

2014

San Diego Association of Governments

Comprehensive Annual Financial Report

for the fiscal year ended
June 30, 2014

San Diego, CA



San Diego Association of Governments

San Diego, California

Comprehensive Annual Financial Report

For the year ended June 30, 2014

PREPARED BY THE SAN DIEGO ASSOCIATION OF GOVERNMENTS

FINANCE DEPARTMENT

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San Diego Association of Governments

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December 5, 2014

Honorable Chair and Members of the Board of Directors
 San Diego Association of Governments

We are pleased to present the basic financial statements of the San Diego Association of Governments (SANDAG) for the Fiscal Year (FY) ended June 30, 2014. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of SANDAG. A comprehensive framework of internal controls has been designed and implemented to ensure the assets of SANDAG are protected from loss, theft, or misuse, and to ensure that financial information is accurate and complete. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position including results of SANDAG operations. All disclosures necessary to enable the reader to gain an understanding of SANDAG financial activities have been included.

Mayer Hoffman McCann P.C. has issued an unqualified ("clean") opinion on SANDAG financial statements for the fiscal year ended June 30, 2014.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Reporting Entity

SANDAG is the region's Council of Governments (COG). Local elected officials throughout the United States have joined together to form similar COGs to deal cooperatively with issues that go beyond jurisdictional boundaries, such as transportation, growth management, environmental quality, and other public facility needs. SANDAG is a statutorily created agency, codified in California state law. Voting among the agency's 18 cities and county government is based upon both membership and the population of each jurisdiction, providing for an equitable representation of the region's residents. Caltrans, the United States Department of Defense, the San Diego Unified Port District, San Diego Metropolitan Transit System (MTS), North County Transit District (NCTD), San Diego County Water Authority,

MEMBER AGENCIES

- Cities of*
- Carlsbad*
- Chula Vista*
- Coronado*
- Del Mar*
- El Cajon*
- Encinitas*
- Escondido*
- Imperial Beach*
- La Mesa*
- Lemon Grove*
- National City*
- Oceanside*
- Poway*
- San Diego*
- San Marcos*
- Santee*
- Solana Beach*
- Vista*
- and*
- County of San Diego*

ADVISORY MEMBERS

- Imperial County*
- California Department of Transportation*
- Metropolitan Transit System*
- North County Transit District*
- United States Department of Defense*
- San Diego Unified Port District*
- San Diego County Water Authority*
- Southern California Tribal Chairmen's Association*

Imperial County, the Southern California Tribal Chairmen's Association, and Mexico (Consulate General of Mexico) are nonvoting advisory members of SANDAG. SANDAG traces its origins to the 1960s as local planners and decision makers saw the need for coordinated efforts to solve a growing list of regional issues. In 1972, a Joint Powers Agreement was formalized among local governments, creating a COG, then known as the Comprehensive Planning Organization, with independent staffing and cooperative financing from the local members and project grants from state and federal agencies. In 1980, the name was changed from the Comprehensive Planning Organization to the San Diego Association of Governments, to better reflect the agency's purpose. In 2003, Senate Bill 1703 (Peace, 2003), as amended by Assembly Bill 361 (Huffman, 2011), called for the consolidation of certain MTS and NCTD transit functions into SANDAG. SANDAG is now responsible for long-range transit planning, programming, project development, and construction of transportation projects in the region. This structure is intended to streamline regional decision making to improve the transportation system, protect open space and habitat, bolster our infrastructure, and sustain our quality of life.

The San Diego County Regional Transportation Commission (Commission) is a blended component unit of SANDAG and therefore, is considered part of the SANDAG primary government. The SANDAG Board of Directors also serves as the Commission's Board of Directors. The Commission is responsible for the implementation and administration of transportation improvement programs funded by the San Diego countywide half-percent sales tax. This tax became effective on April 1, 1988, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program, known as *TransNet*. The sales tax funds were used for highway, public transit, local street and road improvements, bicycle and pedestrian facilities, and administration. In November 2004, the voters of San Diego County extended the half-cent sales tax another 40 years to 2048. The extension of *TransNet* will help SANDAG continue to implement the region's transportation program, as well as provide funding for bicycle, pedestrian, and neighborhood safety projects, major corridor capital projects, environmental mitigation projects, smart growth projects, local street and road projects, transit system projects, and provide the funding to operate the new transit services. The Extension Ordinance includes a mandate that an Independent Taxpayer Oversight Committee (ITOC) for *TransNet* be formed to provide an enhanced level of accountability for the expenditure of funds under the *TransNet* expenditure plan. The ITOC also helps ensure that all voter mandates are carried out as required and develops recommendations for improvements to the financial integrity and performance of the program. The Commission is authorized to issue limited tax bonds payable from the sales tax receipts, the proceeds of which can be used to finance approved *TransNet* projects. The Commission has created a Plan of Finance (POF) for the *TransNet* program, which is updated at least annually. A summary of the most recent POF is provided near the end of this letter.

SANDAG Bylaws require the Board of Directors to approve a preliminary budget no later than April 1 of each year, with final approval by June 30. The preliminary budget is distributed to the funding agencies in March of each year to acquire formal comments and approval. The annual budget serves as the foundation for SANDAG financial planning and control. The budget is prepared by function, including the Capital Program, the Administration and Board budgets, the Overall Work Program (including all regional planning activities), Operations, and *TransNet* program. Costs and funding are strictly appropriated between these five major components and carefully monitored and amended as necessary. Once the budget is formally approved, SANDAG Board Policy authorizes the Executive Director to enter into agreements not currently incorporated in the budget and make other modifications to the budget in an amount up to \$100,000 cumulatively per project per fiscal year, so long as the overall budget remains in balance. The

Executive Director has further delegated budget transfers with no budgetary impact or significant project delay to an Executive Team member and the Director of Finance within the same project and up to \$50,000 between projects. Board Policy requires the Executive Director to report to the Board these actions taken by the Executive Director or his or her designee. The budget is monitored on an ongoing basis and quarterly progress reports are generated at all levels, variances are analyzed, and corrective action is taken to align actual expenses and the budget as closely as possible. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Geography

The San Diego region is nestled in the most southwest corner of the United States. It is a region filled with beautiful landscapes, a diversified economy, and an unmatched quality of life for its more than three million residents. About the size of the State of Connecticut, the region encompasses 4,255 square miles, extending 70 miles along the Pacific Coast from the international border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form our region's northern boundary.

The topography of the region varies from broad coastal plains to fertile inland valleys and mountain ranges to the east, rising to an elevation of 6,500 feet. The eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the region. The climate is Mediterranean in the coastal and valley areas, where most of the population and resources are located. Average annual rainfall on the coastal plain is approximately 10 inches. The San Diego region also is one of the most biologically diverse areas in the nation.

Cultural and Educational Attractiveness

The San Diego region has matured as a center for culture and education. San Diegans now boast about their two Tony Award-winning theaters, The Globe Theatre and La Jolla Playhouse. In addition, with the San Diego Opera, the San Diego Symphony, and more than 90 museums for the enjoyment of both locals and visitors, the region has an abundance of cultural activities. Higher education is provided through numerous colleges and universities. UC San Diego is internationally recognized for excellence in higher education and scientific research.

San Diego State University is the region's oldest and largest higher education institution. University of San Diego, a private institution, is a highly respected law school; and California State University, San Marcos is the region's fastest-growing college both in students and curricula.

The San Diego region continues to be a premier destination for visitors from all over the world. The region's warm climate, proximity to Mexico, and abundant facilities and attractions power the visitor industry. The region has hosted the 1988, 1998, and 2004 Super Bowls, and the 1998 World Series. The San Diego Convention Center's size, bayside location, and proximity to the popular Gaslamp district in Downtown San Diego enable the region to compete with Los Angeles and San Francisco in attracting the nation's largest conventions and trade shows. In addition, San Diego now has a baseball-only ballpark located in Downtown San Diego that is serving as another visitor magnet and is stimulating a billion dollar renaissance in the surrounding area.

Economic Summary and Outlook

Continued Uncertainty and Improved Growth

The performance of the national economy has continued to improve at a slow but steady pace during 2014, as expected. There was concern expressed when Gross Domestic Product (GDP) declined during the first quarter of 2014, but this weakness has since been replaced with reports of an expanding economy. The consensus explanation for the decline in output during the first quarter was due to bad weather, a one-time event.

The United States economy approaches 2015 with GDP growth in the second quarter in excess of 4.0 percent, and the third quarter is tracking close to 3.0 percent; both are above the average rate of GDP growth of 2.2 percent experienced since the end of the recession. More importantly, this level of economic growth has ushered in more job growth, attracting some people back to the labor force and lowering the unemployment rate. During 2014 monthly job growth has averaged 225,000 through September compared to 192,000 jobs each month over the same time period during 2013. The national unemployment rate has declined to 5.9 percent, recorded in September 2014, from 7.2 percent recorded one year earlier.

Despite a rough first quarter, the consensus forecast is for the remainder of the year to be more stable, building momentum into 2015. Most forecasts project the United States economy expanding at around 3.0 percent or higher during 2015. However, some are cautioning against too much optimism. Additional concerns about the recovery include weakness in wage rate growth and the average number of hours worked. These trends, combined with the types of jobs (part-time, temporary with low pay) that have been created since the end of the recession have contributed to keeping real per capita disposable income stagnant for the past three years, which in turn has led to weak growth in consumer spending that makes up more than 70 percent of the economy annually. Last, Europe is struggling to keep its economy from falling back in a recession (excluding England). The economic impact on the United States economy could be mixed. For example, the economic slowdown in Europe would likely mean fewer United States exports to Europe; on the other hand, European imports would likely be less expensive as the result of a stronger dollar, which would hold inflation and interest rates stable or push them down.

Locally, the San Diego economy has begun to outpace the national economy. Over the last two years the local economy has experienced job growth of more than 2.5 percent each year, whereas job growth nationwide has been at or below 1.5 percent annually. Over the same time period the local unemployment rate has been declining. In July 2014, the local unemployment rate fell below the nation's for the first time since the start of the Great Recession in 2008, but has since risen back above the nation's unemployment rate. The pace of local job growth through August 2014 is again tracking above 2.5 percent. This pace in job growth should be sufficient by the end of the year to push the local unemployment rate below the nation's (5.9 percent in September 2014).

Annual job growth over the last couple of years has kept consumer expenditures, taxable sales, and sales tax revenue growing at a four to five percent pace. However, in light of the many uncertainties still in place at this time, staff is staying with its sales tax revenue forecast for FY 2015 of 4.0 percent, slightly more than one full percentage point below FY 2014. Over the longer run, beyond FY 2015, staff agrees with the consensus forecasts and expects the local and national

economies to pick up the pace of growth, resulting in a return to approximately 5.0 percent growth rates in sales tax revenue.

California Budget Outlook

One of the most talked about and written about problems in California over the past decade has been the state's budget deficit. The performance of regional economies in the state, including San Diego's, is linked directly to the State of California's fiscal health. Consequently, the state's past budget crisis has likely contributed to the slower rates of economic growth San Diego has recorded during the past few years. But this trend seems to be improving.

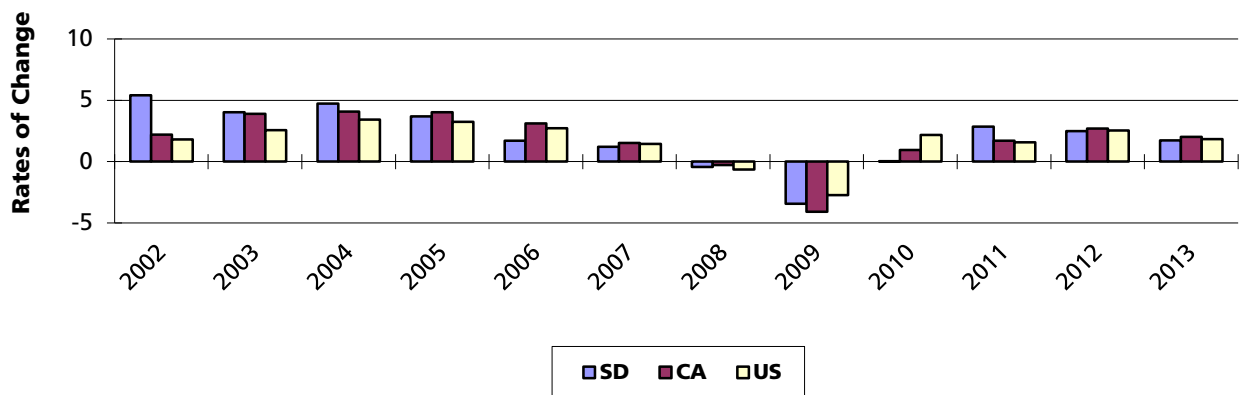
Since 2003, the state has faced budget shortfalls. Various steps have been taken to reduce the deficit, including refinancing the accumulated debt, taking advantage of lower interest rates, reforming the workers' compensation program, and raising the sales tax rate one percentage point. The state's budget problems were exacerbated by the Great Recession, which hit the state hard. In 2009, state tax revenues plummeted 14.0 percent from the previous year, compared to 9.0 percent nationally. This dramatic drop widened the gaps between revenues and expenditures—gaps the state had been wrestling since the early 2000s. After a decade of budget deficits, California's fiscal situation improved significantly in 2012. The passage of Proposition 30 in the November 2012 election temporarily increased sales and income taxes, providing \$6 billion a year to the state budget for several years. Voter approval of Proposition 39 raised corporation taxes primarily for out-of-state businesses, adding another \$1 billion annually in revenues. These new revenues combined with holding the line or reducing expenditures, have allowed the state to reach a point where its underlying expenditures and revenues are roughly in balance, and so with the improving economy, allows for a rosier long-term budget forecast.

Initially, the state's FY 2013-14 budget plans expected a year-end reserve of \$1.1 billion. The State Legislative Analyst's Office (LAO) now anticipates \$6.4 billion in higher revenues for FY 2012-13 and FY 2013-14 combined. These higher revenues are offset by \$5 billion in increased expenditures, almost entirely due to greater required spending for schools and community colleges. Combined with a projected \$3.2 billion operating surplus for the state in FY 2014-15, these factors lead the LAO to project the state would end FY 2014-15 with a \$5.6 billion reserve. After years of "boom and bust" budgeting, California's leaders now have the opportunity to build a budget for future years that gives the state more choices about how to build reserves in times of healthy revenue growth, prioritize future state spending, and pay off past debts. This outlook, if it proves to be accurate, also would help stabilize local government budgets.

San Diego's Economy and Economic Outlook

Historically, the San Diego region has enjoyed strong economic growth, keeping up with and at times outpacing the State of California and the nation, as shown in Figure 1. According to the Department of Commerce's Bureau of Economic Analysis, the San Diego region's Gross Regional Product (GRP), an estimate of the total value of goods and services produced in a region for 2013 (the latest year available) was \$197.9 billion measured in current dollars. After adjusting for the effects of inflation, the local GRP rose 1.7 percent during 2013, the fourth year of increases after declining during 2008 and 2009. Coming out of the deep recession in 2010, the local economy trailed both the state and nation, but since 2011 the local economy has done better or kept pace with both the state and nation.

**Figure 1:
Rates of Change in Gross Products (2009 \$)**



Over the longer term, the strength of the local economy is due, in part, to significant changes that took place during the second half of the 1990s. The San Diego region underwent a fundamental restructuring process after a period of recession in the early 1990s that increased economic diversity and strengthened local industry. A restructured local economy emerged from the recession, one better able to adapt and compete in the global marketplace. The economy is now centered on nationally and internationally competitive industries and a growing recognition that our region must supply the linkages and infrastructure that support these industries.

