240,544	-	(2,318,529)	26,922,015	-
Total	$ 211,460,544	$ -	$ (7,083,529)	$ 204,377,015	$ 5,010,000

3. *Pledged revenue*

SR 125 has debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity table presented in the accompanying notes. The purpose for which the proceeds of the related debt service payments as a percentage of pledged gross revenue are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenues for the remainder of the term of the commitment.

SR 125 pledged its toll revenue to repay the toll revenue bonds. These bonds were used to refinance the TIFIA and *TransNet* loans.

The table below presents the SR 125's pledged revenue, annual debt service and debt service coverage for the fiscal year ended June 30, 2022.

Description of Pledged Revenue	FY 2022 Amount of Pledged Revenue	FY 2022 Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Net Project Revenue	$ 22,750,438	$ 13,882,750	61%

I. Risk Management

SANDAG has a self-insured retention (deductible) for Bodily Injury and Property Damage Liability (including General Liability and Automobile Liability) claims of $500,000 per occurrence. Amounts in excess of the self-insurance are covered by commercial excess insurance up to $50,000,000.

Liabilities are recorded when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The ultimate amount of losses incurred is dependent on future developments. The amounts reported in the accompanying financial statement have been determined based upon information from SANDAG legal counsel. Claims liability reported as of June 30, 2022, was $920,838. The payment for the claim was paid out in FY2023 for the total amount.

	2022	2021
Claims payable, beginning of year	$ 1,200,000	$ 238,157
Current year claims	-	1,200,000
Changes in estimates	(80,000)	-
Current year claim payments	(199,162)	(238,157)
Claims payable, end of year	$ 920,838	$ 1,200,000

J. Lease Receivable

Beginning in 2014, the SR-125 entered a contract to lease a parcel of land for a cell tower to a third party. The lease is for thirty years, with an initial five-year term and five auto-renewal periods of five-year terms. The SR 125 received monthly payments of $2,500 at the commencement of the lease term in 2014, increasing 3% each year. The SR-125 recognized $38,295 of lease revenue and $20,137 of interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the SR-125's receivable for lease payments was $871,221. Also, the SR-125 has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was $849,506.

K. Commitments and Contingencies

As of June 30, 2022, SR 125's commitments to vendors and consultants for capital projects which are in various stages of development are as follows:

Projects	Contract Amount	Remaining
Back office system	$ 8,527,346	$ 2,458,047
Roadway tolling system	20,445,073	7,628,458
Ramp pavement overlay	8,759,000	1,029,000
Total	$ 37,731,419	$ 11,115,505

L. Other postemployment benefits

1. *Plan description*

In March 1986, pursuant to requirements of the state retirement system in which SANDAG participates, SANDAG adopted a policy to provide post-retirement health care benefits to retired employees through the California Public Employees' Retirement System (CalPERS), an agent multiple-employer benefit plan (plan) that covers all SANDAG employees and is administered by the California Employer's Retiree Benefits Trust (CERBT). SR 125 is considered a separate employer of the SANDAG plan and therefore reports as a cost-sharing plan.

Commencing with the January 1, 2009 benefit year, SANDAG provides a fixed dollar amount contribution equal to a maximum of $250 per month per each eligible retiree. The maximum of $250 per month has not been increased in subsequent years, and any future increases would be at the discretion of SANDAG. Eight retirees were grandfathered into their 2007 SANDAG contribution with a 5 percent increase for 2007 and 2008. For these retirees, amounts in excess of the SANDAG fixed dollar contribution will be placed in a tax-free health reimbursement account. In future years, the SANDAG contribution may be subject to the CalPERS minimum required employer contribution ($143 per month in 2021, $149 per month in 2022 and subject to annual adjustments to reflect Medical Portion of CPI). There were no changes in the benefit terms from the prior period.

