SANDAG

South Bay Expressway

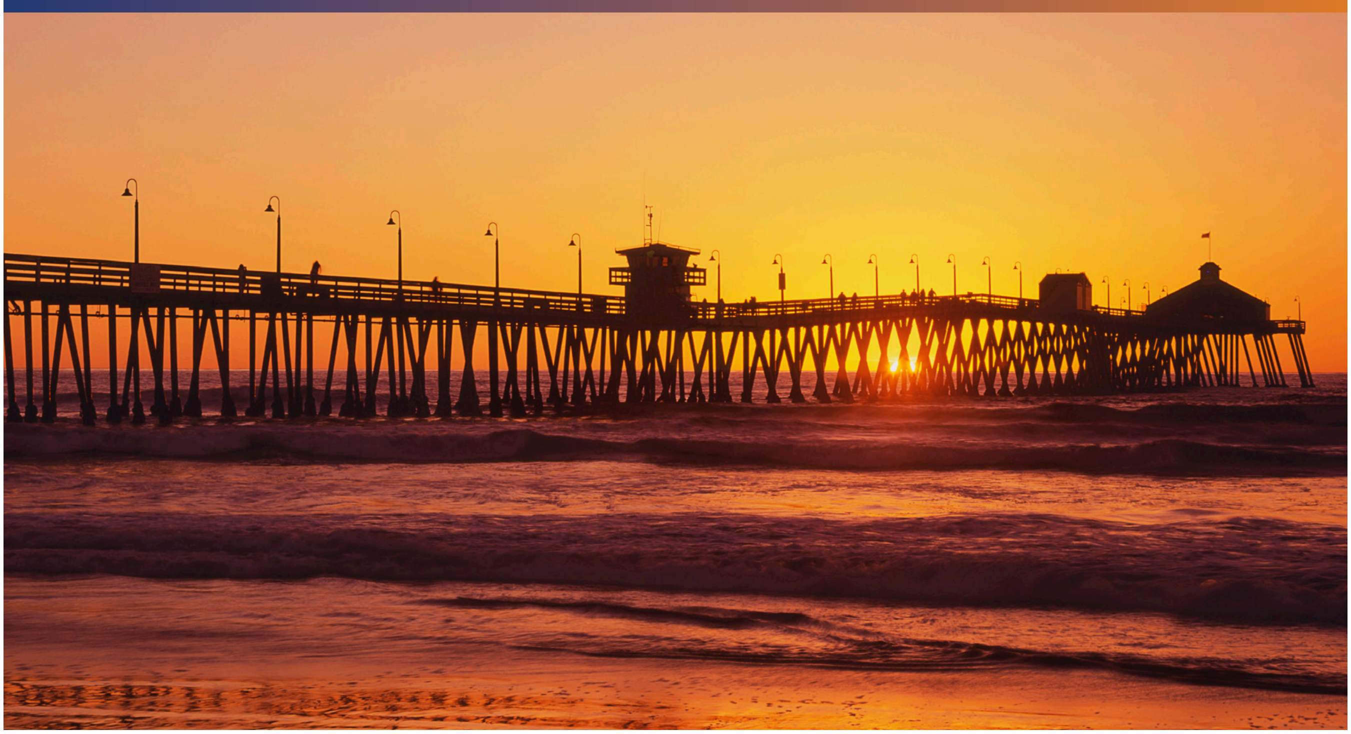
San Diego Association of Governments

BASIC FINANCIAL STATEMENTS

2023

For the Fiscal Year Ended June 30, 2023

San Diego, California



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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, 2023

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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For the year ended June 30, 2023

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DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
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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 (SR 125) a major fund of the San Diego Association of Governments (SANDAG), as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprise SR 125's basic financial statements as listed in the table of contents.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the respective financial position of SR 125, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Due to the implementation of a new back-office system, there were difficulties in reconciling certain accounting records to the underlying customer accounts. Due to SANDAG's ongoing efforts to further evaluate these accounts, we were unable to obtain sufficient appropriate audit evidence supporting $38,768,057 of SR 125 Toll Road revenue, $4,395,752 of accounts receivable, and $2,138,678 of unearned revenue reported in the fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 SR 125 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 opinions.