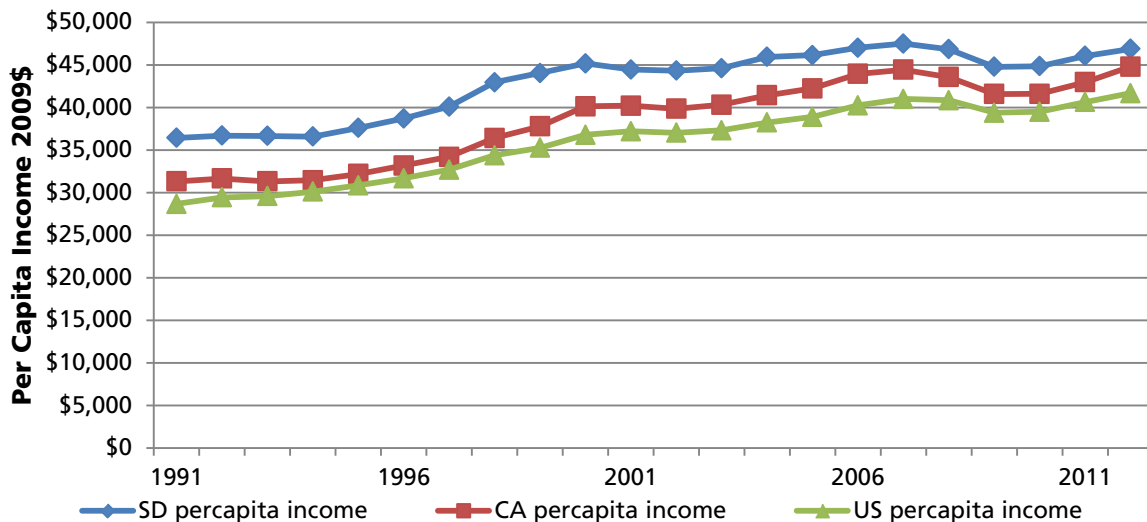
Today's leading sectors are no longer located solely in the defense and other traditional manufacturing industries, as they were in the past. As a result, local economic policies have adapted and now focus on a broader range of sectors that drive the local economy – known as traded employment clusters. Traded employment clusters are the engines of economic activity, capable of setting the pace of economic growth, producing high-paying jobs, and producing a rising standard of living for the region. Traded employment clusters are groups of complementary, competing, and interrelated industries that drive wealth creation in a region, primarily through the export of goods and services. These traded clusters have led the local economic resurgence, and some of them contain many of our highest paying job opportunities that are part of the region's emerging growth technology businesses, including biotechnology, medical instruments, telecommunications, software, semiconductors and computer networks, defense manufacturing, and clean technology (previously labeled environmental technology). More recently, the local economy has diversified further with emergence of traded employment clusters in active sports and craft breweries.

The San Diego region has become a prominent example of an emerging “high-tech” economy in the nation. San Diego now exhibits characteristics that include decreased reliance on traditional durable goods manufacturing and increased reliance on knowledge-based and other wealth-generating activities. Because of the changing and volatile nature of both the state and national economies, traded clusters are likely to continue to be the leaders in economic growth. The region has many of the characteristics and opportunities necessary for these important clusters to succeed: excellent education and training facilities, world class research institutes, mild climate, coastal location, innovative culture, and an increasingly skilled labor force. All of these factors help create synergy between companies and provide the labor and skills necessary for traded clusters to prosper.

Today, business services, skilled trades, research and development, and highly technical sectors (all embodied in the region’s traded employment clusters) have become the driving forces behind economic development and provide an opportunity to increase our standard of living, as measured by real per capita income.

Figure 2 shows the trend for real per capita income since 1991 and compares San Diego against both the State of California and the nation. As Figure 2 shows, the local standard of living grew quickly following the end of the local downturn in 1994 fueled by the surge in high-tech employment growth and began to level off in 2000 as growth in technology companies and jobs slowed. Job growth since 2000 has been sufficient to keep the region’s unemployment rate low (through 2007); however, the growth has not been well balanced between high- and low-paying jobs, and far more jobs are being created that are low-paying - resulting in a much different trend for the standard of living since 2000. Between 1994 and 2000, the local standard of living, measured by the growth in real per capita income, increased cumulatively nearly 24.0 percent, outpacing the nation (22.0 percent), but behind the state (nearly 28.0 percent). Between 2000 and 2007, the growth rate slowed to 5.0 percent before falling during both 2008 and 2009 and growing slowly through 2012. Real per capita income locally is 1.3 percent below the 2007 past peak, whereas both the state and nation have surpassed their past peaks. Over the entire time period shown in Figure 2, local real per capita income rose nearly 27.0 percent, from \$36,400 to \$46,900, below both the state (43.0 percent) and the nation (45.0 percent).

**Figure 2:
Real per Capita Income 1991 – 2012 (2009 \$)**



Source: Bureau of Economic Analysis, United States Census Bureau 1991-2012; compiled by SANDAG

Employment and Wages

The latest employment data available from the state’s Employment Development Department is for September 2014 and shows that there are approximately 1.35 million payroll jobs in the San Diego region, up 12,100 jobs since the start of the recession in December 2007. All of the payroll jobs lost during the Great Recession have been recovered.

During the past year (September 2013 thru September 2014), according to the preliminary data from the state's Employment Development Department, the region has added 33,300 payroll jobs, an increase of 2.5 percent. The job gains have been broad based with nearly all major sectors increasing. Over the year, the largest job increases were reported in professional and business services (up 9,300 jobs); trade, transportation, and utilities (up 6,400 jobs); construction (up 6,300 jobs); education and health services (up 3,700 jobs); leisure and hospitality services (up 3,700 jobs); and manufacturing (up 2,500 jobs). On this year-over-year basis, only employment in financial activities declined (down 500 jobs). This data is preliminary and will be subjected to the Employment Development Department's annual adjustments in spring 2015. At times in the past, including last year, these adjustments have been large.

Figure 3 shows what has happened with job growth over a longer period, comparing the average annual employment levels during 2002 and 2013, before and after the Great Recession. Total industry employment in the San Diego region during 2013 was 6.2 percent higher than it was during 2002.

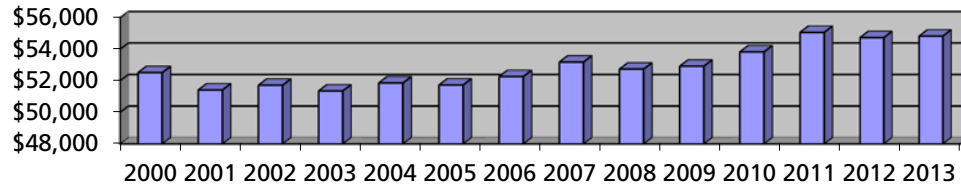
**Figure 3:
Total Industry Employment, 2002-2013
San Diego Region**

Major Industry	2002	2013	Change 2002-2013
Construction	76,400	61,200	-19.9%
Manufacturing	112,400	94,600	-15.8%
Trade, Transportation, Utilities	208,300	212,300	-1.9%
Information	34,400	24,100	-29.9%
Financial Activities	75,000	71,400	-4.8%
Professional Business Services	205,100	222,600	8.5%
Education and Health Services	124,700	179,300	43.8%
Leisure and Hospitality	133,800	167,500	25.2%
Other Services	45,600	49,200	7.9%
Government	219,700	229,500	4.5%
Total Industry Employment	1,235,400	1,311,700	6.2%

Source: State of California, Employment Development Department, Industry Employment and Labor Force, March 2014 benchmark; industry employment totals exclude self-employed, farm, and mining jobs representing approximately 15.0 percent of total employment.

The latest wage data for industry workers in the San Diego region is 2013. As shown in Figure 4, the average annual wage per industry employee in current 2013 dollars for the San Diego region is \$54,836. Adjusting for the effects of recorded inflation, the average annual wage per industrial worker rose 4.4 percent between 2000 and 2013. Intermittently throughout this period the purchasing power of the average worker declined due to the effects of inflation, slow job growth (or decline in jobs) due to recessions, and a change in the mix of jobs generated by the local economy.

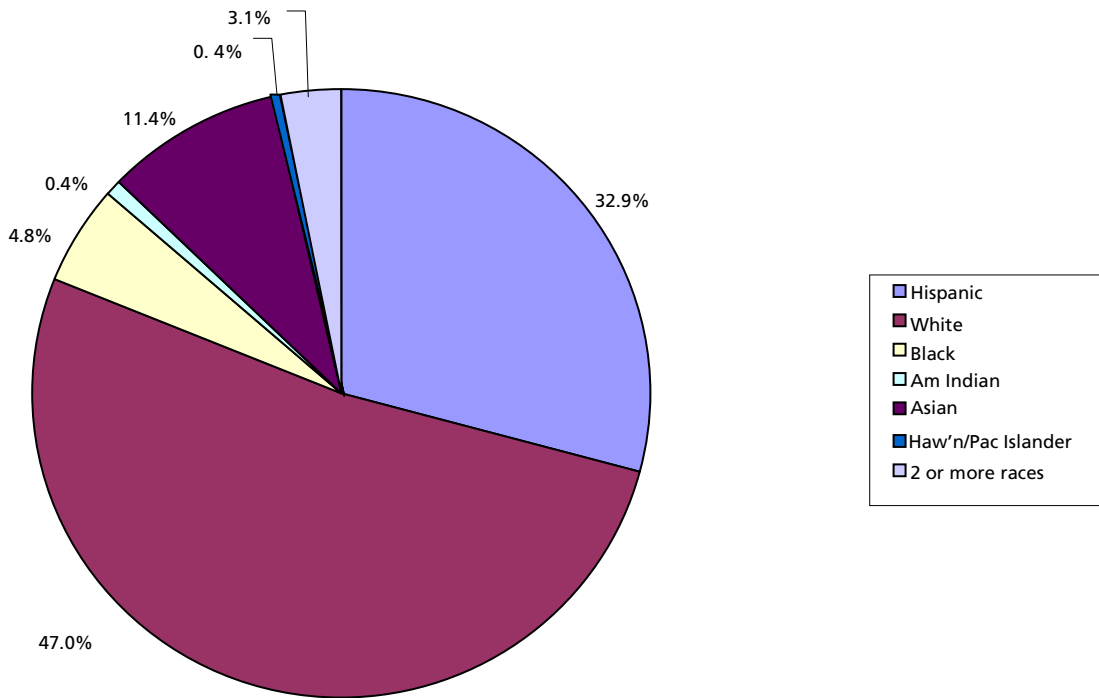
**Figure 4:
Average Annual Wage per Industry Worker
San Diego Region (2013 \$)**



Demographics

According to California State Department of Finance's Population and Housing Estimates for January 1, 2014, the San Diego region is home to nearly 3.2 million people, the second largest county in California. The latest race and ethnicity data available from the state (2012), displayed in Figure 5, show the largest majority of the population is non-Hispanic White at 47.0 percent. However, the Hispanic population has been growing rapidly, increasing by nearly 285,000 people from 2000 to 2012, and currently represents nearly 32.9 percent of the total population in 2012. Of the 2012 total population, 4.8 percent identify themselves as non-Hispanic Black, and the remaining 15.3 percent of the population identify themselves as non-Hispanic Asian, Native Hawaiian or Pacific Islander, American Indian, or Multi-race. The 2012 median household income in the region is estimated to be nearly \$70,000; with the median age at 34.8 years old.

**Figure 5:
2012 Population by Race and Ethnicity**



Venture Capital

The high-tech sectors driving the region’s economic prosperity rely, in part, on venture capital funds to help them perform research to produce leading edge technologies. San Diego continues to be a favored area for venture capital investment, according to *PricewaterhouseCoopers* quarterly *MoneyTree* survey. During the first three quarters of 2014, the San Diego region received \$704.1 million in venture capital investments supporting 79 deals. This represents a 15.0 percent increase over the same period in 2013. San Diego has received about 2.0 percent of the \$33.1 billion allocated during the first three quarters of 2014. Since 1995, the first year *PricewaterhouseCoopers* began publishing the *MoneyTree* report, the region has received more than \$20.0 billion in venture capital investments, with about half going to fund biotechnology companies and research.

International Trade

The total dollar value of international trade moving through the San Diego customs district reached \$56.5 billion during 2012, up 7.2 percent from 2011. Imports represent nearly 65.0 percent of the total, with exports accounting for the remaining 35.0 percent. The value of traded goods moving through the customs district expanded rapidly after the North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico passed, rising 134.0 percent between 1994 and 2000. The rate of growth slowed after September 11, 2001, due to a significant increase in security at all ports of entry. Trade activity picked up between 2003 and 2007, rising nearly 52.0 percent. More recently, trade slowed during 2008 and 2009 impacted by the Great Recession and they increased 27.0 percent between 2009 and 2012, the last year for which data is available.

The rise in the value of trade during 2012 pushed it above its previous peak reached during 2007 (trade values not adjusted for inflation).

Expanding trade under NAFTA and the maquiladora industry in the San Diego/Baja California border region largely account for the San Diego region's success in international trade. By providing for a freer exchange of goods with Mexico (and Canada), NAFTA has had significant beneficial impacts on the local economy.

Following the passage of NAFTA, the value of San Diego's international trade shifted into a higher gear and began to expand more rapidly. Mexico continues to be, by far, San Diego's largest international trading partner, accounting for more than 85.0 percent of the value of two-way trade. While exports to countries other than Mexico have increased twelve-fold since 1993, exports to Mexico also have increased rapidly from the pre-NAFTA level of \$4.4 billion in 1993 to \$18.9 billion in 2012; exports through the customs district to Mexico account for nearly 95.0 percent of total exports. A similar trend for imports also has occurred; imports from Mexico through the customs district increased \$29.8 billion in 2012 from a pre-NAFTA level of \$5.3 billion in 1993, while imports from other countries increased from \$946 million to \$6.8 billion over the same time period. The United States Department of Commerce reports that the top four export categories in 2012 accounted for more than 50 percent of total exports, including computer and electronic products (19.1 percent); fabricated metal products (11.8 percent); transportation equipment (11.2 percent); and machinery, except electrical (10.8 percent). Imports, on the other hand, are dominated by two categories making up nearly 60.0 percent, including computer and electronic products (36.3 percent); and transportation equipment (22.5 percent).

Real Estate

The slowdown in the housing market has dominated the economic news in San Diego since early 2006. After more than doubling to nearly \$520,000 between January 2000 and April 2006, the median price for a single-family home in San Diego fell nearly 42.0 percent by May 2009 and has since begun to show signs of stabilizing. According to the S&P Case-Shiller Home Price Index, the median priced home in San Diego rose nearly 40.6 percent from May 2009 through July 2012. Much of the increase has been in the past year, with the index rising 40.5 percent since July 2014. There are signs that this pace is beginning to slow, due in part to the rise in mortgage rates, slowing of all cash sales, and high loan qualification standards.

The number of new housing unit permits authorized in the region declined steadily from a peak of 18,314 units in 2003 to 2,946 units in 2009, a decline of nearly 85.0 percent. Since 2009, the number of permits authorized has been rising. During 2013, the last full year for which data is available, there were 8,264 housing unit permits authorized. During the first eight months of 2014, 7,553 units have been authorized, exhibiting a pace close to the first eight months during 2013. Over the past decade there has been a shift in the type of units authorized, away from single-family units towards multifamily units. During 2002, nearly 36.0 percent of the units authorized were attached units and the remainder was single-family or detached units. The attached unit proportion has been above 50.0 percent since 2004. During the first nine months of 2014, about 23.0 percent of the housing unit permits authorized have been for single-family units and 77.0 percent have been permits for attached units.

Retail Sales

Consumer expenditures nationwide contracted significantly during 2008 and 2009, as consumers moved away from consumption, paid down debt, increased their savings, and reduced spending supported by equity in their assets. It is normal for consumers to spend less during a recession, but the size of the contraction this time was unusually large, causing some economists to speculate that consumers may hesitate or not return to their past spending habits once the recession ends. There are three reasons cited for this abrupt change: first is the amount of consumer debt outstanding, second is the loss in wealth from falling home and stock prices (which during this past year has begun to correct itself as discussed above), and third is the expectation that the recovery from the recession will be slow by historical standards keeping the unemployment rate high for a protracted period of time.

These concerns seem to be playing out for example, the rate of growth in GDP has been averaging about 2.2 percent during most of the recovery period - a rate too slow to repair all the economic damage caused by the Great Recession. To help address this slow growth, the Federal Reserve has once again stepped up its monetary policy actions, initiating Quantitative Easing 3, a plan to put more liquidity (funds) in the marketplace each month until the unemployment is below 6.0 percent or inflation rises above 2.5 percent. As of September 2014, the unemployment rate has declined to 5.9 percent, but at least half of the cause of the decline since its peak above 10.0 percent has been frustrated job seekers leaving the labor force and an increase in retirement. After an unexpected 2.3 percent (Seasonally Adjusted Annual Rate) decline in GDP growth during the first quarter of 2014, the national economy expanded at a robust 4.2 percent during the second quarter and appears to be on track to record 3.0 percent growth the remainder of the year. Although job growth is showing modest improvement, the path for the economy is far from clear, which has led to significant volatility in areas where uncertainty provides the background for significant and sudden swings, for example interest rates and the stock market. This economic volatility combined with minimal increases in hours worked and average wage have kept the increase in retail sales about 2.5 percent on a year-over-year basis, slightly above the rate of inflation.