Eligibility for the SANDAG contribution requires retirement and receipt of pension income under CalPERS while receiving coverage under the CalPERS Health Program. Covered employees who terminate employment with SANDAG prior to meeting CalPERS eligibility for retirement (attainment of at least age 50 and at least 5 years of CalPERS credited service) are not eligible for continuation of medical coverage except as provided under COBRA. An eligible retiree can elect to contribute to the cost of continuing spouse and other eligible dependent coverage at retirement. Surviving spouses are eligible for the SANDAG contribution upon the death of the retiree.

2. *Contributions*

Contributions to retirees are a fixed dollar amount equal to a maximum of $250 per month per each eligible retiree. The exception to this contribution is for eight retirees who were grandfathered into their 2007 SANDAG contribution with an increase in each year thereafter, to maintain a comparable benefit level. The expenditure was recorded when the Annual Required Contribution of the employer was paid. For the fiscal year ended June 30, 2022, total cash contributions were $48,526.

3. *Net OPEB liability*

The SANDAG net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	5.50%
Inflation	2.25%
Salary Increase	2.5%, in aggregate plus Merit
Investment Rate of Return	5.50%
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover[2]	Derived using CalPERS' Membership Data for all funds
Healthcare Cost Trend Rate	6.3% PPO / 6.3% HMO decreasing to 3.8% PPO / 3.8% HMO

1 The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2017 experience study report.

2 The Pre-Retirement Turnover table used was developed using the most recent (2017) CalPERS pension plan valuation.

In 2021, discount rate changed from 6.5% to 5.5%, inflation changed from 2.75% to 2.25% and investment rate of return changed from 6.5% to 5.5%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges 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 percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap	16.41%	4.42%
Domestic Equity - Small/Mid Cap	7.03	4.81
International Equity - Developed	11.36	4.91
International Equity - Emerging	5.20	5.58
Domestic Fixed Income	43.00	1.00
Treasury Inflation-Protected Securities ("TIPS")	5.00	0.15
Real Estate Investment Trusts ("REITS")	8.00	3.98
Commonities	4.00	1.73
Total	**100%**	

Long-term expected rate of return is 5.50%.

4. *Discount rate*

The discount rate used to measure the total OPEB liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that SANDAG continues to fully fund its retiree health benefits through the CERBT under its investment allocation strategy 2. The rate reflects the CERBT published median interest rate for strategy 2 with an additional margin for adverse deviation.

5. *Changes in proportionate share of net OPEB liability*

The summary of changes in net OPEB liability for the SR 125 are as follows:

	6/30/2022	6/30/2021	Change
Proportionate share	$ 260,066	$ 95,374	$ 164,692
Proportionate share (%)	8.10%	6.67%	1.43%

The SR 125's proportion of the net OPEB liability is based on its contributions relative to the total contributions for the period ended June 30, 2021.

6. *Sensitivity of the net OPEB liability to changes in the discount rate*

The following presents the net OPEB liability of the SR 125 plan as of the measurement date, calculated using the discount rate of 5.50 percent, as well as if it were calculated using a discount rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate.

	Discount Rate		
	1% Decrease (4.50%)	**Current** (5.50%)	**1% Increase** (6.50%)
Proportionate share of collective net OPEB liability	$ 357,162	$ 260,066	$ 177,944

7. *Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates*

The following presents the net OPEB liability of the SR 125 as of the measurement date, calculated using the current healthcare cost trend rates (HMO and PPO), as well as if it were calculated using rates that are one percentage point lower or one percentage point higher than the current rate.

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
	(4.50%HMO / 4.50%PPO decreasing to 4.00%HMO / 4.00%PPO)	(5.50%HMO / 5.50%PPO decreasing to 5.00%HMO / 5.00%PPO)	(6.50%HMO / 6.50%PPO decreasing to 6.00%HMO / 6.00%PPO)
Proportionate share of collective net OPEB liability	$ 182,201	$ 260,066	$ 366,443

8. ***OPEB plan fiduciary net position***

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703 or by visiting its website at calpers.ca.gov.