Emphasis of Matter

As described further in note 2C to the financial statements, during the year ended June 30, 2023, SR 125 implemented Governmental Accounting Standards Board (GASB) Statement No. 96. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

SR 125's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SR 125's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 SR 125's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SR 125's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Report on Summarized Comparative Information

The financial statements of SR 125 for the year ended June 30, 2022 were audited by other auditors whose report dated December 21, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 on our consideration of SANDAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SANDAG's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
March 28, 2024

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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, 2023. 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 5.0 percent above the annual budget, while operating costs were 14 percent under budget during fiscal year (FY) 2023. SR 125 continues to meet debt service obligations and reserve funding commitments.

- SR 125 reported a net position of $181,177,702, of which $83,700,149 is invested in capital assets, $19,143,371 is restricted for debt service; $28,956,830 is restricted for capital expenditures, $49,245,285 is restricted for project spending, and $132,067 is restricted for customer prepaid accounts.

- SR 125 total net position increased by $4,324,452 in fiscal year 2023.

- SR 125 total debt balance at the end of June 2023 was $197,113,933, a decrease of $7,263,082 compared to the same period in the prior year. The decrease is due to principal payment of $5,010,000 and bond premium amortization of $2,253,082.

- Net investment in capital assets decreased by $6,683,749 mainly due from a decrease of capital assets net of depreciation as well as 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 deferred inflows and deferred outflows, 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 supplementary 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 assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $181,177,702 as of June 30, 2023.

SR 125's Net Position

	2023	2022
Current and other assets	$ 111,716,706	103,097,559
Capital assets	282,517,206	295,635,792
Total assets	394,233,913	398,733,351
Deferred outflows of resources	3,480,802	2,506,652
Current liabilities	15,172,565	16,641,871
Long-term liabilities	199,361,114	204,033,714
Total liabilities	214,533,679	220,675,585
Deferred inflows of resources	1,889,164	3,711,168
Net investment in capital assets	83,700,149	90,383,898
Restricted for:		
Debt service	19,143,371	18,888,149
Capital expenditures	28,956,830	24,934,775
Project revenue	49,359,457	41,036,618
Customer prepaid accounts	132,067	1,609,810
	$ 181,291,873	$ 176,853,250

As of June 30, 2023, there was a total of $172,445,000 of outstanding bond liability with a premium balance of $24,668,933. 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 $13.1 million due to depreciation expenses offset by toll road improvements. Long-term liabilities decreased $4.7 million from principal payment and premium amortization for the Series 2017A bonds, offset by an increase in pension liabilities. Current liabilities decreased $1.4 million due to changes in due to other funds. Furthermore, the deferred inflows of resources decreased by $1.8 million from pension and lease related items.

SR 125's Change in Net Position

	2023	2022
Operating revenue	$ 38,768,057	$ 34,342,864
Operating expenses	29,404,050	26,653,900
Operating income	9,364,007	7,688,964
Nonoperating revenues (expenses)	(3,456,917)	(6,348,365)
Income (loss) before contributions and transfers	5,907,091	1,340,599
Transfers out	(1,468,467)	(4,211,496)
Change in net position	4,438,623	(2,870,897)
NET POSITION:		
Beginning of year	176,853,250	179,724,147
End of year	$ 181,291,873	$ 176,853,250

As the *Statement of Revenues, Expenses, and Changes in Net Position* (page 14) illustrates, SR 125 collected $38.7 million in operating revenues, which adequately covered operating expenses and debt obligations. Revenue increased $4.4 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 $2.7 million in FY2023. 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, 2023, amounts to $282,517,206 (net of accumulated depreciation). This investment in capital assets includes land, toll road and roadway improvements, building, new back office and roadway service systems, equipment, vehicles, subscription right-to-use assets, toll equipment and office furnishings. The SR 125 placed $1 million of the roadway service system and tolling equipment, and $1.8 million of back-office system in service in FY2023.