Locally, SANDAG sales tax receipts have increased during each of the last four fiscal years, rising 8.4 percent in FY 2011, 7.1 percent in FY 2012, 4.3 percent during FY 2013, and 5.2 percent during FY 2014. These increases come after suffering declines in each of the previous three fiscal years (FY 2008 through FY 2010) falling 17.6 percent over the three-year period. Although perhaps not all of the problems brought on by the Great Recession are behind us, there are some recent encouraging signs locally. The San Diego region has now logged year-over-year growth in each quarter since the end of the Great Recession in July 2009. One of the sectors hit hardest during the recession, new auto sales, has been one of the best performers during the recent turnaround. Mindful of the headwinds and uncertainty facing the national and local economy, we are projecting a 4.0 percent growth in sales tax receipts during FY 2015.

Major Budget Initiatives and *TransNet* POF Update

The proposed FY 2015 Program Budget will see the continuation or completion of several significant work efforts and the start of several new activities, as summarized below:

Overall Work Program

- Continue with the second full year of the development of San Diego Forward: The Regional Plan, including the preferred revenue constrained transportation network, air quality analysis, social equity analyses, and preparation of the draft Regional Plan and draft environmental impact report; continue to implement public outreach strategies; and finalize prior planning initiatives related to the 2050 Regional Transportation Plan and its Sustainable Communities Strategy (2050 RTP/SCS).
- Support the development of the Regional Plan, publish the 2014 regional population estimates, further expanding active transportation sensitivity in the activity-based model, update the regional forecasting model, continue the integration of the land use and transportation modeling frameworks, and improve model documentation.
- Continue implementation of the 2050 RTP/SCS, including detailed advanced planning for the new rail segments and advancing active transportation implementation strategies, including the Regional Bike Plan Early Action Program (EAP), active transportation education programs, and Safe Routes to Transit.
- Initiate the preparation of an Alternative Fuels Readiness Plan with grant funds from the California Energy Commission, which will outline obstacles and opportunities for alternative fuel vehicle types beyond plug-in electric vehicles.
- Advance the integration of Geographic Information Services (GIS) data, model output, and capital/operational project information into visualization products and services to support information sharing, improved storytelling capabilities, agency outreach, and transparency.
- Continue criminal justice research efforts, such as evaluating the County of San Diego's implementation of the state's Public Safety Realignment Program, and tracking outcome measures for projects related to reducing juvenile delinquency, victimization, and support of at-risk youth populations.
- Advance regional Transportation Demand Management strategies, including rolling out targeted outreach to regional employment centers, with a particular emphasis on piloting expanded outreach and public awareness coordinated with the construction of the Interstate 5/Genesee Avenue interchange; completion of a parking management toolbox; expanding participation in the SchoolPool program through partnerships with school districts; and the development of an Active Traffic and Demand Management plan for Interstate 805 (I-805) South.
- Deploy significant enhancements to the existing 511 Automated Traveler Information System for the region, including the transition to a new vendor with an updated website and the release of a mobile application.
- Completion of the Intermodal Transportation Center strategy for the San Ysidro area and final recommendations for improving transportation alternatives in the Interstate 8 Corridor.
- Completion of the Transit-Oriented Development policy/strategy, and continued implementation of a Tribal Consultation Plan to involve tribal nations in the development of the Regional Plan.

- Implement a significant upgrade to the SANDAG financial system, along with an integrated contract management system.
- Initiate work on new grant-funded projects, including an analysis of methods for improving access to transportation services in environmental justice communities, and collaborating with San Diego International Airport to develop an Airport Transit Plan.

Regional Operations and Services

- Continue operations of the State Route 125 toll road, including developing plans for a centralized tolling system.
- Deploy additional Automated Regional Justice Information System mobile applications to increase information sharing and enhance GIS services, including GPS-enabled alerts and a mapping dashboard; collaborate on parole and probation information sharing throughout the region, and expand use of the graffiti tracking program.

Capital Program

The Capital Program will continue to implement the Board's *TransNet* EAP, along with the Regional Bikeway Program, and other transit capital improvements:

- The Blue and Orange Trolley Modernization Project will be completed, including retrofitting existing stations along the Blue Line for low-floor vehicle service and modernizing existing stations.
- Completion of the Mid-City Rapid Transit, a ten-mile project between San Diego State University and Downtown San Diego along El Cajon and Park Boulevards. The line will provide North Park, City Heights, and College area residents, students, and workers with a limited-stop, high-speed service in one of the key transit corridors in the region.
- Continued construction of the Sorrento Valley Double Track Project which will provide an additional 1.1 miles of double track just north of the Sorrento Valley COASTER Station. This project will allow for longer freight trains to travel along the corridor, helping to reduce truck traffic along the North Coast Corridor.
- The San Onofre to Pulgas Double Track Project will be completed. This project will provide a passing track for Amtrak and METROLINK passenger trains and Burlington Northern and Santa Fe Railway freight trains.
- Construction will begin on the Oceanside Station Pass-Through Track, Poinsettia Station Improvements, and the Los Peñasquitos Lagoon Bridge Replacement Projects.
- Start of construction for the South Bay Bus Rapid Transit Project. When constructed, this project will include stations along a 21-mile long corridor from the Otay Mesa border area, through Chula Vista and along the I-805 corridor, to Downtown San Diego.
- Completion of the Mid-Coast Corridor Transit Project environmental process is anticipated with progress into final engineering in preparation for a Federal Transit Administration Full Funding Grant Agreement. This *TransNet* lockbox project will extend Trolley service to UC San Diego, the Veterans Affairs Hospital, University City, and Westfield University Towne Centre shopping mall.

- Continued construction of two High Occupancy Vehicle (HOV) lanes on I-805 North from State Route 52 (SR 52) to Carroll Canyon Road, including a south-facing direct access ramp at Carroll Canyon Road.
- Completion of the north-facing direct access ramp at Palomar Street on I-805 South.
- Completion of the Interstate 15 (I-15) Mira Mesa Direct Access Ramp – Bus Rapid Transit (BRT) Station project along I-15 from Carroll Canyon Road to Mira Mesa Boulevard, which includes construction of direct access ramps and transit station.
- Begin construction of the State Route 15 (SR 15) BRT: Mid-City Centerline Stations of two BRT stations in the median of SR 15 at University Avenue and El Cajon Boulevard.
- Begin construction of the Downtown BRT Stations which are new and modified transit stops along Broadway at Park Boulevard, 11th Avenue, India Street, and Kettner Boulevard.
- Completion of the environmental approvals for the Mid Coast Corridor and prepare final design plans for the two HOV lanes in the median of Interstate 5 between Manchester Avenue and State Route 78.
- Interstate 5 (I-5)/Genesee Interchange and Widening: Begin construction of this project, which will construct a longer and wider bridge and replace connections on Genesee Avenue and widen I-5 between Genesee Avenue and Sorrento Valley Road.
- The Elvira to Morena Double Track project will install a second track; add signals and switches on the coastal rail corridor from 1.5 miles north of Control Point (CP) Elvira near SR 52 to CP Morena near Balboa Avenue.
- Regional Bikeway Projects: Begin construction of the next phase of the Inland Rail Trail, San Marcos to Vista Segment. This work includes constructing seven miles of a Class I bikeway in San Marcos, Vista, Oceanside, and the County of San Diego.
- Begin and complete construction of the Sweetwater Bikeway: Plaza Bonita Segment Class I bikeway in National City from Bonita Mesa Road to south of Sweetwater Road.
- Begin and complete the final environmental approvals and progress into final engineering of the Bayshore Bikeway: 8B Main Street to Palomar Class I bike project in the Cities of San Diego and Chula Vista.
- Begin construction of the SR 15 Commuter Bike Facility, which will connect the community of Mid-City to the bike network in Mission Valley.

The *TransNet* POF is updated as necessary, but at least on an annual basis as part of the overall SANDAG budgeting process. The updated POF is reviewed by ITOC and the SANDAG Transportation Committee, and approved by the Board of Directors. The most recent POF was approved by the Board of Directors on February 28, 2014. This update focused on the major changes in the last year and emphasized the adjustments in recent costs and revenues and their effects on the long-term financial projections for the program. The POF update confirmed that the action taken in the past three years to keep all of the active *TransNet* EAP projects on their current schedules can be

maintained with very similar results. The POF approved by the Board of Directors allows for continued progress on the *TransNet* EAP.

Policy Update

SANDAG has been issuing debt in order expedite Board of Directors identified *TransNet* EAP projects. At its October 25, 2013, Board of Directors meeting, a new Debt Policy was approved. The purpose of the Policy is to establish guidelines for the issuance and management of current and future SANDAG debt. The Debt Policy is designed to inform decision making and provide transparency to SANDAG financial market participants and the general public. The Debt Policy confirms the commitment of the Board of Directors, management, staff, and other decision makers to adhere to sound financial management practices.

Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SANDAG for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the seventh consecutive year that SANDAG has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was accomplished with the cooperation of SANDAG management, financial staff, and the independent auditors, Mayer Hoffman McCann P.C. We express our appreciation to the staff members and the auditors who contributed to the preparation of this report.

Respectfully submitted,



ANDRÉ DOUZDJIAN
Director of Finance



MARNEY COX
Chief Economist

BOARD OF DIRECTORS



The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus; plans, engineers, and builds public transit; makes strategic plans; obtains and allocates resources; and provides information on a broad range of topics pertinent to the region's quality of life.

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(A) Laurie Berman, District 11 Director

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Naval Facilities Engineering Command Southwest
(A) CAPT Richard L. Whipple, CEC, USN, Executive Officer
Naval Facilities Engineering Command Southwest

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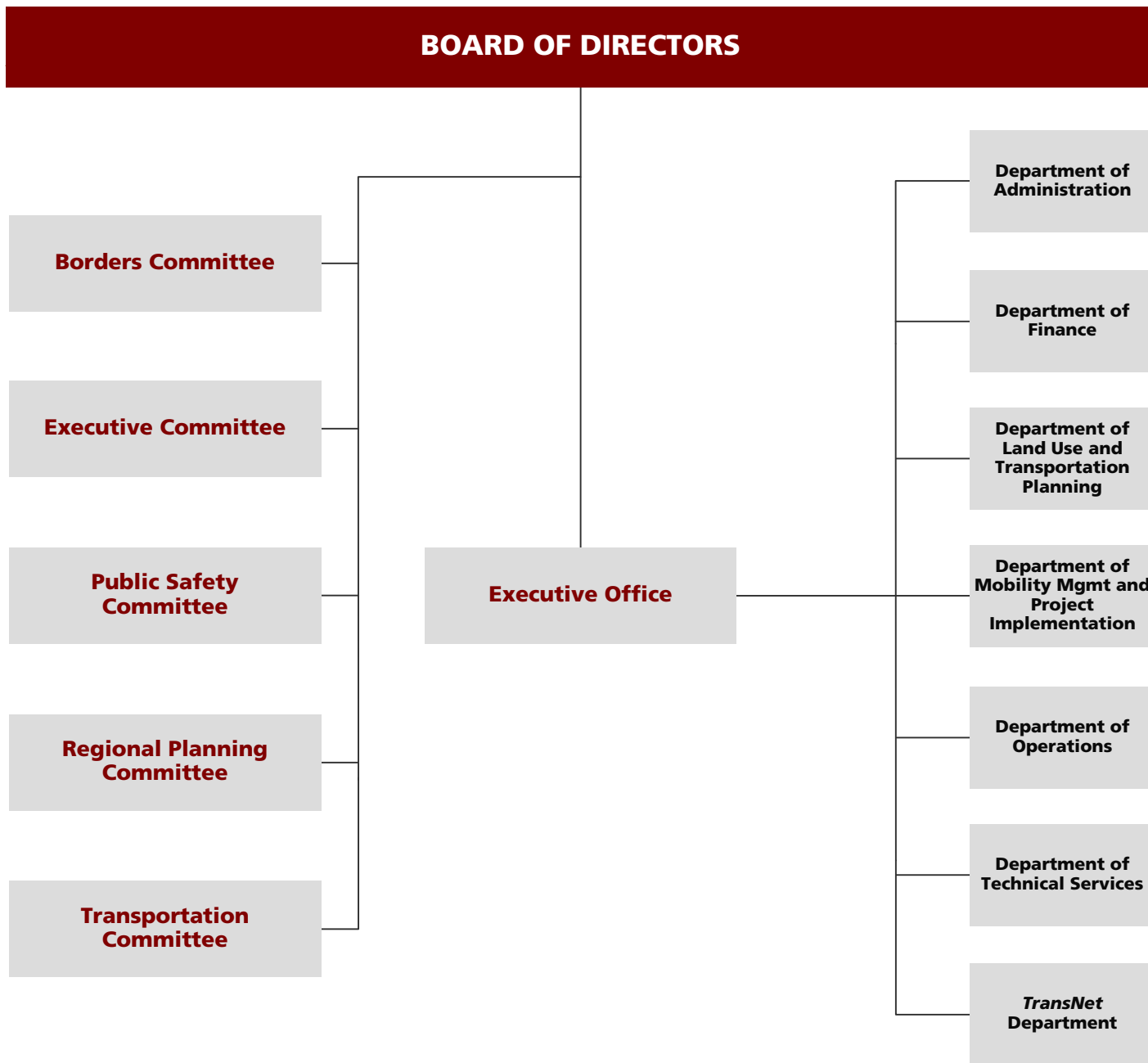
SAN DIEGO ASSOCIATION OF GOVERNMENTS

SANDAG Executive Staff

As of June 30, 2014

Executive Director	Gary L. Gallegos
Chief Deputy Executive Director	Kim Kawada
General Counsel	John Kirk
Director of Administration	Laura Coté
Director of Finance	André Douzdjian
Director of Land Use and Transportation Planning	Charles “Muggs” Stoll
Director of Operations	Samuel Johnson
Director of Mobility Management and Project Implementation	Jim Linthicum
Director of Technical Services	Kurt Kroninger
Director of Communications	Colleen Windsor
<i>TransNet</i> Department Director	José Nuncio
Chief Economist	Marney Cox
Transportation Demand Management Program Manager	Ray Traynor

San Diego Association of Governments Organization Chart





Government Finance Officers Association

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Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise SANDAG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of SANDAG as of June 30, 2014, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information of the general fund and major special revenue funds, and the schedules of funding progress* be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SANDAG's basic financial statements. The *introductory section, supplementary information* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual fund financial statements and schedules* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information in the *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 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 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 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.

Mayer Hoffman McCann P.C.

Irvine, California
December 5, 2014

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Management's Discussion and Analysis

As management of the San Diego Association of Governments (SANDAG), we provide this narrative overview and analysis of the financial activities of SANDAG for the fiscal year ended June 30, 2014. The intent of this analysis is to assist the readers of SANDAG financial statements in better understanding the overall financial condition of the agency. The information presented here should be considered in conjunction with the information provided in the letter of transmittal.

Financial Highlights

- SANDAG reported net position of \$261,537,111. Of this amount, net position (deficit) of (\$315,756,364) is considered unrestricted. A significant factor related to the net position balance is the issuance of \$1,370,585,000 in bonds issued in 2008, 2010, and 2012 and issuance of \$40,726,000 of commercial paper in 2014 as part of the Early Action Program to expedite congestion relief projects focusing on jump starting construction of the region's top priority transportation infrastructure projects.
- SANDAG total net position decreased by \$37,718,697 in fiscal year 2014. This decrease is primarily due to higher *TransNet* program expenses utilizing proceeds from the bond issuances and debt service payments, offset by an increase in capital assets.
- As of the close of the current fiscal year, SANDAG governmental funds reported combined ending fund balances of \$583,966,856. Of this total amount, \$572,648,495 is restricted for debt service and project spending, \$7,596,176 as non-spendable prepaid items, and \$3,722,185 as an unassigned fund balance.
- SANDAG total debt balance at the close of the current fiscal year increased by \$22.6 million comparing to that of fiscal year 2013. This is primarily due to the issuance of \$40,726,000 commercial paper in fiscal year 2014 offset by bond principal repayments of \$15,080,000, \$1,599,672 bond premium amortization and the \$1,505,000 principal repayment of commercial paper. At the end of the current fiscal year, San Diego County Regional Transportation Commission (the Commission), a blended component unit of SANDAG, had a total debt outstanding of \$1,264,473,800, and State Route 125 toll road fund (SR 125 fund) had a debt balance of \$103,645,153 in Transportation Infrastructure Finance and Innovation Act (TIFIA) Notes with \$56,145,839 of unamortized fair value debt adjustment.

Overview of the Financial Statements

The SANDAG annual financial report consists of five parts: management's discussion and analysis; basic financial statements; required supplementary information; an optional section that presents combining statements and additional supplementary information; and a statistical section, which furnishes relevant statistical data of the agency.

Management's discussion and analysis provided here are intended to serve as an introduction to SANDAG basic financial statements. SANDAG basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) the notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of SANDAG finances, in a manner similar to a private sector business.