9. ***Recognition of deferred outflows and deferred inflows of resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss.

Net difference between projected and actual earnings on OPEB plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) (9.15 years at June 30, 2022)

10. ***OPEB expense and deferred outflows/inflows of resources related to OPEB***

For the fiscal year ended June 30, 2022, SR 125 recognized OPEB expense of $22,311 for the plan. SR 125 reports other amounts for the plan as deferred outflows and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 48,526	$ -
Change in proportionate share	22,951	(9,932)
Change of assumptions	102,465	(880)
Difference between expected and actuarial experience	127,982	-
Net difference between projected and actual earnings	-	(2,353)
on OPEB plan investments	-	(48,611)
Total	$ 301,924	$ (61,776)

SR 125 reported $48,526 deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for SR 125 will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	$ 9,416
2024	19,037
2025	19,581
2026	18,694
2027	31,318
Thereafter	93,576
Total	**$ 191,622**

M. Pension plan

Qualified permanent and probationary employees are eligible to participate in pension benefits through the California Public Employees' Retirement System (CalPERS).

1. *Plan description*

SANDAG provides the plan to its employees and employees of the SR 125 and the plan is classified as a cost-sharing plan for the SR 125. The benefit pension plan is administered by CalPERS. CalPERS acts as a common investment and administrative agent for its participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of the multiple employers are pooled together for investment purposes, but separate accounts are maintained for each individual employer.

Benefit provisions under the plan are established by state statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

2. *Benefits provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, which include public employees and their beneficiaries. SANDAG has three classes of plan members, based on date of hire. Benefits for all plan members are based on years of credited service, equal to one year of full-time employment.

The plan's provisions and benefits in effect on June 30, 2022, are summarized as follows:

Hire date	Prior to 10/27/12	After 10/27/12[1]	On or after 1/1/13[2]
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule (# years of service)	5 yrs	5 yrs	5 yrs
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	2.7%	2.0%	2.0%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	10.320%	10.320%	10.320%

1 Includes those hired on or after January 1, 2013, who are current members of CalPERS (or a reciprocal agency) and have not had a break in service with a CalPERS agency of greater than six months.

2 Applicable to employees who are not members of CalPERS (or a reciprocal system) at the time of hire or have had a break in service greater than six months from a CalPERS agency.

The Plan also provides optional benefits for survivor and disability benefits. The benefit provisions and all other requirements are established by contracts with CalPERS in accordance with the provisions of the Public Employees' Retirement law.

CalPERS issues an annual audited stand-alone financial report and a copy can be obtained by submitting a written request to CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709 or by visiting its website at calpers.ca.gov.

3. *Contributions*

All employer contribution rates are actuarially determined annually and become effective July 1 following the notice of change in the rate in accordance with Section 20814(c) of the California Public Employees' Retirement Law (PERL). The employer and employee contributions are a percentage of the covered payroll, which is based on pensionable earnings. The rates are defined by law and are based on the employer's benefit formula as determined by periodic actuarial valuations. These contributions are deposited in a fund established for each entity for the purpose of creating actuarial reserves for future benefits. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

For the reporting fiscal year 2022, the required contributions were actuarially determined by the funding valuation reports dated June 30, 2020. The actuarially required contribution rate was 23.786% of covered payroll and actual contributions totaled $867,317 for the SR 125. This rate includes the mandatory employee contribution rate that is currently paid by the SR 125 for all eligible members. PEPRA members pay 6.75% of covered payroll which is 57.25% of the total normal cost of 11.79%. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

4. *Net pension liability*

The Plan's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled forward to determine the June 30, 2021 total pension liability.

5. *Actuarial methods and assumptions used to determine total pension liability*

The June 30, 2021 (the measurement date), total pension liability was based on the following actuarial methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment Expenses; includes inflation
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

[1]The mortality table used was developed based on CalPERS-specific data. The probabilities of mortaility are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-Retirement mortality rates include 15 years of projected mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality, and retirement rates. The Experience Study report can be accessed on the CalPERS website at calpers.ca.gov under Forms and Publications.