SR 125 Capital Assets
(Net of accumulated depreciation)

	2023	2022
Land	$ 1,980,000	$ 1,980,000
Toll road	248,434,142	261,189,722
Roadway improvements	9,067,401	10,567,378
Roadway Service & Toll Systems	13,115,749	12,562,271
Back Office System	6,537,820	6,009,013
Building	3,095,400	3,175,800
Equipment	60,654	61,484
Vehicles	165,830	68,207
Software	-	7,640
Subscription right-to-use assets	34,638	-
Office furnishings	7,284	14,277
Construction-in-progress	18,288	-
SR 125 activities capital assets, net	$ 282,517,206	$ 295,635,792

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

Debt Administration

Long-term debt. At June 30, 2023, SR 125 had total debt outstanding of $197,113,933 which comprised of $172,445,000 tax-exempt toll revenue bonds with a net premium balance of $24,668,933.

	SR 125 activities	
	2023	2022
2017 Series A Toll Revenue Bonds	$ 172,445,000	$ 177,455,000
Premium	24,668,933	26,922,015
Total	$ 197,113,933	$ 204,377,015

SR 125's total debt decreased by $7,263,082 due to principal payment of $5,010,000 and bond premium amortization of $2,253,082.

Additional information on SR 125 long-term debts can be found in Note III.K 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, 2023
(With comparative information for the prior year)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted	$ 6,131,245	$ 6,104,779
Accounts receivable, net	4,395,742	3,024,004
Lease receivable	17,779	16,221
Prepaid items and other assets	2,658,833	2,293,891
Due from SANDAG funds	789,159	-
Due from other governments	210,596	536,328
Total current assets	14,203,354	11,975,223
Noncurrent assets:		
Cash and cash equivalents - restricted	96,676,132	90,267,336
Non-depreciable capital assets	1,998,288	1,980,000
Depreciable capital assets, net of accumulated depreciation	280,518,919	293,655,792
Lease receivable	837,221	855,000
Total noncurrent assets	380,030,560	386,758,128
Total assets	**394,233,914**	**398,733,351**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources - pension related	2,726,996	1,803,941
Deferred outflow of resources - OPEB related	386,560	301,924
Deferred outflow of resources - loss on debt refunding	367,246	400,787
Total deferred outflows of resources	**3,480,802**	**2,506,652**
LIABILITIES		
Current liabilities:		
Accounts payable	1,557,995	704,568
Retentions payable	1,223,783	1,091,431
Due to SANDAG funds	119,133	3,196,974
Due to other governments	231,047	259,809
Transponder deposit	20,091	19,474
Unearned revenue	2,138,678	665,161
Claims payable	-	920,838
Accrued interest	4,311,125	4,436,375
Compensated absences	293,396	337,241
Subscription IT Liability	12,317	-
Bonds payable due within one year	5,265,000	5,010,000
Total current liabilities	15,172,565	16,641,871
Noncurrent liabilities:		
Bonds payable	191,848,933	199,367,015
Net pension liability	7,088,432	4,406,633
Net OPEB liability	400,690	260,066
Subscription IT Liability	23,059	-
Total noncurrent liabilities	199,361,114	204,033,714
Total liabilities	214,533,679	220,675,585
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - lease related	811,211	849,506
Deferred inflows of resources - pension related	1,074,340	2,799,886
Deferred inflows of resources - OPEB related	3,613	61,776
Total deferred inflows of resources	1,889,164	3,711,168
NET POSITION		
Net investment in capital assets	83,700,149	90,383,898
Restricted for:		
Debt service	19,143,371	18,888,149
Capital expenditure	28,956,830	24,934,775
Project revenue	49,359,456	41,036,618
Customer prepaid accounts	132,067	1,609,810
Total net position	**$ 181,291,873**	**$ 176,853,250**