The *statement of net position* presents financial information on all of SANDAG assets and liabilities, and deferred inflows/outflows of resources, 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 SANDAG is improving or deteriorating.

The *statement of activities* presents information showing changes in the SANDAG net position during the most recent fiscal year. All changes in net position are reported when the underlying events giving rise to the change occurs, 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.

Both of the government-wide financial statements distinguish functions of SANDAG that are principally supported by sales taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of SANDAG include general government, net of cost recovery, modeling and research, criminal justice, planning and forecasting, sustainable development, smart mobility programs and services, intermodal planning and implementation, internal and external coordination, SAFE program, bicycle facilities, Independent Taxpayer Oversight Committee (ITOC), major corridor capital projects, major corridor environmental mitigation, local project environmental mitigation, local street improvements, smart growth, new major corridor transit operations, transit system improvements, transit capital contributions, and interest on long-term debt.

The business-type activities of SANDAG include the Service Bureau, which provides informational and technical services to member agencies, nonmember government agencies, private organizations, and individuals to enhance the quality and extent of demographic, economic, transportation, land use, criminal justice, and other information maintained in the Regional Information System; the Interstate 15 (I-15) FasTrak[®] program, which allows solo drivers to pay a toll to use the express lanes on I-15; and the State Route 125 (SR 125) toll road operations, an 11.2 mile limited access highway in the County of San Diego.

The government-wide financial statements include not only SANDAG itself (known as the primary government), but also a legally separate nonprofit corporation (SourcePoint), which provides regional information services and technical assistance to private clients and public agencies; and a legally separate Joint Powers Agency Automated Regional Justice Information System (ARJIS), which provides a regional complex criminal justice enterprise information system utilized by more than 50 local, state, and federal agencies in the San Diego region. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Commission, although also legally separate, functions for all practical purposes as a program of SANDAG, and therefore, has been reported as a blended component unit and included as an integral part of the primary government.

The government-wide financial statements can be found on pages 25 to 26 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SANDAG, like other state and

local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SANDAG are either governmental-type funds or proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

SANDAG maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund; the *TransNet* fund; the San Diego County Regional Transportation Commission sales tax projects fund; the capital projects fund; and the San Diego County Regional Transportation Commission debt service fund, which are considered to be major funds. Data from the three nonmajor funds which are the general services fund, fare media sales fund and Service Authority for Freeway Emergency Operations (SAFE) program fund, is combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Proprietary funds. SANDAG maintains three proprietary funds. 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 in the government-wide financial statements. SANDAG uses enterprise funds to account for its I-15 FasTrak program, Service Bureau program, and the SR 125 toll road operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the SR 125 fund, which is considered to be a major fund. Data from the other two nonmajor proprietary funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements in the combining and individual fund statements and schedules of this report.

The basic proprietary fund financial statements can be found on pages 43 to 45 of this report.

Notes to the basic financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 to 92 of this report.

Other Information. In addition to the basic financial statements, required supplementary information can be found on pages 95 to 101 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and individual fund statements and schedules can be found on pages 104 to 101 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of SANDAG, assets and deferred outflows of resources exceeded liabilities by \$261,537,111 at the close of the most recent fiscal year.

San Diego Association of Governments' Net Position

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Interfund balances	\$ 54,766,711	\$ 56,373,690	\$ (54,766,711)	\$ (56,373,690)	\$ -	\$ -
Capital assets	656,272,972	532,238,513	384,115,638	399,169,289	1,040,388,610	931,407,802
Other assets	703,416,210	823,300,731	37,093,090	23,981,209	740,509,300	847,281,940
Total assets	1,414,455,893	1,411,912,934	366,442,017	366,776,808	1,780,897,910	1,778,689,742
Deferred outflows of resources	85,994,278	85,461,494	-	-	85,994,278	85,461,494
Current liabilities	170,320,246	153,175,687	4,315,123	5,069,702	174,635,369	158,245,389
Restricted liabilities	75,184,355	35,681,078	-	-	75,184,355	35,681,078
Noncurrent liabilities	1,195,654,852	1,212,233,181	159,880,501	158,735,781	1,355,535,353	1,370,968,962
Total liabilities	1,441,159,453	1,401,089,946	164,195,624	163,805,483	1,605,355,077	1,564,895,429
Net Position:						
Net investment in capital assets	287,100,514	212,369,791	224,324,646	240,433,508	511,425,160	452,803,299
Restricted for debt service	28,414,519	64,135,550	986	448	28,415,505	64,135,998
Restricted for environmental mitigation	1,207,152	1,210,668	-	-	1,207,152	1,210,668
Restricted for major maintenance post-acquisition	-	-	28,505,216	15,761,136	28,505,216	15,761,136
Restricted for project revenue	-	-	261,009	79,004	261,009	79,004
Restricted for toll road operations	-	-	7,479,433	-	7,479,433	-
Unrestricted (deficit)	(257,431,467)	(181,431,527)	(58,324,897)	(53,302,771)	(315,756,364)	(234,734,298)
Total net position	\$ 59,290,718	\$ 96,284,482	\$ 202,246,393	\$ 202,971,325	\$ 261,537,111	\$ 299,255,807

The majority of the SANDAG net position includes \$511,425,160 net investment in capital assets. These capital assets are used to provide services to citizens either by SANDAG or, in the case of the construction-in-progress (CIP), will be contributed to other governmental agencies, therefore, neither is available for future spending. A total of \$28,415,505 is restricted for debt service, \$1,207,152 for environmental mitigation, \$28,505,216 for major maintenance, and \$7,740,442 for project revenue and toll road operations. The remaining offsetting balance of net position is the unrestricted net deficit of \$315,756,364.

Factors contributing to the unrestricted net deficit of \$315,756,364 include debt activities of the Commission and SR 125 fund. In fiscal year 2014, there is a total of \$103,645,153 TIFIA notes payable with a fair value debt balance, net of amortization of \$56,145,839 for the SR 125 fund. The Commission outstanding debt of \$1,264,473,800 is included in the statement of net position, which is offset by related balances of cash and investments from the debt proceeds of \$63,097,453 at June 30, 2014, due from other governments for debt proceeds passed through to another government, net of principal retirement for a balance of \$51,148,880 and \$434,138,353 of cash and investments related to *TransNet* balances not yet requested by recipient agencies. The restricted liabilities are not available for spending as the long-term debt payable will be used to pay down outstanding commercial paper notes, which were issued to buy the North County Transit District (NCTD) Certificates of Participation (COP) investment. The restricted deposit payable is a NCTD deposit for commercial paper interest payments related to the COPs. Restricted net position includes \$1,207,152 of resources subject to externally imposed restrictions that must be used for environmental mitigation projects, \$28,505,216 set aside for major maintenance of the SR 125 fund, and \$7,740,442 restricted for project revenue and toll road improvements.

Additional information on SANDAG long-term debt can be found in Note III.F and additional information on SANDAG capital assets can be found in Note III.C in the notes to the basic financial statements of this report.

San Diego Association of Governments' Change in Net Position

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 3,504,536	\$ 3,564,036	\$ 36,854,218	\$ 32,823,234	\$ 40,358,754	\$ 36,387,270
Operating grants and contributions	34,298,223	78,195,117	-	-	34,298,223	78,195,117
Capital grants and contributions	150,652,714	112,147,740	-	-	150,652,714	112,147,740
General Revenues:						
Local <i>TransNet</i> sales tax funds	261,732,291	249,520,133	-	-	261,732,291	249,520,133
Local Transportation Development Act funds	9,932,385	8,135,581	-	-	9,932,385	8,135,581
Investment earnings	4,604,966	12,212,398	36,226	37,142	4,641,192	12,249,540
Other revenues	9,832	64,454	-	11,400	9,832	75,854
Total revenues	464,734,947	463,839,459	36,890,444	32,871,776	501,625,391	496,711,235
Expenses:						
General government, net of cost recovery	(486,437)	(75,055)	-	-	(486,437)	(75,055)
Modeling and research	4,545,222	4,458,732	-	-	4,545,222	4,458,732
Criminal justice	1,495,834	1,521,582	-	-	1,495,834	1,521,582
Planning and forecasting	4,394,795	4,212,706	-	-	4,394,795	4,212,706
Sustainable development	1,033,906	1,304,160	-	-	1,033,906	1,304,160
Smart mobility programs and services	21,247,297	47,366,426	-	-	21,247,297	47,366,426
Intermodal planning and implementation	1,528,526	2,114,127	-	-	1,528,526	2,114,127
Internal and external coordination	5,353,344	5,773,179	-	-	5,353,344	5,773,179
SAFE program	1,600,183	11,216,566	-	-	1,600,183	11,216,566
Bicycle facilities	1,990,728	71,080	-	-	1,990,728	71,080
Independent Taxpayer Oversight Committee	96,017	83,071	-	-	96,017	83,071
Major corridor capital projects	141,223	126,155	-	-	141,223	126,155
Major corridor environmental mitigation	20,306	-	-	-	20,306	-
Local project environmental mitigation	7,824	34,019	-	-	7,824	34,019
Local street improvements	52,452,895	66,153,631	-	-	52,452,895	66,153,631
Smart growth	2,525,948	1,783,732	-	-	2,525,948	1,783,732
New major corridor transit operations	2,509,523	606,497	-	-	2,509,523	606,497
Transit system improvement	40,266,354	39,679,702	-	-	40,266,354	39,679,702
Transit capital contributions (Note III.G)	303,556,952	244,093,156	-	-	303,556,952	244,093,156
Interest on long-term debt	57,551,894	58,602,402	7,920,355	7,692,606	65,472,249	66,295,008
Service Bureau	-	-	548,715	504,167	548,715	504,167
Interstate 15 FasTrak	-	-	6,582,099	6,092,062	6,582,099	6,092,062
State Route 125 Toll Road	-	-	22,460,585	22,218,876	22,460,585	22,218,876
Total expenses	501,832,334	489,125,868	37,511,754	36,507,711	539,344,088	525,633,579
Change in net position before transfers	(37,097,387)	(25,286,409)	(621,310)	(3,635,935)	(37,718,697)	(28,922,344)
Transfers in (out)	103,622	(1,492,360)	(103,622)	1,492,360	-	-
Change in net position	(36,993,765)	(26,778,769)	(724,932)	(2,143,575)	(37,718,697)	(28,922,344)
Net position, beginning of year	96,284,483	123,063,251	202,971,325	205,114,900	299,255,808	328,178,151
Net position, end of year	\$ 59,290,718	\$ 96,284,482	\$ 202,246,393	\$ 202,971,325	\$ 261,537,111	\$ 299,255,807

Governmental activities. Governmental activities decreased the SANDAG net position by \$36,993,765, which is due to total expenses of \$501,832,334 exceeding total revenue of \$464,734,947 by \$37,097,387 offset with a transfer in of \$103,622.

Key elements of the revenue and expense differences between fiscal years 2014 and 2013 for governmental activities are as follows:

Total revenues increased by \$895,488. Key factors for this net increase are as follows:

- Sales tax revenue increased by \$12,212,158 or 4.9 percent, which is driven primarily by an increase in taxable consumption in the region resulting from the local economic recovery and continued growth in consumer spending in fiscal year 2014. The San Diego Region's gross regional product, an estimate of the total value of goods and services produced in a region, continues to rise after coming out of the recession since 2010. This growth supports the increase in the sales tax revenue in fiscal year 2014.
- The increase in capital grant and contributions of \$38,504,974, or 34.3 percent, is the result of several major capital improvement projects transitioning from planning and design phases into construction phase in the current fiscal year, which include eleven Blue Line Trolley stations for the new low floor vehicles, incurring construction costs of \$54 million in fiscal year 2014, a total of \$34 million more compared to the prior fiscal year.
- Transportation Development Act (TDA) fund revenue increased by \$1,796,804. This increase is primarily due to the Regional Bike Plan Early Action Program approved by SANDAG Board in September 2013 which received TDA funding of \$3,719,778 for the Inland Rail Trail project, of which \$2,024,812 was recognized in fiscal year 2014.

The above revenue increases were offset by the following decreases.

- Operating grants and contributions decreased by \$43,896,894. This decrease is primarily due to the prepaid fare media sales operating revenue of \$27,178,362 recognized in the prior year, but not in the current year, as approximately 75 percent of this operation was transferred from SANDAG to Metropolitan Transit System (MTS) in July 2013 in an effort to streamline operations of the program. This move will allow MTS, the largest user and recipient of the prepaid fare media sales program to manage the program in house, thereby reducing external costs. In addition, the SAFE program operation, responsible for purchasing, installing, operating, and maintaining a motorist aid system of call boxes, was transferred from the County of San Diego to SANDAG as of January 1, 2013, by the adoption of Assembly Bill No. 1572 (AB 1572) (Fletcher, 2012). SAFE program fund cash balance of \$14,507,396 transferred from the previous management entity to SANDAG in fiscal year 2013. There were no such transfers in fiscal year 2014.
- Investment earnings decreased by \$7,607,432 in fiscal year 2014, which is the result of annual derivative interest adjustment on the rate swaps offset by a slight increase in investment income.

Total expenses increased by \$12,706,466, or 2.6 percent, over the prior year. Key factors in this net increase are as follows:

- Transit capital contributions increased \$59,463,796, or 24.3 percent. This significant increase is due to several major capital projects reaching the peak of construction phases this fiscal year, thus incurred higher construction costs. During the year, \$298,575,170 of completed CIP projects, as well as title to the assets, if applicable, was transferred to other governmental agencies responsible for public transportation operations, \$134,244,527 to MTS, \$84,686,354 to NCTD, \$75,271,168 to Caltrans, \$34,576 to the City of Chula Vista, \$87,742 to the City of Encinitas, \$2,207,023 to the City of Oceanside, \$1,870,317 to the City of San Marcos, \$17,293 to the Port of San Diego, and \$156,170 to the Endangered Habitat League, to reflect the other government's custodial accountability for the operations and maintenance of the assets. These capital contributions represent a reduction in capital assets and are not restricted to specific programs per the government-wide statement of activities.

The above expense increase was offset with the following expense decreases.

- *TransNet* program expenses decreased \$8,527,069, or 7.8 percent which is primarily due to local street improvements expense decrease of \$13,700,736. This expense was based on recipient requests of *TransNet* funds for eligible costs, which were lower in fiscal year 2014 in relation to fiscal year 2013. This decrease was offset by a total increase of \$2,732,944 for bike facilities and smart growth program expenses due to grantees requesting reimbursement on their *TransNet* Active Transportation Grants as they continue to make timely progress toward completion of the projects, as well as an increase in new major corridor transit operations expense of \$1,903,026 primarily for the operating costs associated with MTS SuperLoop and the newly established I-15 Bus Rapid Transit operations in the current year.
- Interest on long-term debt decreased by \$1,050,508, or 1.8 percent. Interest on long-term debt is comprised of interest payments to bond and commercial paper holders (interest expense) and costs associated with the outstanding debt (program costs). The reduction of \$1.05 million in fiscal year 2014 over the prior year is due to interest expense reductions on lower outstanding principal for two of the bond series, lower costs on commercial paper due to a change in liquidity provider mid-2013, and a one-time adjustment on loss on refunding of the 2008 bonds in fiscal year 2013, which was not included in fiscal year 2014.
- A net decrease of \$37,179,753, or 47.7 percent, in other SANDAG governmental activities is the main result of the following:
 - Intermodal planning and implementation project expenses decreased by \$585,601, or 27.7 percent, primarily as a result of State Route 11 Traffic Study project substantially completed in fiscal year 2013, thus incurred less expense in fiscal year 2014.
 - Smart mobility programs and services project expenses decreased by \$26,119,129, or 55.1 percent, as a direct result of 75 percent of prepaid fare media sales operations transferred to MTS, thus reducing operating expenses from \$31,806,352 in fiscal year 2013 to \$747,385 in fiscal year 2014.
 - SAFE program expenses decreased by \$9,616,383 which was primarily driven by the \$9,847,407 distributions made to the various local cities that are members of the SAFE program as required by AB 1572 in fiscal year 2013. The program did not make such distributions in fiscal year 2014.