6. *Changes of assumptions*

In 2021, there were no changes of assumptions.

7. *Discount rate*

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class.

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1 - 10[2]	Real Return Years 11+[3]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Assets	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)

[1] In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

[2] An expected inflation of 2.00% used for this period.

[3] An expected inflation of 2.92% used for this period.

8. *Subsequent events*

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

9. *Pension plan fiduciary net position*

The plan fiduciary net position (assets) disclosed in the SANDAG GASB 68 report may differ from the plan assets reported in the SANDAG actuarial valuation report due to several reasons. First, CalPERS must keep Reserves for Deficiencies and Fiduciary Self Insurance. These amounts are excluded for rate-setting purposes in the actuarial valuation report while required to be included for GASB 68 reporting purposes. In addition, differences may result from early Annual Comprehensive Financial Report closing and final reconciled reserves.

10. *Changes in proportionate share of net pension liability*

The following table displays the SR 125 aggregate changes in proportionate share of the net pension liability recognized over the measurement period of July 1, 2020 to June 30, 2021:

	6/30/2022	6/30/2021	Change
Proportionate share	$ 4,406,633	$ 7,291,998	$ (2,885,365)
Proportionate share (%)	10.54%	12.52%	-1.98%

The proportion of the net pension liability of the plan is measured as of June 30, 2021, and the total pension liability for the plan to calculate the net pension liability was determined by an actuarial valuation of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. SR 125's proportion of the net pension liability was based on its contributions relative to the total contributions for the period ended June 30, 2021.

11. *Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability of the plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1 (8.15%)
Proportionate share of collective net pension liability	$ 7,381,698	$ 4,406,633	$ 1,944,316

12. *Recognition of gains and losses*

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Source	Amortization Period
Net Difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the measurement period ending June 30, 2021 is 4.5 years, which was obtained by dividing the total service years of 3,979 (the sum of remaining service lifetimes of the active employees) by 889 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

13. *Pension expense and deferred outflows and deferred inflows of resources related to pensions*

For the reporting period ended June 30, 2022, SR 125 recognized a pension expense of $787,652 for the plan.

Deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

San Diego Association of Governments
South Bay Expressway
Notes to the Financial Statements, Continued
For the Fiscal Year Ended June 30, 2022

SR 125 reports deferred outflow and deferred inflow of resources related to pensions as of June 30, 2022 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ (21,895)
Differences between expected and actual experience	439,952	(30,957)
Change in proportionate share	496,672	(1,110,884)
Employer contributions for fiscal year 2021	867,317	-
Net difference between projected and actual earnings on pension plan investments	-	(1,636,150)
Total	$ 1,803,941	$ (2,799,886)

The SR 125 reports a total of $867,317 as deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the SR 125 will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	$ (304,735)
2024	(431,061)
2025	(600,550)
2026	(526,916)
Total	**$ (1,863,262)**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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San Diego Association of Governments
South Bay Expressway
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022

A. Other Post-Employment Benefits (OPEB) Plan:

Schedule of the Plan's Proportionate Share of Net OPEB Liability
Last Ten Years[1]

Measurement Period	2020-2021	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017
Proportion of the collective net OPEB liability	8.10%	6.67%	6.67%	6.15%	9.48%
Proportionate share of the collective net OPEB liability	$ 260,066	$ 95,374	$ 103,750	$ 80,581	$ 141,225
Covered-employee payroll	$ 3,750,752	$ 3,642,675	$ 3,223,183	$ 2,852,000	$ 2,529,029
Proportionate share of the collective net OPEB liability as a percentage of covered-employee payroll	6.93%	2.54%	3.20%	2.80%	5.58%
Plan fiduciary net position as a percentage of the total OPEB liability	69.20%	80.00%	76.80%	77.50%	72.71%

Notes to Schedule

Changes in Assumptions: In 2021, discount rate changed from 6.5% to 5.5%, inflation changed from 2.75% to 2.25% and investment rate of return changed from 6.5% to 5.5%. In 2020, inflation rate remained at 2.50%. Salary increased remained at 2.75%

[1] Ten years has not been presented as Governmental Accounting Standards Board 75 was implemented for the fiscal year ended June 30, 2018.