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, 2023
(With comparative information for the prior year)

	Totals	
	2023	2022
OPERATING REVENUES:		
Electronic toll collection	$ 22,942,979	$ 21,390,604
Cash and credit card tolls	11,928,522	10,171,283
Violation revenue	2,282,721	1,459,961
Other	1,613,835	1,321,016
Total operating revenues	**38,768,057**	34,342,864
OPERATING EXPENSES:		
Facilities, roadway and landscaping operations	2,463,332	2,311,253
Payroll and other compensation expenses	6,558,832	5,805,356
Administrative costs	382,006	319,696
Insurance	703,979	625,777
Utilities	553,748	495,824
Professional services	2,475,860	2,194,891
Depreciation & Amortization	16,266,293	14,901,103
Total operating expenses	**29,404,050**	26,653,900
Operating income (loss)	9,364,007	7,688,964
NONOPERATING REVENUES (EXPENSES):		
Interest income	2,453,607	160,371
Interest expense	(6,402,709)	(6,588,736)
Claims expense	492,185	80,000
Total nonoperating revenues (expenses)	**(3,456,917)**	(6,348,365)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	5,907,091	1,340,599
TRANSFERS		
Transfer to SANDAG	**(1,468,467)**	(4,211,496)
CHANGE IN FUND NET POSITION	4,438,623	(2,870,897)
NET POSITION:		
Beginning of year	176,853,250	179,724,147
End of year	$ 181,291,873	$ 176,853,250

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, 2023
(With comparative information for the prior year)

	June 30, 2023	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 38,764,916	$ 32,536,569
Receipts from rental and miscellaneous income	59,893	85,641
Payments for employees salaries and benefits	(6,571,654)	(5,920,731)
Payments for operations	(9,881,346)	(7,877,306)
		-
Net cash provided by operating activities	22,371,809	18,824,173
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfer to SANDAG	(1,468,467)	(4,211,496)
Transfer from SANDAG	-	899,582
Net cash used for capital financing and related activities	(1,468,467)	(3,311,914)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for acquisition and construction of capital assets	(3,104,359)	(2,387,790)
Principal payment on debt	(5,010,000)	(4,765,000)
Interest payment on debt	(8,754,250)	(8,991,875)
Interest payment	(1,312)	-
Net cash used for capital financing and related activities	(16,869,921)	(16,144,665)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	2,401,842	160,371
Net cash from investing activities	2,401,842	160,371
Net increase (decrease) in cash and investments	6,435,263	(472,035)
Cash and cash equivalents, beginning of the year	96,372,115	96,844,150
Cash and cash equivalents, end of the year	$ 102,807,378	$ 96,372,115
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	$ 9,364,007	$ 7,688,964
Adjustments to reconcile net cash provided by (used for) operating activities:		
Depreciation expense	16,266,293	14,901,103
Change in:		
Accounts receivable	(1,371,738)	478,149
Prepaid expenses and other assets	(364,942)	(2,403,014)
Due from other governments	325,732	(356,194)
Accounts payable	853,427	162,984
Retention payable	132,352	-
Accrued liabilities and other liabilities	(288,347)	(82,029)
Due to other funds	(3,077,841)	-
Due to other governments	(28,762)	78,458
Unearned revenue	1,473,517	(1,339,206)
Claims payable	(920,838)	(199,162)
Lease Receivable	16,221	887,801
Deferred inflow of lease resources	(38,295)	(887,801)
Net pension liability	2,681,799	(2,885,365)
Pension related deferred outflows	(923,055)	449,628
Pension related deferred inflows	(1,725,546)	2,356,072
Net OPEB liability	140,624	164,692
OPEB related deferred outflows	(84,636)	(229,811)
OPEB related deferred inflows	(58,163)	38,904
Total adjustments	13,007,802	11,135,209
Net cash provided (used) by operating activities	$ 22,371,809	$ 18,824,173
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Bond premium amortization	(2,253,082)	(2,318,530)
Refunding loss amortization	33,541	34,516
Capital assets purchase included in accounts payable	-	184,235

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 year ended June 30, 2023

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. 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

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, 2023, the pool had an average maturity of 26 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

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.