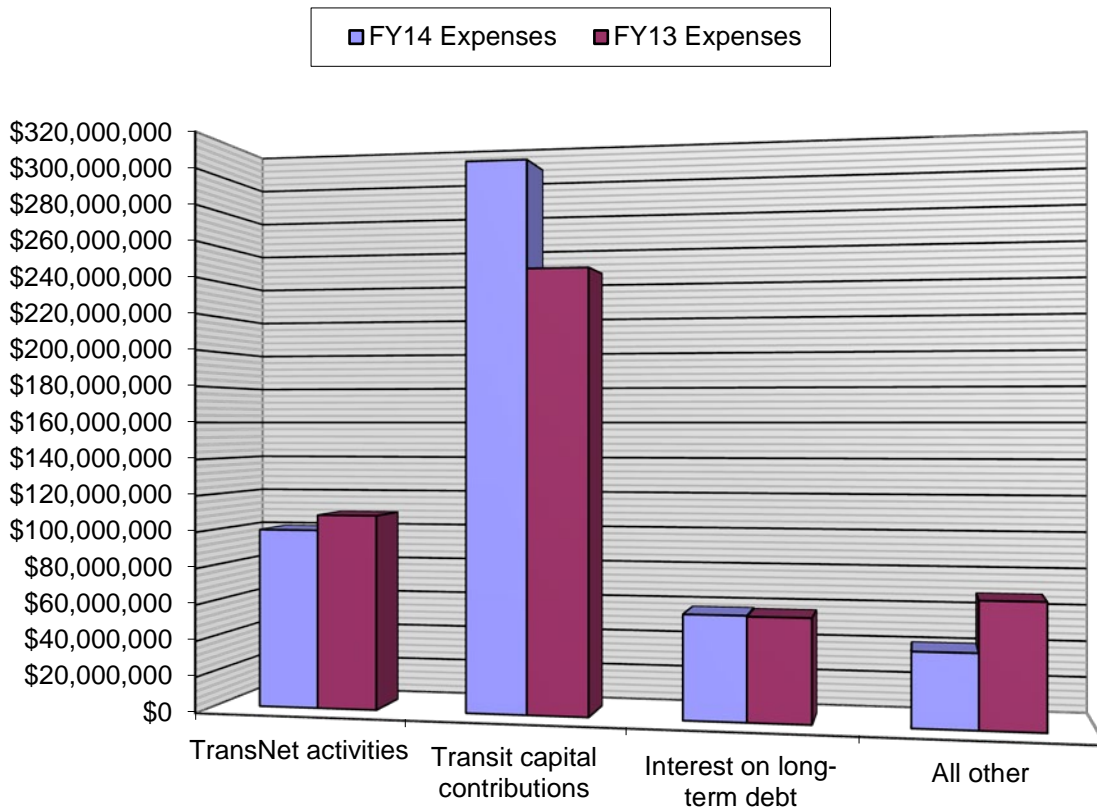
Business-type activities. Business-type activities decreased the SANDAG net position by \$724,932, as a result of total expenses of \$37,511,754 exceeding total revenue by \$621,310 plus a transfer out of \$103,622.

Key elements of the revenue and expense differences between fiscal year 2014 and fiscal year 2013 for business-type activities are as follows:

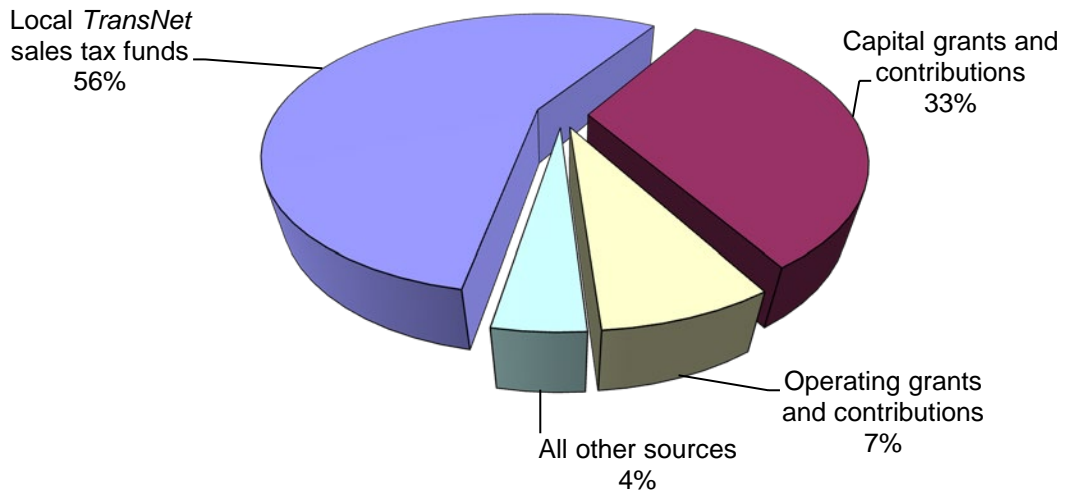
Total revenue for business-type activities increased \$4,018,668, or 12.2 percent, in fiscal year 2014. This revenue increase was primarily the result of a significant increase in the utilization of the SR 125 toll road by commuters in fiscal year 2014 comparing to the usage in fiscal year 2013. The contributing factor to this toll road utilization increase is the lowering of toll rates by up to 40 percent, with the goal of easing congestion on Interstate 805 (I-805) and local streets.

Total expenses for business-type activities increased \$1,004,043, or 2.7 percent, in fiscal year 2014. This is primarily due to increased operating activities for the SR 125 toll road resulting in additional expenses of \$241,709 plus an increase on longer term debt expense of \$227,749, as well as increased expenses of \$490,037 for operations of the I-15 FasTrak as the operating activities rose in the current fiscal year.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, SANDAG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of SANDAG governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SANDAG financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, SANDAG governmental funds reported combined ending fund balances of \$583,966,856. Of this total amount, \$3,722,185 constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable or restricted.

The general fund is the chief general government operating fund of SANDAG. At the end of the current fiscal year, fund balance of the general fund was \$14,282,374, and of this amount \$465,189 is nonspendable prepaid items. The fund balance of the general fund during the current fiscal year increased by \$2,680,460. The key factor contributing to this increase is that TDA Program revenue received by the agency was greater than actual expenditures of the TDA-eligible Overall Work Plan (OWP) Projects funded by the TDA Program revenue in fiscal year 2014. The agency's receipt of TDA Program revenue was based on the SANDAG portion of the total apportionment of available TDA sales tax revenues. SANDAG funds TDA-eligible project expenditures as a transfer to other funds on a reimbursement basis, which is not always equal to the revenue apportionment. The timing difference between the TDA revenue received and expenditures incurred resulted in the fund balance increase of \$1,362,967 in the current fiscal year. In addition, majority of the General Fund expenditures was

recovered through cost recovery of the Indirect Cost Allocation Plan, therefore contributing to the fund balance increase of the General Fund. These unused revenues shall be used in future years for the completion of OWP projects, and any remaining revenue will be deposited to the SANDAG contingency reserve, in accordance with the Board of Director's (Board) Policy.

The *TransNet* fund is the recipient fund from the Commission (blended component unit); and the funds are subsequently transferred out to projects and for general and administrative expenditures in the general fund, general services fund, and capital projects fund. At the end of the current fiscal year, the fund balance of the *TransNet* fund was \$0. Revenues increased by \$73,501,249, or 35 percent, which is due to a surge of Early Action Program (EAP) projects under the *TransNet* Extension Ordinance, which was funded with use of the 2008, 2010, and 2012 bonds. Transfers out increased by \$73,501,249, or 35 percent, which is also due to the EAP projects.

The San Diego County Regional Transportation Commission sales tax projects special revenue fund had a fund balance of \$502,568,971, all of which was restricted. The fund balance of this fund during the current fiscal year was increased by \$85,606,336. Key factors contributing to this increase are as follows:

- Total fund expenditures exceeded fund revenue by \$118,424,777 due to increased EAP project costs offset by net Interfund transfers in of \$204,031,113, which is primarily due to transfers with the Commission's debt-service fund for the use of debt proceeds toward major corridor and major corridor environmental mitigation programs and for principal and interest payments. The bond proceeds transfers in of \$276,502,511 are reduced by sales tax receipts transfers out of \$72,471,398 that are transferred to the debt-service fund for payment of debt principal and interest.

The capital projects fund had a fund balance of (\$2,965,930). The fund balance of the capital projects fund increased by \$2,376,284, or 44.5 percent, during the current fiscal year primarily due to revenue recognition timing between fiscal year 2014 and fiscal year 2013.

The San Diego County Regional Transportation Commission commercial paper and sales tax revenue bonds debt-service fund (debt-service fund) had a fund balance of \$62,883,888, all of which was restricted. The fund balance of the debt-service fund during the current fiscal year decreased by \$228,478,928, and key factors for this decrease are as follows:

- Expenditures in the current year exceeded revenues by \$65,173,815 due to principal retirement of bonds and commercial paper, interest and other charges for the 2008, 2010, and 2012 bond issuances, offset with the receipt of federal subsidy revenue for the 2010 Build America Bonds (BABs) interest net payment. Majority of the funding for the debt service payments is transferred from the San Diego County Regional Transportation Commission sales tax projects special revenue fund .
- Interfund transfers of \$204,031,113 were primarily due to transfers with the Commission's special revenue fund as noted in the special revenue fund explanations above.

The general services fund had a fund balance of \$949,879. The fund balance of the general services fund increased by \$2,024,434, or 188.4 percent, during the current fiscal year primarily due to revenue recognition timing between fiscal year 2014 and fiscal year 2013. The unavailable revenue balance in fiscal year 2013 was \$2 million higher than that of fiscal year 2014.

The prepaid fare media sales special revenue fund had a fund balance of \$152,245, which was unchanged during the current fiscal year. Majority (75 percent) of the program operations was transferred to MTS at the beginning of fiscal year 2014. The expenses for the remainder operations of the program were reimbursed by MTS in the current fiscal year.

The SAFE special revenue fund had a fund balance of \$6,095,430. This special revenue fund was established in January 2013 by adoption of AB 1572. The fund balance constitutes the current fiscal year operating revenue of \$2,780,027, offset by operating expense of \$1,600,183 combined with prior year fund balance of \$4,915,586.

General Fund Budgetary Highlights

The general fund is the SANDAG primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund. During the fiscal year there was an increase between the original and final amended budget.

- Local TDA sales tax actual revenues were equivalent to the actual TDA receipts for 2014. Actual revenues represent the full SANDAG TDA claim received, which is the SANDAG portion of the total apportionment of available TDA sales tax revenues. SANDAG budgets TDA revenues to fund TDA-eligible project expenditures as a transfer to other funds on a reimbursement basis, which is not always equal to the claim amount. In accordance with Board Policy, any excess is considered savings and was deposited into the contingency reserve. General government actual expenditures, net of cost recovery were lower than the budgeted amount by \$1,692,130. This is primarily related to the salary savings created by employee turnover and the resulting vacancies in those staff positions while recruiting efforts were underway.
- Actual transfers in were slightly higher than the budget by \$5,086. The budget of \$163,500 is comprised of one-half of the Board budget and one-half of the general and administrative contingency budget. Actual Board expenditures coming in slightly above the budget comprises the variance.
- Actual transfers out were lower than the budget by \$1,646,893, or 23 percent. The budget is comprised of TDA funding expected to be transferred to other funds to pay for TDA-eligible project expenditures. Project expenditures in the general services fund, some of which are funded with TDA funds, were approximately 23 percent under budget. Some projects experienced delayed work efforts. Projects are initially funded using dedicated funds before TDA funding is applied, allowing TDA to be carried over for work efforts in 2015.

Capital Assets and Debt Administration

Capital assets. SANDAG investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$656,272,972 (net of accumulated depreciation). This investment in capital assets includes primarily CIP on projects for the benefit of the transit agencies, Caltrans, or other governmental agencies. Once completed, these projects are contributed to the other governmental agencies to reflect the other government's custodial accountability for the operation and maintenance of the assets. Major projects under construction as of June 30, 2014, include:

- *TransNet* EAP Projects. These include major corridor projects for Interstate 5, Interstate 15, I-805, State Route 76, the Mid-Coast Corridor, Blue and Orange Line Trolley Improvements, and the

Transportation Project Biological Mitigation Fund. The CIP balance for EAP projects is \$644.9 million and the overall cumulative fiscal year 2014 approved budget for EAP projects through fiscal year 2022 is \$6.8 billion.

Capital Assets (net of accumulated depreciation)

	Governmental activities	
	2014	2013
Governmental activities:		
Office equipment	\$ 15,948	\$ 25,351
Computer equipment	5,716,457	273,117
Other equipment	1,411	20,842
Vehicles	49,237	8,933
Buses	300,740	332,439
Construction-in-progress	644,947,740	526,336,392
Land	5,241,439	5,241,439
Governmental activities capital assets, net	<u>\$ 656,272,972</u>	<u>\$ 532,238,513</u>

Additional information on SANDAG capital assets can be found in Note III.C in the notes to the basic financial statements of this report.

Debt Administration

Long-term debt. At the end of the current fiscal year, SANDAG had total debt outstanding of \$1,426,531,753, which is comprised of \$799,185,000 of tax-exempt sales tax revenue bonds, \$338,960,000 of BABs (sales tax revenue bonds), net of the premium on the 2010 tax-exempt bonds of \$691,941 and 2012 tax-exempt bonds of \$52,635,859, \$73,001,000 of outstanding commercial paper notes, compensated absences payable of \$2,266,961, and \$159,790,992 of TIFIA notes net of unamortized fair value adjustment.

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Sales tax bonds	\$ 1,191,472,800	\$ 1,208,152,472	\$ -	\$ -	\$ 1,191,472,800	\$ 1,208,152,472
Commercial paper	73,001,000	33,780,000	-	-	73,001,000	33,780,000
Pension related debt	2,177,052	2,075,709	89,909	-	2,266,961	2,075,709
TIFIA notes	-	-	103,645,153	100,572,989	103,645,153	100,572,989
Unamortized FV adjustment	-	-	56,145,839	58,162,792	56,145,839	58,162,792
Total	<u>\$ 1,266,650,852</u>	<u>\$ 1,244,008,181</u>	<u>\$ 159,880,901</u>	<u>\$ 158,735,781</u>	<u>\$ 1,426,531,753</u>	<u>\$ 1,402,743,962</u>

SANDAG total debt increased by \$23,787,791, which is primarily due to issuance of \$40,726,000 commercial paper offset with bond principal retirements of \$15,080,000 and \$1,505,000 in commercial paper repayments.

Additional information on SANDAG long-term debt can be found in Note III.F in the notes to the basic financial statements of this report.

Economic Factors and Next Year's Budgets

- The OWP and Regional Operations Program are the non-capital portions of the Board approved Program Budget. For the OWP, federal consolidated planning grant sources are expected to remain flat in fiscal year 2015, with local sales tax revenue expected to grow by four percent. The Board approved total fiscal year 2015 OWP budget is \$44.1 million, which is a one percent increase over FY 2014. Nearly all planning activities within the OWP are continuing with a similar level of effort as the previous year. Highlights of the program are the second year of development of San Diego Forward: The Regional Plan, which initiates a new cycle of the Regional Transportation Plan (RTP) and is consolidating previous planning efforts of the RTP, the Regional Comprehensive Plan, and the Sustainable Communities Plan into one comprehensive document. This \$9.1 million planning initiative is expected to conclude in August 2015 with approval by the Board. Supporting this major planning initiative are travel demand and land use modeling efforts, which are also budgeted at or near the same levels as FY 2014. Funding and activities relating to Criminal Justice Research are planned to increase slightly, and Transportation Demand Management program continues to aggressively pursue alternatives to single occupancy commutes.
- The Regional Operations Program budget was approved for \$44.8 million, and consists of the ongoing activities that require 24 hour monitoring, including the SR 125 Facilities Operations, Motorist Aid Call Box program, I-15 FasTrak, Freeway Service Patrol, and ARJIS. Fiscal year 2015 marks the second year of tracking this group of programs separately, with project budgets reduced by \$2.2 million or 4.7 percent compared to the previous year. Reduced resource needs are planned for the Motorist Aid Call Box, I-15 FasTrak, Compass Card, Freeway Service Patrol, and ARJIS programs, while the SR 125 Toll facilities is projecting increases of approximately \$800,000 or three percent.
- In the Capital Budget, cumulative capital project funding through fiscal year 2023 as approved in the fiscal year 2015 budget is increased slightly from \$7.2 billion to \$7.3 billion for the *TransNet* EAP projects. This program is made up of projects relating to the 40-year *TransNet* Extension sales tax program, approved by the voters of San Diego County in November 2004.
- SANDAG continues to strive for continuous improvement by implementing cost effective measures to maximize the efficiency of the general fund expenditures. SANDAG finance, administrative, and contract management functions continue to use new technology to develop more effective fiscal discipline, flexibility, and responsiveness. Emphasis is placed on scrutinizing all travel requests, re-evaluating each vacant position before authorizing replacement, expanding the ability to respond to legal issues, and optimizing the risk management portfolio. Administrative staffing and related expenditures are staying nearly flat, with an approved budget of \$11.9 million, or 1.2 percent less for FY 2015 than the previous year.
- Actual cash basis sales tax collections have increased in 17 of the last 20 years of collections, with decreases occurring in fiscal years 2008, 2009, and 2010. Actual sales tax receipts in fiscal year 2014 came in 4.9 percent higher over fiscal year 2013 actual receipts. An increase over the fiscal year 2014 estimates of 4.0 percent is projected for fiscal year 2015. Actual receipts during the first three months of fiscal year 2015 are 2.5 percent over the first three months of fiscal year 2014.
- For the fiscal year 2015 budget, \$273 million in *TransNet* sales tax receipts was budgeted. The sales tax revenue budget will fund general government administration, bicycle, pedestrian, and neighborhood safety projects, the ITOC, major corridor capital projects, major corridor environmental

mitigation, local project environmental mitigation, local street improvements, smart growth, new major corridor transit operations, and transit system improvements.