San Diego Association of Governments
South Bay Expressway
Required Supplementary Information, Continued (Unaudited)
For the Fiscal Year Ended June 30, 2022

Schedule of the Plan's OPEB Contributions
Last Ten Years[2]

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Actuarially Determined Contribution	$ 48,526	$ 39,230	$ 35,056	$ 31,666	$ 48,746
Contributions in Relation to the Actuarially Determined Contribution	(48,526)	(39,230)	(35,056)	(31,666)	(48,746)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 4,020,765	$ 3,750,752	$ 3,642,675	$ 3,223,183	$ 2,852,000
Contributions as a Percentage of Covered-Employee Payroll	1.207%	1.046%	0.962%	0.982%	1.709%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for FY 2022 were from the June 30, 2021 actuarial valuations.

[2] Ten years has not been presented as Governmental Accounting Standards Board 75 was implemented for the fiscal year ended June 30, 2018.

San Diego Association of Governments
South Bay Expressway
Required Supplementary Information, Continued (Unaudited)
For the Fiscal Year Ended June 30, 2022

B. Pension Plan:

Schedule of the Plan's Proportionate Share of Net Pension Liability
Last Ten Years[3]

Measurement Period	2020 - 2021	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2014 - 2015
Proportion of the collective net pension liability	10.54%	12.52%	13.20%	11.48%	9.82%	9.82%	9.82%
Proportionate share of the collective net pension liability	$ 4,406,633	$ 7,291,998	$ 7,347,695	$ 6,047,339	$ 5,159,078	$ 4,633,003	$ 3,848,466
Covered payroll	$ 3,401,523	$ 4,137,222	$ 3,790,886	$ 3,084,079	$ 2,619,733	$ 2,517,267	$ 2,371,292
Proportionate share of the collective net pension liability as a percentage of covered payroll	129.55%	176.25%	193.83%	196.08%	196.93%	184.05%	162.29%
Plan fiduciary net position as a percentage of the total pension liability	80.08%	69.91%	69.62%	69.21%	67.47%	67.16%	70.71%

Notes to Schedule

Benefit Changes: There were no changes in benefits for the years presented.

Changes in Assumptions: In 2021, there were no changes. In 2020, there were no changes. In 2019, there were no changes. In 2018, inflation rate decreased from 2.75 percent to 2.50 percent. In 2017, the discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

[3] Ten years has not been presented as Governmental Accounting Standards Board 68 was implemented for the fiscal year ended June 30, 2015.

San Diego Association of Governments
South Bay Expressway
Required Supplementary Information, Continued (Unaudited)
For the Fiscal Year Ended June 30, 2022

Schedule of the Plan's Pension Contributions
Last Ten Years[4]

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially Determined Contribution	$ 867,317	$ 948,320	$ 914,273	$ 678,954	$ 507,192	$ 493,636	$ 460,106	$ 452,514
Contributions in Relation to the Actuarially Determined Contribution	(867,317)	(948,320)	(914,273)	(678,954)	(507,192)	(493,636)	(460,106)	(452,514)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,646,395	$ 3,401,523	$ 4,137,222	$ 3,790,886	$ 3,084,079	$ 2,619,733	$ 2,517,267	$ 2,371,292
Contributions as a Percentage of Covered Payroll	23.786%	23.470%	22.099%	17.910%	16.445%	18.843%	18.278%	19.083%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for FY 2022 were from the June 30, 2020 actuarial valuations report.

[4] Ten years has not been presented as Governmental Accounting Standards Board 68 was implemented for the fiscal year ended June 30, 2015.

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