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.

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.

Accounts receivable

Accounts receivable are recognized when invoiced to customers. As of June 30, 2023, 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.

Prepaid expenses and other assets

Payments made to vendors for services that will benefit periods beyond June 30, 2023, 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.

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

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, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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.

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.

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.

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.

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.

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.

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.

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.

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.

Effects of new pronouncements

Statement No. 96

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 96, Leases, as amended. SANDAG implemented this statement for the fiscal year ending June 30, 2023. See note J for further information on the impact of the adoption of GASB No. 96.

DETAILED NOTES

D. Cash and cash equivalents

Cash and cash equivalents consisted of the following on June 30, 2023:

Investment Type	Balance Amount	Weighted Average Maturity (Days)	NRSRO Rating
Cash and cash equivalents:			
Cash - demand deposits and money market funds	$ 35,978,250	1	Not rated
California Asset Management Program	66,829,127	26	AAAm
Total cash and cash equivalents	$ 102,807,377		

On June 30, 2023, SR 125's carrying amount of deposits was $35,978,250 and the bank balance was $36,223,666.

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.

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.

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. SR 125 maintains investment policies that establish thresholds for holdings of individual securities. SR 125 did not have any holdings meeting or exceeding the allowable threshold levels as of June 30, 2023.

As of June 30, 2023, 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 S R 1 2 5 investments, SANDAG had the following securities which comprised more than 5 percent of the total investments:

Investment	Total	Concentration of Credit Risk
Federal Farm Credit Bank	$ 28,485,176	8.49%

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.

E. Fair value measurements

SR 125 categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. SR 125 did not invest in securities that qualify for the reporting of fair value measurements as of June 30, 2023.

F. Accounts Receivables, Net

To ensure collection of toll revenue, 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, 2023, were $4,395,742 net which is primarily comprised of $2,664,276 of amounts from the common fund and $1,691,678 violations fines receivable, net of an allowance for doubtful accounts. Gross violation receivables as of June 30, 2023, was $68,722,609 with an estimated uncollectible allowance of $67,030,931.

G. Due to/from primary government

Due to/from primary government 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 from other funds of SANDAG to the SR125 totaled $789,159 for the fiscal year ended June 30, 2023.

- $789,159 as a claim on cash from SANDAG
- $119,133 as an amount owed to SANDAG

H. 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.

I. 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 maintaining the system in a state of good repair.

Transfers from the SR 125 capital reserve to fund capital projects totaled $1,468,467 for the fiscal year end June 30, 2023.

- Transfer of $704,353 for the design and construction of the SR 125 connectors southbound to westbound SR 905.
- Transfer of $3,867 for the design of the Joint Transportation Operation Center which will combine management and operation functions in a single facility.
- Transfer of $93,446 for the Fiber Optic Information Network Gap Closure Project
- Transfer of $666,801 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.