Requests for Information

This financial report was designed to provide a general overview of SANDAG 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 Director of Finance, 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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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San Diego Association of Governments
Statement of Net Position
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total 2014	SourcePoint	ARJIS
ASSETS					
Cash and investments	\$ 449,453,430	\$ 5,832,297	\$ 455,285,727	\$ 657,496	\$ 5,523,776
Accounts receivable	324,475	1,711,528	2,036,003	-	70
Prepaid items and other assets	7,596,176	332,519	7,928,695	-	13,761
Interest receivable	1,209,440	-	1,209,440	497	2,392
Due from other governments	176,047,063	449,535	176,496,598	2,651,853	1,083,439
Due from component units	242,132	-	242,132	-	-
Internal balances	54,766,711	(54,766,711)	-	-	-
Other post-employment benefit asset	525,325	-	525,325	-	-
Restricted assets:					
Cash restricted for capital project retentions	3,659,025	261,009	3,920,034	-	-
Cash and investments restricted for debt service and other liabilities	63,151,992	986	63,152,978	-	-
Cash and investments restricted for environmental mitigation	1,207,152	-	1,207,152	-	-
Cash and investments restricted for major maintenance & project revenue	-	28,505,216	28,505,216	-	-
Capital assets:					
Non-depreciable	650,189,179	1,980,000	652,169,179	-	-
Depreciable, net of accumulated depreciation	6,083,793	382,135,638	388,219,431	-	5,338,190
Total assets	1,414,455,893	366,442,017	1,780,897,910	3,309,846	11,961,628
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging swap agreement	68,206,368	-	68,206,368	-	-
Deferred loss on refunding	17,787,910	-	17,787,910	-	-
Total deferred outflows of resources	85,994,278	-	85,994,278	-	-
LIABILITIES					
Accounts payable	51,649,273	1,268,209	52,917,482	2,391,309	190,942
Retentions payable	10,195,622	1,492	10,197,114	158,522	-
Due to other governments	32,047,316	937,182	32,984,498	-	169,887
Due to primary government	-	-	-	16,916	225,215
Accrued interest payable	10,986,255	-	10,986,255	-	-
Transponder deposits payable	-	18,580	18,580	-	-
Advance due within one year	-	-	-	505,770	-
Unearned revenue	13,742,589	2,089,660	15,832,249	-	-
Derivative instrument - swap liability	51,699,191	-	51,699,191	-	-
Liabilities payable from restricted assets:					
Deposits payable	234,458	-	234,458	-	-
Retentions payable	3,953,897	-	3,953,897	-	-
Long-term debt payable - due within one year	34,448,476	-	34,448,476	-	-
Noncurrent liabilities:					
Due within one year	56,219,576	1,557,684	57,777,260	-	-
Due in more than one year	1,175,982,800	102,176,978	1,278,159,778	-	-
Compensated absences payable - due in more than one year	-	-	-	-	-
Fair value debt, net of amortization	-	56,145,839	56,145,839	-	-
Total liabilities	1,441,159,453	164,195,624	1,605,355,077	3,072,517	586,044
NET POSITION					
Net investment in capital assets	287,100,514	224,324,646	511,425,160	-	5,338,190
Restricted for:					
Debt service and other liabilities	28,414,519	986	28,415,505	-	-
Environmental mitigation	1,207,152	-	1,207,152	-	-
Major maintenance post-acquisition	-	28,505,216	28,505,216	-	-
Project revenue	-	261,009	261,009	21,929	-
Toll road operations and improvements	-	7,479,433	7,479,433	-	-
Unrestricted (deficit) (Note I.E.7)	(257,431,467)	(58,324,897)	(315,756,364)	215,400	6,037,394
Total net position	\$ 59,290,718	\$ 202,246,393	\$ 261,537,111	\$ 237,329	\$ 11,375,584

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
Statement of Activities
For the year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government, net of cost recovery	\$ (486,437)	\$ 547,425	\$ -	\$ -
Modeling and research	4,545,222	-	2,079,477	-
Criminal justice	1,495,834	200,000	1,241,981	-
Planning and forecasting	4,394,795	-	3,429,615	-
Sustainable development	1,033,906	-	610,960	-
Smart mobility programs and services	21,247,297	-	16,606,748	-
Intermodal planning and implementation	1,528,526	-	1,341,454	-
Internal and external coordination	5,353,344	-	2,510,980	-
SAFE program	1,600,183	2,757,111	-	-
Bicycle facilities	1,990,728	-	-	-
Independent Taxpayer Oversight Committee	96,017	-	-	-
Major corridor projects	141,223	-	21,934	-
Major corridor environmental mitigation	20,306	-	-	-
Local project environmental mitigation	7,824	-	-	-
Local street improvements	52,452,895	-	-	-
Smart growth	2,525,948	-	-	-
New major corridor transit operations	2,509,523	-	-	-
Transit system improvements	40,266,354	-	-	-
Transit capital contributions (Note III.G)	303,556,952	-	-	150,652,714
Interest on long-term debt	57,551,894	-	6,455,074	-
Total governmental activities	501,832,334	3,504,536	34,298,223	150,652,714
Business-type activities:				
Service Bureau	548,715	639,983	-	-
Interstate 15 FasTrak	6,582,099	6,449,971	-	-
State Route 125 Toll Road	30,380,940	29,764,264	-	-
Total business-type activities	37,511,754	36,854,218	-	-
Total primary government	\$ 539,344,088	\$ 40,358,754	\$ 34,298,223	\$ 150,652,714
Component units:				
SourcePoint	\$ 4,631,722	\$ 4,639,644	\$ -	\$ -
ARJIS	7,549,277	4,536,107	1,757,465	-
Total component units	\$ 12,180,999	\$ 9,175,751	\$ 1,757,465	\$ -

General revenues:

Local *TransNet* sales tax funds
Local Transportation Development Act sales tax funds
Investment earnings
Other revenues

Transfers in (out)

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

See accompanying Notes to the Basic Financial Statements.

Net (Expense) Revenue and					
Changes in Net Position					
Totals	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total 2014	SourcePoint	ARJIS
\$ 547,425	\$ 1,033,862	\$ -	\$ 1,033,862	\$ -	\$ -
2,079,477	(2,465,745)	-	(2,465,745)	-	-
1,441,981	(53,853)	-	(53,853)	-	-
3,429,615	(965,180)	-	(965,180)	-	-
610,960	(422,946)	-	(422,946)	-	-
16,606,748	(4,640,549)	-	(4,640,549)	-	-
1,341,454	(187,072)	-	(187,072)	-	-
2,510,980	(2,842,364)	-	(2,842,364)	-	-
2,757,111	1,156,928	-	1,156,928	-	-
-	(1,990,728)	-	(1,990,728)	-	-
-	(96,017)	-	(96,017)	-	-
21,934	(119,289)	-	(119,289)	-	-
-	(20,306)	-	(20,306)	-	-
-	(7,824)	-	(7,824)	-	-
-	(52,452,895)	-	(52,452,895)	-	-
-	(2,525,948)	-	(2,525,948)	-	-
-	(2,509,523)	-	(2,509,523)	-	-
-	(40,266,354)	-	(40,266,354)	-	-
150,652,714	(152,904,238)	-	(152,904,238)	-	-
6,455,074	(51,096,820)	-	(51,096,820)	-	-
188,455,473	(313,376,861)	-	(313,376,861)	-	-
639,983	-	91,268	91,268	-	-
6,449,971	-	(132,128)	(132,128)	-	-
29,764,264	-	(616,676)	(616,676)	-	-
36,854,218	-	(657,536)	(657,536)	-	-
\$ 225,309,691	(313,376,861)	(657,536)	(314,034,397)	-	-
\$ 4,639,644	-	-	-	7,922	-
6,293,572	-	-	-	-	(1,255,705)
\$ 10,933,216	-	-	-	7,922	(1,255,705)
	261,732,291	-	261,732,291	-	-
	9,932,385	-	9,932,385	-	-
	4,604,966	36,226	4,641,192	877	12,110
	9,832	-	9,832	-	-
	103,622	(103,622)	-	-	-
	276,383,096	(67,396)	276,315,700	877	12,110
	(36,993,765)	(724,932)	(37,718,697)	8,799	(1,243,595)
	96,284,483	202,971,325	299,255,808	228,530	12,619,179
	\$ 59,290,718	\$ 202,246,393	\$ 261,537,111	\$ 237,329	\$ 11,375,584

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FUND FINANCIAL STATEMENTS

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GOVERNMENT FUND FINANCIAL STATEMENTS

San Diego Association of Governments
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds		
	General Fund	<i>TransNet</i> Fund	San Diego County Regional Transportation Commission Sales Tax Projects Fund
ASSETS			
Cash and investments	\$ 8,232,978	\$ -	\$ 433,138,335
Accounts receivable	11,932	-	18,500
Prepaid items and other assets	465,189	-	-
Interest receivable	2,407	-	4,846,444
Due from other funds	6,982,590	-	11,217,334
Due from other governments	49,993	-	48,565,005
Due from component units	242,132	-	-
Advances to other funds	-	-	58,686,491
Cash and investments - restricted	54,539	-	1,207,152
Total assets	\$ 16,041,760	\$ -	\$ 557,679,261
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,361,118	\$ -	\$ 206,681
Accrued liabilities	143,817	-	-
Retentions payable	-	-	-
Due to other funds	-	-	53,493,850
Due to other governments	254,451	-	1,409,759
Unearned revenue	-	-	-
Liabilities payable from restricted assets	-	-	-
Total liabilities	1,759,386	-	55,110,290
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances:			
Nonspendable:			
Prepaid items	465,189	-	-
Total nonspendable	465,189	-	-
Restricted for:			
Environmental mitigation	-	-	1,207,152
Debt service	-	-	-
<i>TransNet</i> -eligible projects	-	-	501,361,819
Transit planning and services	-	-	-
Freeway emergency service	-	-	-
Total restricted	-	-	502,568,971
Unassigned	13,817,185	-	-
Total fund balances (deficit)	14,282,374	-	502,568,971
Total liabilities, deferred inflows of resources and fund balances	\$ 16,041,760	\$ -	\$ 557,679,261

See accompanying Notes to the Basic Financial Statements.

			Totals
San Diego			
Capital	County Regional	Other	
Projects	Transportation	Governmental	
Fund	Commission	Funds	2014
	Debt Service Fund		
\$ -	\$ 45	\$ 8,082,072	\$ 449,453,430
9,778	-	284,265	324,475
7,129,070	-	1,917	7,596,176
-	20,848	5,761	4,875,460
47,279,424	-	6,214,293	71,693,641
61,974,177	51,148,880	14,303,724	176,041,779
-	-	-	242,132
-	-	-	58,686,491
3,659,025	63,097,453	-	68,018,169
<u>\$ 120,051,474</u>	<u>\$ 114,267,226</u>	<u>\$ 28,892,032</u>	<u>\$ 836,931,753</u>
\$ 45,925,586	\$ -	\$ 3,996,149	\$ 51,489,534
-	-	15,922	159,739
9,750,440	-	445,182	10,195,622
17,624,692	-	8,160,899	79,279,441
25,031,982	-	5,351,124	32,047,316
11,904,132	-	1,838,457	13,742,589
3,953,897	234,458	-	4,188,355
<u>114,190,729</u>	<u>234,458</u>	<u>19,807,733</u>	<u>191,102,596</u>
8,826,675	51,148,880	1,886,746	61,862,301
<u>8,826,675</u>	<u>51,148,880</u>	<u>1,886,746</u>	<u>61,862,301</u>
7,129,070	-	1,917	7,596,176
<u>7,129,070</u>	<u>-</u>	<u>1,917</u>	<u>7,596,176</u>
-	-	-	1,207,152
-	62,862,995	-	62,862,995
-	20,893	-	501,382,712
-	-	1,100,207	1,100,207
-	-	6,095,429	6,095,429
<u>-</u>	<u>62,883,888</u>	<u>7,195,636</u>	<u>572,648,495</u>
(10,095,000)	-	-	3,722,185
<u>(2,965,930)</u>	<u>62,883,888</u>	<u>7,197,553</u>	<u>583,966,856</u>
<u>\$ 120,051,474</u>	<u>\$ 114,267,226</u>	<u>\$ 28,892,032</u>	<u>\$ 836,931,753</u>

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San Diego Association of Governments
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2014

Total Fund Balances - Total Governmental Funds	\$ 583,966,856
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	656,272,972
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds.	530,609
Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported in the governmental funds.	61,862,301
Long-term liabilities, including debt payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,259,849,197)
Derivative instruments are not reported in the funds but must be reported in the statement of net position.	<u>16,507,177</u>
Net Position of Governmental Activities	<u>\$ 59,290,718</u>

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the year ended June 30, 2014

	Major Funds		
	General Fund	TransNet Fund	San Diego County Regional Transportation Commission Sales Tax Projects Fund
REVENUES:			
Federal funds	\$ -	\$ -	\$ -
State funds	-	-	-
Local <i>TransNet</i> sales tax funds	-	283,108,538	261,732,291
Local Transportation Development Act sales tax funds	6,825,844	-	-
Other local governmental funding	-	-	-
SAFE program revenue	-	-	-
Member agency assessments	547,425	-	-
Investment earnings	-	-	6,069,610
Debt repayments from other governments	-	-	-
Other revenues	9,832	-	21,934
Total revenues	7,383,101	283,108,538	267,823,835
EXPENDITURES:			
Current:			
General government	40,237,955	-	2,624,782
Cost recovery	(40,829,605)	-	-
Modeling and research	-	-	-
Criminal justice	-	-	-
Planning and forecasting	-	-	-
Sustainable development	-	-	-
Smart mobility programs and services	-	-	-
Intermodal planning and implementation	-	-	-
Internal and external coordination	-	-	-
SAFE program	-	-	-
Bicycle facilities	-	-	7,341,136
Independent Taxpayer Oversight Committee	-	-	96,017
Major corridor capital projects	-	-	249,053,945
Major corridor environmental mitigation	-	-	18,362,651
Local project environmental mitigation	-	-	508,632
Local street improvements	-	-	62,038,187
Smart growth	-	-	2,545,943
New major corridor transit operations	-	-	3,368,969
Transit system improvements	-	-	40,308,350
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and other charges	-	-	-
Total expenditures	(591,650)	-	386,248,612
REVENUES OVER (UNDER) EXPENDITURES	7,974,751	283,108,538	(118,424,777)
OTHER FINANCING SOURCES (USES):			
Transfers in	168,586	-	276,502,511
Transfers out	(5,462,877)	(283,108,538)	(72,471,398)
Commercial paper issued	-	-	-
Total other financing sources (uses)	(5,294,291)	(283,108,538)	204,031,113
Net change in fund balances	2,680,460	-	85,606,336
FUND BALANCES (DEFICIT):			
Beginning of year	11,601,914	-	416,962,635
End of year	\$ 14,282,374	\$ -	\$ 502,568,971

See accompanying Notes to the Basic Financial Statements.

Capital Projects Fund	San Diego County Regional Transportation Commission Debt Service Fund	Other Governmental Funds	Eliminations	Totals
				2014
\$ 70,363,181	\$ 6,455,074	\$ 20,718,999	\$ -	\$ 97,537,254
82,509,570	-	6,697,584	-	89,207,154
-	-	-	(283,108,538)	261,732,291
3,106,541	-	-	-	9,932,385
3,135,471	-	2,212,357	-	5,347,828
-	-	2,757,111	-	2,757,111
-	-	200,000	-	747,425
(5,360)	323,857	22,916	-	6,411,023
-	1,593,525	-	-	1,593,525
-	-	154,078	-	185,844
<u>159,109,403</u>	<u>8,372,456</u>	<u>32,763,045</u>	<u>(283,108,538)</u>	<u>475,451,840</u>
-	-	-	(2,624,782)	40,237,955
-	-	-	-	(40,829,605)
-	-	4,520,203	-	4,520,203
-	-	1,495,834	-	1,495,834
-	-	4,394,795	-	4,394,795
-	-	1,033,906	-	1,033,906
-	-	21,159,246	-	21,159,246
-	-	1,528,526	-	1,528,526
-	-	5,353,344	-	5,353,344
-	-	1,600,183	-	1,600,183
-	-	2,060,943	(7,411,351)	1,990,728
-	-	-	-	96,017
-	-	-	(248,912,722)	141,223
-	-	-	(18,342,345)	20,306
-	-	-	(500,808)	7,824
-	-	-	(454,334)	61,583,853
-	-	2,516,123	(2,536,118)	2,525,948
-	-	-	(859,446)	2,509,523
-	-	1,424,636	(1,466,632)	40,266,354
427,710,598	-	-	-	427,710,598
-	16,585,000	-	-	16,585,000
-	56,961,271	-	-	56,961,271
<u>427,710,598</u>	<u>73,546,271</u>	<u>47,087,739</u>	<u>(283,108,538)</u>	<u>650,893,032</u>
<u>(268,601,195)</u>	<u>(65,173,815)</u>	<u>(14,324,694)</u>	<u>-</u>	<u>(175,441,192)</u>
270,977,480	72,471,398	17,528,971	-	637,648,946
-	(276,502,511)	-	-	(637,545,324)
-	40,726,000	-	-	40,726,000
<u>270,977,480</u>	<u>(163,305,113)</u>	<u>17,528,971</u>	<u>-</u>	<u>40,829,622</u>
2,376,285	(228,478,928)	3,204,277	-	(134,611,570)
(5,342,215)	291,362,816	3,993,276	-	718,578,426
<u>\$ (2,965,930)</u>	<u>\$ 62,883,888</u>	<u>\$ 7,197,553</u>	<u>\$ -</u>	<u>\$ 583,966,856</u>

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San Diego Association of Governments
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (134,611,570)

Amounts reported for governmental activities in the statement of activities are different because:

Interest earnings (expense) in the government-wide statement of activities that do not provide current financial resources are not reported as interest revenues in the funds. (1,806,057)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. 124,034,459

The issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (17,299,109)

Some revenues do not provide current financial resources, and therefore, are deferred in governmental funds. (7,317,311)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 5,823

Change in Net Position of Governmental Activities \$ (36,993,765)

See accompanying Notes to the Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

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San Diego Association of Governments
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities-Enterprise Funds		Totals
	Major Fund	Nonmajor	
	SR 125 Toll Road	Funds	2014
ASSETS			
Current assets:			
Cash and investments	\$ 4,537,693	\$ 1,294,604	\$ 5,832,297
Restricted cash	28,767,211	-	28,767,211
Accounts receivable	1,526,067	185,461	1,711,528
Prepaid items and other assets	332,519	-	332,519
Due from other funds	14,039	7,992,497	8,006,536
Due from other governments	-	449,535	449,535
Total current assets	35,177,529	9,922,097	45,099,626
Noncurrent assets:			
Land	1,980,000	-	1,980,000
Depreciable assets, net of accumulated depreciation	367,743,029	14,392,609	382,135,638
Total noncurrent assets	369,723,029	14,392,609	384,115,638
Total assets	404,900,558	24,314,706	429,215,264
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	605,140	582,879	1,188,019
Accrued liabilities	80,190	-	80,190
Retentions payable	-	1,492	1,492
Due to other funds	406,697	14,039	420,736
Due to other governments	756	936,426	937,182
Transponder deposits payable	18,300	280	18,580
Unearned revenue	1,298,125	791,535	2,089,660
Long term debt due within one year	1,557,684	-	1,557,684
Total current liabilities	3,966,892	2,326,651	6,293,543
Noncurrent liabilities:			
Notes payable	102,176,978	-	102,176,978
Advances from other funds	62,352,511	-	62,352,511
Fair value debt, net of amortization due in more than one year	56,145,839	-	56,145,839
Total noncurrent liabilities	220,675,328	-	220,675,328
Total liabilities	224,642,220	2,326,651	226,968,871
Net position:			
Net investment in capital assets	209,932,037	14,392,609	224,324,646
Restricted for:			
Debt service	986	-	986
Major maintenance and capital expenditure	28,505,216	-	28,505,216
Project revenue	261,009	-	261,009
Toll road operations and improvements	-	7,479,433	7,479,433
Unrestricted (deficit)	(58,440,910)	116,013	(58,324,897)
Total net position	\$ 180,258,338	\$ 21,988,055	\$ 202,246,393

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
Statement of Revenues, Expenses, and Change in Fund Net Position
Proprietary Funds
For the year ended June 30, 2014

	Business-type Activities-Enterprise Funds		Totals
	Major Fund	Nonmajor	
	SR 125 Toll Road	Funds	2014
OPERATING REVENUES:			
Operating revenue	\$ 29,764,264	\$ 7,089,954	\$ 36,854,218
Total operating revenues	29,764,264	7,089,954	36,854,218
OPERATING EXPENSES:			
Operating expenses	9,226,271	5,166,039	14,392,310
Depreciation	13,224,421	1,964,775	15,189,196
Total operating expenses	22,450,692	7,130,814	29,581,506
Operating income (loss)	7,313,572	(40,860)	7,272,712
NONOPERATING REVENUES (EXPENSES):			
Other (expenses)	(9,893)	-	(9,893)
Interest income	16,281	19,945	36,226
Interest (expense)	(7,920,355)	-	(7,920,355)
Total nonoperating revenues (expenses)	(7,913,967)	19,945	(7,894,022)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(600,395)	(20,915)	(621,310)
Transfers out	-	(103,622)	(103,622)
Total transfers	-	(103,622)	(103,622)
CHANGE IN FUND NET POSITION	(600,395)	(124,537)	(724,932)
NET POSITION:			
Beginning of year	180,858,733	22,112,592	202,971,325
End of year	\$ 180,258,338	\$ 21,988,055	\$ 202,246,393

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2014

	Business-type Activities-Enterprise Funds		Totals
	SR 125 Toll Road	Nonmajor Funds	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 29,933,171	\$ 5,552,717	\$ 35,485,888
Payments for employee salaries and benefits	(4,092,368)	(742,459)	(4,834,827)
Payments for operations	(5,373,749)	(4,560,719)	(9,934,468)
Net cash provided by operating activities	20,467,054	249,539	20,716,593
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Repayment of advance from other funds	(528,080)	-	(528,080)
Transfer to governmental funds		(103,622)	(103,622)
Net cash used for noncapital financing activities	(528,080)	(103,622)	(631,702)
CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES:			
Acquisition and construction of capital assets	(150,538)	-	(150,538)
Sale of capital assets	5,100	-	5,100
Principal payment on debt	(656,988)	-	(656,988)
Interest payment on debt	(6,208,156)	-	(6,208,156)
Net cash used for capital financing and related activities	(7,010,582)	-	(7,010,582)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investment	16,281	19,945	36,226
Net cash provided by investing activities	16,281	19,945	36,226
Net increase in cash and investments	12,944,673	165,862	13,110,535
Cash and investments, beginning of year	20,360,231	1,128,742	21,488,973
Cash and investments, end of year	<u>\$ 33,304,904</u>	<u>\$ 1,294,604</u>	<u>\$ 34,599,508</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 7,313,572	\$ (40,860)	\$ 7,272,712
Adjustments to reconcile net cash provided by (used for) operating activities:			
Depreciation	13,224,421	1,964,775	15,189,196
(Increase) decrease in:			
Accounts receivable	(87,570)	(48,575)	(136,145)
Due from other funds	(845)	(1,192,278)	(1,193,123)
Due from other governments	-	(39,572)	(39,572)
Prepaid expenses	174,369	-	174,369
Increase (decrease) in:			
Accounts payable	(349,539)	(299,115)	(648,654)
Retentions payable	-	(1,492)	(1,492)
Due to other funds	113,378	845	114,223
Due to other governments	(20,630)	93,091	72,461
Transponder deposits payable	2,285	80	2,365
Accrued liabilities	14,663	-	14,663
Unearned revenue	82,950	(187,360)	(104,410)
Total adjustments	13,153,482	290,399	13,443,881
Net cash provided by (used for) operating activities	\$ 20,467,054	\$ 249,539	\$ 20,716,593
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Amortization of fair value debt	(2,016,953)	-	(2,016,953)
Disposition of capital assets	(9,893)	-	(9,893)

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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San Diego Association of Governments
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Diego Association of Governments (SANDAG) 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 establishing governmental accounting and financial reporting principles. The more significant of SANDAG accounting policies are described below.

A. Reporting entity

SANDAG was formed under a Joint Powers Agreement dated September 10, 1972 and was originally named the Comprehensive Planning Organization. The Joint Powers Agreement was amended on November 5, 1980, to change the agency's name to the San Diego Association of Governments. The member agencies include 18 incorporated cities from the San Diego region and the County of San Diego, California.

On January 1, 2003, SANDAG became a legislatively created regional government agency pursuant to the San Diego Regional Transportation Consolidation Act (Public Utilities Code section 132350 et seq). The SANDAG Board of Directors include representatives from the 18 incorporated cities in the San Diego region, and the County of San Diego. The effect of this legislation was to make SANDAG a permanent rather than voluntary association of local governments and to increase the SANDAG responsibilities and powers. The Act also required the consolidation of the planning, programming, project development, and construction functions of the San Diego Metropolitan Transit Development Board, currently known as the Metropolitan Transit System (MTS) and the North San Diego County Transit Development Board, currently known as the North County Transit District (NCTD), into SANDAG.

As required by GAAP, these financial statements present SANDAG and its component units, entities for which SANDAG is considered to be financially accountable. Blended component units, although legally separate units, are, in substance, part of an agency's operations, and so data from these units are combined with data of the agency. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the agency. SANDAG has one blended component unit and two discretely presented component units. All component units have a June 30 year end.

Included within the reporting entity as a blended component unit:

San Diego County Regional Transportation Commission (Commission) – The Commission is the agency established for the purpose of, and is responsible for, the implementation and administration of transportation improvement programs funded by the San Diego countywide one-half percent sales tax that was effective April 1, 1988, through 2008, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program. On November 2, 2004, the voters of San Diego County voted to extend the one-half percent sales tax for 40 more years to 2048. The Commission's governing board is the same as the SANDAG governing board. The Commission exclusively benefits SANDAG and SANDAG member

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

agencies. The Commission is presented as two funds: a special revenue fund type and a debt service fund type.

Included within the reporting entity as discretely presented component units:

SourcePoint – On April 15, 1982, SANDAG formed a nonprofit 501(c)(3) corporation, SourcePoint, for the purpose of providing fee-based products and services that meet the needs of decision makers in the public and private sectors, while enhancing the quality and extent of demographic, economic, transportation, land use, criminal justice, and other information maintained in the Regional Information System (RIS). The SourcePoint governing board is the SANDAG Executive Committee, which is made up of six voting members from among the primary and alternate voting members of the SANDAG governing board. The SourcePoint governing board is not substantively the same as the entire SANDAG governing board; however, all of the members of the SourcePoint board are primary voting members of the SANDAG governing body and SANDAG can therefore impose its will on SourcePoint activities. SourcePoint provides services directly to the public. SourcePoint is presented as a proprietary fund type.

Automated Regional Justice Information System (ARJIS) – ARJIS is a Joint Powers Agency established in December 1980 under a joint powers agreement with the County of San Diego and all municipalities in the County, including the City of San Diego (the “City”). In January 2004, the joint powers agreement was amended, as public agencies of the San Diego region recognized the need for continued operation, maintenance, enhancement, and implementation of ARJIS, in order to provide improved law enforcement capabilities within the San Diego region and designated SANDAG as the administrator, effective July 1, 2004. ARJIS provides a regional complex criminal justice enterprise information system utilized by more than 50 local, state, and federal agencies in the San Diego region. The ARJIS governing board is the SANDAG Public Safety Committee, which is made up of six members from among the primary and alternate voting members of the SANDAG governing board, as well as six voting public safety representatives, and various public safety advisory members. The ARJIS governing board is not substantively the same as the entire SANDAG governing board; however, a voting majority of the ARJIS board can be primary or alternate voting members of the SANDAG governing board and SANDAG is the administrator of ARJIS. Therefore, SANDAG can and does impose its will on ARJIS activities. ARJIS provides services directly to the public. ARJIS is presented as a proprietary fund type.

Complete audited individual financial statements for the Commission, SourcePoint, and ARJIS component units may be obtained from SANDAG, 401 B Street, Suite 800, San Diego, CA 92101, (619) 699-1900, sandag.org.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its two discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

significant extent on fees and charges for support. The primary government is reported separately from the legally separate, discretely presented component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and the proprietary funds.

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

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales tax is recognized as revenue in the year in which it is earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally 180 days after year end) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences, workers’ compensation obligations, and claims and judgments, are recorded only when payment is due.

Revenues which are considered susceptible to accrual include sales tax, interest, and state and federal grants. In applying the subject to accrual concept to state and federal revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

Other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

SANDAG reports the following major governmental funds:

The *general fund* is the SANDAG primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from local Transportation Development Act (TDA) funds, member agency assessments, and cost recovery related to labor and overhead costs which are recovered through operating and capital grants. Expenditures are primarily expended for general government overhead, net of cost recovery.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

The special revenue *TransNet fund* accounts for the activities and resources received for *TransNet* sales tax revenue received and then transferred out for SANDAG capital and overall work program projects and one-half of the general fund Board of Director expenses.

The special revenue *San Diego County Regional Transportation Commission sales tax projects fund* (Commission sales tax projects fund) accounts for the activities and resources of the Commission, a blended component unit, received pursuant to the countywide one-half percent local sales tax. These revenues are passed through to other governmental agencies to be spent in accordance with the *TransNet* ordinances, other SANDAG governmental funds and transferred to the Commission's debt service fund to make principal and interest payments on the long-term debt sales tax revenue bonds and commercial paper.

The *capital projects fund* accounts for the resources and activities of SANDAG to provide for highway improvements and rail and bus capital improvements and replacements and other capital implementation projects. Revenues are primarily derived from federal and state capital grants, TDA, and *TransNet* funds.

The *San Diego County Regional Transportation Commission debt service fund* (Commission debt service fund) accounts for the activities and resources accumulated for principal and interest payments on the long-term debt sales tax revenue bonds and commercial paper of the Commission, a blended component unit. Revenues are derived from interest earned on the investments accumulated for the payment of principal and interest on the revenue bonds, debt repayments from other governmental agencies, and the federal subsidy related to the 2010 Build America Bonds (BABs) issuance.

SANDAG reports the following other governmental fund types:

The special revenue *general services fund* accounts for the activities and resources of SANDAG to provide primarily for modeling and research, criminal justice, planning and forecasting, sustainable development, smart mobility programs and services, intermodal planning and implementation, and internal and external coordination. Revenues are primarily derived from federal, state, and local operating grants and contributions.

The special revenue *prepaid fare media sales fund* accounts for the activities and resources received for prepaid fare media. The revenues are primarily distributed to outside agency transit operators.

The special revenue *SAFE fund* accounts for the activities of the San Diego Service Authority for Freeway Emergencies (SAFE) program, which is responsible for purchasing, installing, operating and maintaining a motorist aid system of call boxes in San Diego County. The SAFE program operation was transferred from the County of San Diego to SANDAG as of January 1, 2013, by the adoption of Assembly Bill No. 1572.

SANDAG reports the following major proprietary funds:

The *State Route 125 fund* (SR 125 fund) accounts for the activities of the SANDAG SR 125 toll road, an 11.2 mile limited access highway in the County of San Diego. On December 21, 2011,

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

SANDAG acquired the rights and interest in a Franchise Agreement between South Bay Expressway, LLC and Caltrans. Under the Agreement, SANDAG has contractual rights to develop and operate the SR 125 toll road. The SR 125 fund was established in December 2011 as a proprietary fund under the oversight of SANDAG to operate the toll road.

SANDAG reports the following other proprietary fund types:

The *Service Bureau fund* accounts for the activities of SANDAG Service Bureau, which offers fee-based products and services that meet the needs of decision makers in the public and private sectors, while enhancing the quality and extent of demographic, economic, transportation, land use, criminal justice, and other information maintained in the RIS. The discretely presented component unit 501(c)(3) nonprofit agency SourcePoint offers the same services. Projects for clients with a requirement to conduct business with a nonprofit agency will be performed by SourcePoint, with all other projects performed under SANDAG Service Bureau.

The *Interstate 15 FasTrak fund* accounts for the activities of the Interstate 15 (I-15) FasTrak® program, which allows solo drivers to pay a toll to use the 16 miles of express lanes on I-15.