J. Capital assets

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

	Beginning Balance (as restated)*	Additions	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,980,000	$ -	$ -	$ 1,980,000
Construction-in-progress	-	3,253,396	(3,235,108)	18,288
Total capital assets, not being depreciated	1,980,000	3,253,396	(3,235,108)	1,998,288
Capital assets, being depreciated:				
Office equipment	280,491	-	-	280,491
Computer equipment	1,029,620	36,311	(14,986)	1,050,945
Vehicles	643,868	159,774	(8,870)	794,772
Fixed operating equipment	174,266	-	(92,086)	82,181
Software	226,676	-	-	226,676
Roadway improvements	14,999,774	-	-	14,999,774
Toll road	395,423,000	-	-	395,423,000
Roadway Service & Toll Systems	12,764,693	1,792,396	-	14,557,089
Back Office System	6,180,699	1,097,588	-	7,278,286
Building	4,020,000	-	-	4,020,000
Subscription right-to-use-assets	-	43,350	-	43,350
Total capital assets, being depreciated	435,743,088	3,129,419	(115,942)	438,756,565
Less accumulated depreciation for:				
Office equipment	(266,214)	(6,992)	-	(273,206)
Computer equipment	(971,234)	(35,276)	14,986	(991,523)
Vehicles	(575,661)	(62,150)	8,870	(628,941)
Fixed operating equipment	(171,169)	(1,865)	92,086	(80,949)
Software	(219,036)	(7,641)	-	(226,677)
Roadway improvements	(4,432,396)	(1,499,977)	-	(5,932,374)
Toll road	(134,233,277)	(12,755,581)	-	(146,988,858)
Roadway Service & Toll Systems	(202,422)	(1,238,919)	-	(1,441,340)
Back Office System	(171,686)	(568,780)	-	(740,466)
Building	(844,200)	(80,400)	-	(924,600)
Subscription right-to-use-assets	-	(8,712)	-	(8,712)
Total accumulated depreciation	(142,087,295)	(16,266,292)	115,942	(158,237,646)
Total capital assets, being depreciated, net	293,655,792	(13,136,874)	-	280,518,919
Total Capital Assets	$ 295,635,792	$ (9,883,478)	$ (3,235,108)	$ 282,517,207

*Additional information on SANDAG's adoption of Subscription-Based Information Technology Arrangements (SBITA) can be found in the paragraph effect of new pronouncements.

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.

Lease and subscription right-to-use assets are defined as assets with an initial, individual cost of more than $50,000 and an estimated useful life of at least one year. Such assets are recorded at the present value of the lease or subscription liability and are amortized using the straight-line method over the term, which range from 1 to 5 years.

K. Long-term debt

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 (Jan 1, July 1)	Principal Amount	Interest Amount
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	6,435,000	7,324,375
2029 - 2033	37,470,000	31,320,750
2034 - 2038	48,115,000	20,676,125
2039 - 2043	57,685,000	7,108,875
Total	$ 172,445,000	$ 98,716,375

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.

Changes in long-term debt

Long-term debt activity for the year ended June 30, 2023, is as follows:

	Beginning balance July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023	Due Within One Year
2017 Series A Toll Revenue Bonds	$ 177,455,000	$ -	$ (5,010,000)	$ 172,445,000	$ 5,265,000
Premium	26,922,015	-	(2,253,082)	24,668,933	-
Total	$ 204,377,015	$ -	$ (7,263,082)	$ 197,113,933	$ 5,265,000

Compensated Absences

Compensated Absences	Beginning balance July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023
Payable	$ 278,759	$ 549,830	$ (535,193)	$ 293,396

The entire balance of compensate absences reported at June 30, 2023 is expected to be exhausted in fiscal year 2024.

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, 2023.

Description of Pledged Revenue	Amount of Pledged Revenue	Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Net Project Revenue	$ 27,969,734	$ 13,887,250	50%

L. 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. There is zero claims liability reported as of June 30, 2023.

	2023	2022
Claims payable, beginning of year	$ 920,838	$ 1,200,000
Current year claims	-	-
Changes in estimates	-	(80,000)
Current year claim payments	(920,838)	(199,162)
Claims payable, end of year	$ -	$ 920,838

M. 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 $21,597 of interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the SR-125's receivable for lease payments was $855,000. 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, 2023, the balance of the deferred inflow of resources was $811,211.

N. Commitments and Contingencies

As of June 30, 2023, 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	$	8,932,607	$	1,752,734
Roadway tolling system		21,216,775		6,707,766
Ramp pavement overlay		8,759,000		1,029,000
Total	$	38,908,382	$	9,489,500

O. Other postemployment benefits

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 ($149 per month in 2022, $151 per month in 2023 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.

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, 2023, total cash contributions were $64,006**.**

Net OPEB liability

The SANDAG net OPEB liability was measured as of June 30, 2022, 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% for FY2022, gradually decreasing over several decades to an ultimate rate of 3.8% in FY2075 and later years

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 2022, discount rate remained at 5.5%, inflation remained at 2.25% and investment rate of return remained at 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, 2023, 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
Commodities	4.00	1.73
Total	**100%**	

Long-term expected rate of return is 5.50%.

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.

Changes in proportionate share of net OPEB liability

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

	6/30/2023	6/30/2022	Change
Proportionate share	$ 400,690	$ 260,066	$ 140,624
Proportionate share (%)	8.93%	8.10%	0.83%

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, 2022.

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	$ 513,549	$ 400,690	$ 305,174

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 (4.50%HMO / 4.50%PPO decreasing to 4.00%HMO / 4.00%PPO)	**Current** (5.50%HMO / 5.50%PPO decreasing to 5.00%HMO / 5.00%PPO)	**1% Increase** (6.50%HMO / 6.50%PPO decreasing to 6.00%HMO / 6.00%PPO)
Proportionate share of collective net OPEB liability	$ 302,648	$ 400,690	$ 534,678

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.

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, 2023)

OPEB expense and deferred outflows/inflows of resources related to OPEB

For the fiscal year ended June 30, 2023, SR 125 recognized OPEB expense of $61,831 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	$ 64,006	$ -
Change in proportionate share	44,030	-
Change of assumptions	99,203	(832)
Difference between expected and actuarial experience	123,301	(2,781)
Net difference between projected and actual earnings	-	-
on OPEB plan investments	56,020	-
Total	$ 386,560	$ (3,613)

SR 125 reported $64,006 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 fiscal year ending June 30, 2024.

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
2024	$ 47,702
2025	48,302
2026	47,325
2027	61,256
2028	37,142
Thereafter	77,214
Total	**$ 318,941**

P. Pension plan

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

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.

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, 2023, are summarized as follows:

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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.

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 2023, the required contributions were actuarially determined by the funding valuation reports dated June 30, 2021. The actuarially required contribution rate was 24.603% of covered payroll and actual contributions totaled $929,793 for the SR 125. This rate includes the mandatory employee contribution rate that is currently paid by SR 125 for all eligible members. PEPRA members pay 6.75% of covered payroll which is 58.85% of the total normal cost of 11.47%. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net pension liability

The Plan's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The total pension liability was rolled forward to determine the June 30, 2022 total pension liability.

Actuarial methods and assumptions used to determine total pension liability

The June 30, 2022 (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	6.90%
Inflation	2.30%
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	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

[1]The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality 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, 2021, 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.

Changes of assumptions

In 2023, there were no changes of assumptions.

Discount rate

The discount rate used to measure the total pension liability was 6.90 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was them adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset class [1]	Assumed asset allocation	Real return [1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.5
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59

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.

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, 2021 to June 30, 2022:

	6/30/2023	6/30/2022	Change
Proportionate share	$ 7,088,432	$ 4,406,633	$ 2,681,799
Proportionate share (%)	9.82%	10.54%	-0.72%

The proportion of the net pension liability of the plan is measured as of June 30, 2022, and the total pension liability for the plan to calculate the net pension liability was determined by an actuarial valuation of June 30, 2021, rolled forward to June 30, 2022, 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, 2022.

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 6.90 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 (5.90%) or one percentage point higher (7.90%) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1 (7.90%)
Proportionate share of collective net pension liability	$ 10,213,747	$ 7,088,432	$ 4,513,855

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, 2022 is 4.6 years, which was obtained by dividing the total service years of 4,238 (the sum of remaining service lifetimes of the active employees) by 930 (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.

Pension expense and deferred outflows/inflows of resources related to pension

For the reporting period ended June 30, 2023, SR 125 recognized a pension expense of $962,991 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.

SR 125 reports deferred outflow and deferred inflow of resources related to pensions as of June 30, 2024 as follows:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 581,827	$ -
Differences between expected and actual experience	270,882	(65,900)
Change in proportionate share	166,415	(1,008,440)
Employer contributions for fiscal year 2023	929,793	-
Net difference between projected and actual earnings on pension plan investments	778,079	-
Total	$ 2,726,996	$ (1,074,340)

The SR 125 reports a total of $929,793 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, 2024.

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
2024	$ 148,973
2025	(18,052)
2026	62,694
2027	529,248
Total	**$ 722,863**

Subsequent events

On August 1, 2023, the State General Fund appropriated $20,000,000 to Caltrans to be allocated to SANDAG, these funds will be used to support efforts in eliminating the bond debt by 2027.

On January 12, 2024, the Board of Directors was provided with an update on toll road operations, which included a proposal to implement a new back-office system (BOS). The proposal was unanimously approved. A new contract was signed on March 16, 2024. The June 30, 2023 carrying value of the current toll BOS is $7,278,286, less accumulated amortization of $740,466, for a net carrying value of $6,537,820, which is being expensed over a 10-year useful life. An impairment of the asset will likely be recognized in FY 2024 to account for a change in the estimated useful life.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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Required Supplementary Information (Unaudited)
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A. Other Post-Employment Benefits (OPEB) Plan:

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

Measurement Period	2021-2022	2020-2021	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017
Proportion of the collective net OPEB liability	8.93%	8.10%	6.67%	6.67%	6.15%	9.48%
Proportionate share of the collective net OPEB liability	$ 400,690	$ 260,066	$ 95,374	$ 103,750	$ 80,581	$ 141,225
Covered-employee payroll	$ 4,020,765	$ 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	12.30%	6.93%	2.54%	3.20%	2.80%	5.58%
Plan fiduciary net position as a percentage of the total OPEB liability	59.50%	69.20%	80.00%	76.80%	77.50%	72.71%

Notes to Schedule

Changes in Assumptions: In 2022, discount rate remained the same at 5.5%, inflation at 2.25% and investment rate of return at 5.5%.

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

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

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Actuarially Determined Contribution	$ 64,006	$ 48,526	$ 39,230	$ 35,056	$ 31,666	$ 48,746
Contributions in Relation to the Actuarially Determined Contribution	(64,006)	(48,526)	(39,230)	(35,056)	(31,666)	(48,746)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 4,473,389	$ 4,020,765	$ 3,750,752	$ 3,642,675	$ 3,223,183	$ 2,852,000
Contributions as a Percentage of Covered-Employee Payroll	1.431%	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.

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B. Pension Plan:

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

	2021 - 2022	2020 - 2021	2019 - 2020	2018 - 2019	2017 - 2018	2016 - 2017	2015 - 2016	2014 - 2015
Proportion of the collective net pension liability	9.82%	10.54%	12.52%	13.20%	11.48%	9.82%	9.82%	9.82%
Proportionate share of the collective net pension liability	$ 11,205,678	$ 4,406,633	$ 7,291,998	$ 7,347,695	$ 6,047,339	$ 5,159,078	$ 4,633,003	$ 3,848,466
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
Proportionate share of the collective net pension liability as a percentage of covered payroll	329.84%	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	65.84%	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 2022, there were no changes. 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.

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

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Actuarially Determined Contribution	$ 929,793	$ 867,317	$ 948,320	$ 914,273	$ 678,954
Contributions in Relation to the Actuarially Determined Contribution	(929,793)	(867,317)	(948,320)	(914,273)	(678,954)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,779,746	$ 3,646,395	$ 3,401,523	$ 4,137,222	$ 3,790,886
Contributions as a Percentage of Covered Payroll	24.603%	23.786%	23.470%	22.099%	17.910%

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially Determined Contribution	$ 507,192	$ 493,636	$ 460,106	$ 452,514
Contributions in Relation to the Actuarially Determined Contribution	(507,192)	(493,636)	(460,106)	(452,514)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,084,079 0	$ 2,619,733	$ 2,517,267	$ 2,371,292
Contributions as a Percentage of Covered Payroll	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 2023 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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