Interfund balances and transfers have been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or other governmental agencies for services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include sales tax and other general revenues not restricted to specific programs.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

An eliminations column is presented for the fund financial statements in order to eliminate the allocation of revenues and expenditures. Sales tax revenues are recorded in the Commission sales tax projects fund and in the *TransNet* fund upon transfer of cash from the Commission to SANDAG. *TransNet* expenditures are recorded in the Commission sales tax projects fund and in the general fund, general services fund, or capital projects fund upon expending *TransNet* funds for the administration of the *TransNet* program and *TransNet* funded projects administered and implemented by SANDAG. At June 30, 2014, the total amount of eliminations was \$283,108,538.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

D. Budgetary information

1. Budgetary basis of accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund, special revenue funds, the debt service fund, and the capital project fund.

2. Expenditures in excess of appropriations

The sales tax projects special revenue fund ended the year with \$123,770,448 of expenditures in excess of appropriations, which is primarily the result of bond proceeds and commercial paper used for major corridor capital projects program.

The commercial paper and sales tax revenue bonds debt service fund had an excess of \$3,599,962 expenditures over appropriations at June 30, 2014, which was the result of \$2,094,962 in bond costs of the debt program and \$1,505,000 of commercial paper principal payments, both of which are not budgeted.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and investments

SANDAG cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts and funds, and short-term investments with original maturities of three months or less from the date of acquisition.

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

- Treasury obligations
- State of California's Local Agency Investment Fund (LAIF)
- San Diego County Treasurer's pooled investment fund
- Savings/money market accounts
- California Asset Management Program (CAMP)
- Mortgage and asset-backed obligations
- Negotiable and nonnegotiable certificates of deposit
- Federal agencies and United States government-sponsored enterprises
- State obligations
- Repurchase Agreements
- Commercial paper
- Medium-term notes
- Money market funds
- Bankers' acceptances
- Local agency obligations

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value.

SANDAG participates in an investment pool managed by the State of California, titled Local Agency Investment Fund (LAIF), which has invested 1.86 percent of the pool funds in medium-term and short-term structured notes and asset-backed securities. LAIF's investments are subject

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares. The fair value of LAIF was calculated by applying a factor of 1.00029875 to total investments held by LAIF. LAIF is classified under investments and is not rated.

SANDAG is a voluntary participant in the California Asset Management Program (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) to (n), inclusive, of Section 53601. SANDAG reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2014, fair value approximated cost and had an average maturity of 41 days.

SANDAG also participates in the San Diego County Treasurer's Pooled Money Fund (Pool), which is administered by the Treasurer-Tax Collector's Office. The fair value of the SANDAG investment in the Pool is reported at amounts based upon the SANDAG pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). Earnings realized on investments based on amortized cost are distributed to Pool participants. Section 27013 of the California Government Code authorizes the Treasurer's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Pool participants quarterly, based on the participants' average daily balances. Section 273013 of the California Government Code authorizes the Treasurer-Tax Collector's Office to deduct administrative fees related to investments. The County of San Diego's annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 162, San Diego, California, 92101 and can also be accessed at www.sdtreastax.com.

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

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

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

2. *Receivables and payables*

Activities between funds that are representative of short-term lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” and “internal balances” for long-term lending/borrowing arrangements.

3. *Prepaid items*

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Restricted assets*

Certain resources set aside for repayment of revenue bonds are classified as restricted assets. Their use is limited by applicable bond covenants and therefore are maintained in separate bank accounts. The accounts are used to segregate resources accumulated for debt service principal and interest payments.

Other resources set aside for NCTD Certificates of Participation are classified as restricted assets because they are maintained in separate bank accounts held by a trustee and their use is limited to paying down the equivalent amount of commercial paper.

In addition, certain environmental mitigation funds are classified as restricted assets because they are maintained in separate bank accounts held by a trustee and the endowment set aside portion may not be used and any interest earnings may only be used for certain project costs.

Other resources set aside for *TransNet*-eligible projects are classified as restricted assets. Their use is limited by specific purposes stipulated in the Proposition A - San Diego County Transportation Improvement Program (*TransNet* Ordinance).

Lastly, certain resources set aside for the payment of future capital contract retention liabilities are classified as restricted assets because they are maintained in separate bank accounts, which will be paid to contractors as work is completed. The accounts are used to segregate resources accumulated for withheld retention payments.

5. *Capital assets*

Capital assets, which include land, building, toll road, office equipment, computer equipment, other equipment, vehicles, leasehold improvements, internally generated computer software, buses, electronic toll collection system and construction-in-progress, are reported in the government-wide financial statements 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 purchased or

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

constructed. The purchase of the toll road and related assets were valued on the acquisition date at fair value. Donated capital assets are recorded at estimated fair market 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction-in-progress (CIP) remains capitalized in the government-wide financial statements until such time as the capital projects are complete and operational. Upon completion, the entire amount of the CIP, as well as the legal title of the property and equipment, if applicable, are transferred as contributed capital to other governmental agencies to reflect the other government's custodial accountability for the operation and maintenance of the assets.

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	3
Office equipment	5
Other equipment	5
Vehicles	5
Leasehold improvements	5
Internally generated computer software	5
Electronic toll collection system	10
Buses	12
Toll road	31
Building	50

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources, which represents a consumption of assets that applies to a future period and so, will not be recognized as an outflow of resources (expense/ expenditure) until then. SANDAG has two items that qualify for reporting in this category; the accumulated decrease in fair value of the hedging swap agreement and the deferred charge on refunding loss reported in the government-wide statement of net position. See Note III.F for more information on SANDAG long-term liabilities.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. SANDAG has one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds

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balance sheet. The governmental funds report unavailable revenues in the capital projects fund, Commission debt service fund, and general services fund. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

7. Net position

The difference between fund assets and deferred outflows of resources, and liabilities and deferred inflow of resources is "Net Position" on government-wide and 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.

Restricted for environmental mitigation - Net position restricted for funding of various environmental mitigation projects.

Major maintenance - Net position restricted for funding the SR 125 toll road major maintenance projects.

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

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

The governmental activities unrestricted net deficit of \$257,431,467 results primarily from the issuance of the \$1,370,585,000 sales tax revenue bonds in 2008, 2010 and 2012 and \$40,726,000 commercial paper in 2014 for transportation related projects, primarily major corridor and environmental mitigation. SANDAG plans to repay the bonds with future sales tax revenue which is dedicated for transportation projects. See Note III.F. on long-term debt for further information.

The business-type activities unrestricted net deficit of \$58,324,897 results primarily from the assumption of the \$95,629,359 Transportation Infrastructure Finance and Innovation Act (TIFIA) notes in 2012 for the acquisition of the SR 125 toll road. SANDAG plans to repay the notes with future toll road revenue. See Note III.F. on long-term debt for further information.

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8. Net position flow assumption

Sometimes SANDAG will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is SANDAG policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance

Fund balances are reported in the governmental fund financial statements in the following classifications:

Nonspendable fund balance

Nonspendable fund balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable fund balance

Restricted fund balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed fund balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Board action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Board action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. SANDAG considers a resolution to constitute the formal action of the Board of Directors necessary to establish a commitment of fund balance.

Assigned fund balance – this includes amounts that are designated or expressed by the Board, but does not require a formal action like a resolution or ordinance. The Board has not delegated to any other persons or bodies the authority to assign fund balance to specific purposes.

Unassigned fund balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

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Notes to the Basic Financial Statements, Continued
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10. Fund balance flow assumptions

Sometimes SANDAG will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is SANDAG policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Long-term liabilities

SANDAG long-term liabilities consist of debt obligations:

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities of the statement of net position. Debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Debt payable is reported net of the applicable bond premium or discount. Debt issuance costs are expensed in the period in which they are incurred.

See Note III.F for more information on SANDAG long-term liabilities.

12. Compensated absences

It is SANDAG policy to permit employees to accumulate earned, but unused vacation and sick pay benefits. All unused vacation leave and 25 percent of unused sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental and proprietary funds only if they have matured, for example, as a result of employee resignations and retirements. Based on the reduction in the compensated absences payables governmental funds of \$2,952,870 and proprietary funds of \$252,983, during fiscal year 2014, it was determined that the entire balance of compensated absences reported at June 30, 2014, is expected to be exhausted in fiscal year 2015, since the current year portion amounts to about the same amount expected to be used in fiscal year 2015. Because the turnover each year nets to approximately \$0, the entire balance is reported as current. Compensated absences are liquidated by the general fund.

13. Unearned revenue

In the government-wide and fund financial statements, unearned revenue is recognized in connection with a transaction before the earning process is completed.

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Notes to the Basic Financial Statements, Continued
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14. Other financing sources and uses

In the fund financial statements, issuance of debt, including commercial paper, bonds, and premium on bonds issued, and transfers in are reported as other financing sources. Transfers out and discounts on bonds issued are reported as other financing uses.

15. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balances - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of the reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds." The details of this \$656,272,972 are as follows:

Construction-in-progress capital assets, not being depreciated	\$ 644,947,740
Land, not being depreciated	5,241,439
Capital assets, being depreciated	13,727,875
Accumulated depreciation	<u>(7,644,082)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 656,272,972</u></u>

One element of the reconciliation explains that "other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds." The details of this \$530,609 are as follows:

OPEB Asset	\$ 525,325
Accrued commercial paper interest repayment receivable	<u>5,284</u>
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ 530,609</u></u>

Another element of the reconciliation states that "some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds." This difference is \$61,862,301.

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Another element of the reconciliation states that “long-term liabilities, including debt payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.” The details of this \$(1,259,849,197) difference are as follows:

Accrued interest payable	\$ (10,986,255)
Bond premium	(53,327,800)
Deferred loss on refunding	17,787,910
Commercial paper payable	(73,001,000)
Bonds payable	(1,138,145,000)
Compensated absences payable	<u>(2,177,052)</u>
Net adjustment to reduce net changes in fund balances - governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ (1,259,849,197)</u></u>

Another element of the reconciliation states that “derivative instruments are not reported in the funds but must be reported in the statement of net position.” The details of this \$16,507,177 difference are as follows:

Deferred outflow of resources	\$ 68,206,368
Derivative instrument - swap liability	<u>(51,699,191)</u>
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ 16,507,177</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that, “interest revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as interest revenues in the governmental funds.” The details of this \$(1,806,057) difference are as follows:

Accrued interest revenue - commercial paper	\$ (6,104)
Derivative instrument - change in fair value	<u>(1,799,953)</u>
Net adjustment to increase net changes in funds balances - governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ (1,806,057)</u></u>

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Another element of the reconciliation states that, "governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this \$124,034,459 are as follows:

Construction-in-progress additions-capital outlay	\$ 417,186,518
Contributed capital	(298,575,170)
Other capital assets adjustments	6,031,901
Other capital assets depreciation	<u>(608,790)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ 124,034,459</u></u>

Another element of the reconciliation states that, "the issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the retirement of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$(17,299,109) difference are as follows:

Bond principal retirement	\$ 15,080,000
Commercial paper issued	(40,726,000)
Commercial paper pass-through payments to other governments	704,000
Bond pass-through payments to other governments	8,426,958
Debt repayments from other governments	(1,593,525)
Commercial paper paydown	1,505,000
Amortization expense on unamortized premium on bonds issued	1,599,672
Amortization expense on unamortized loss on refunding bonds issued	<u>(2,295,214)</u>
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ (17,299,109)</u></u>

Another element of the reconciliation states that, "Some revenues do not provide current financial resources, and therefore, are deferred in governmental funds." This amount of this difference is \$(7,317,311) and represents receivables that are expected to be collected and are outstanding in excess of 180 days.

Another element of the reconciliation states that, "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$5,823 difference are as follows:

Change in interest expense	\$ 104,919
Change in OPEB asset	2,247
Change in compensated absences	<u>(101,343)</u>
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ 5,823</u></u>

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III. DETAILED NOTES ON ALL FUNDS

A. Cash and investments

Cash, cash equivalents, and investments consisted as follows on June 30, 2014:

Investment Type	Fair Value	Weighted Average Maturity (Days)	NRSRO Rating
Cash and cash equivalents:			
Cash - demand deposits	\$ 17,079,365	1	Not rated
Cash equivalents - NCTD Certificates of Participation	30,575,000	32	A1,A2
Cash equivalents - money market accounts and funds	268,693	38	AAAm,Aaa-mf
Total Primary Government cash and cash equivalents	<u>47,923,058</u>	<u>21</u>	
Investments:			
State of California Local Agency Investment Fund	53,167,630	232	Not rated
California Asset Management Program	104,889,307	41	AAAm
San Diego County Treasurer's Pooled Money Fund	55,129,873	366	AAAf / S1
U.S. Agencies	195,671,585	716	AA+, Aaa
Corporate Medium-Term Notes	79,656,787	741	AA+ - Aa1
Commercial Paper	14,390,796	105	A-1, P-1
Municipal Bond/Note	1,242,071	419	AAA, Aa1
Total Primary Government investments	<u>504,148,049</u>	<u>472</u>	
Total Primary Government cash, cash equivalents, and investments	<u>552,071,107</u>	<u>433</u>	
SourcePoint:			
Cash - demand deposits	34,263	1	Not rated
Cash equivalents - money market accounts and funds	117,960	1	Not rated
Investments - San Diego County Treasurer's Pooled Money Fund	505,273	366	AAAf / S1
Total SourcePoint cash , cash equivalents and investments	<u>657,496</u>	<u>281</u>	
ARJIS:			
Cash - demand deposits	215,822	1	Not rated
Investments - California Asset Management Program	2,877,881	41	AAAm
Investments - San Diego County Treasurer's Pooled Money Fund	2,430,073	366	AAAf / S1
Total ARJIS cash, cash equivalents, and investments	<u>5,523,776</u>	<u>182</u>	
Total cash, cash equivalents, and investments	<u>\$ 558,252,379</u>		

At year end, the primary government's carrying amount of deposits was \$17,079,365 and the bank balance was \$23,758,145.

At year end, SourcePoint's carrying amount of deposits was \$34,263 and the bank balance was \$164,534. This balance was covered by federal depository insurance.

At year end, ARJIS' carrying amount of deposits was \$215,822 with \$91,817 in outstanding checks, aggregating to the bank balance of \$307,639, of which \$250,000 was covered by federal depository insurance or by collateral held in the SANDAG name.

1. Swap investments

SANDAG is invested in two forward contract pay-variable, receive-variable investment derivatives with notional amounts of \$156,600,000 each. At the effective date of April 1, 2018, SANDAG will

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make monthly variable payments to the counterparty based on the current Securities Industry and Financial Markets Association (SIFMA) Swap Index and receive variable payments based on 107.4 percent of three-month LIBOR. At June 30, 2014, these investment derivatives had a fair value of \$16,507,177, and are not rated. Other applicable risks (credit risk, interest rate risk, basis risk, termination risk, roll-over risk, etc.) associated with SANDAG derivative investments are described in Note III.E.

2. *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, SANDAG investment policy limits investments to a maximum maturity of five years or 1,825 days from purchase date. The total portfolio shall not exceed SANDAG anticipated liquidity needs for operations for the next six months. SANDAG has \$6,079,084 of callable step up United States Agency securities that are highly sensitive to interest rate changes. SANDAG is in compliance with all maturity provisions of the investment policy.

3. *Credit risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by at least one of the Nationally Recognized Statistical Rating Organizations (NRSRO). SANDAG investment policy limits investments to the following: state and local agency obligations must be rated A-1/P-1, or equivalent or better short-term or Aa/AA or better long-term by at least one of the NRSROs; repurchase agreements must be with (1) primary dealers in United States government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York; and (2) California and non-California banking institutions having assets in excess of \$1 billion and in the highest short-term rating category, as provided by one of the NRSROs; bankers' acceptances, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest rating category by one of the NRSROs; commercial paper of "prime" quality of the highest rating or of the highest letter and number rating as provided for by a NRSRO; medium-term notes must be rated in a rating category of "A" or better by a NRSRO; negotiable certificates of deposit of which the senior debt obligations of the issuing institution are rated "AA" or better by one of the NRSROs; nonnegotiable certificates of deposit and savings/money market accounts of which the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in California Government Code Section 53635.2; California Asset Management Program of which the portfolio is rated among the top two rating categories by one of the NRSROs; money market funds must either (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest NRSROs; or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500,000,000; and mortgage and asset-backed obligations must be rated Aa/AA or higher by two NRSROs and the issuer of such obligations must be rated Aa/AA or higher by two of the NRSROs as well.

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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 SANDAG is subject to a credit rating change that brings it below the minimum credit ratings specified for purchase, the Director of Finance shall review the security. The course of action to be followed will then be decided by the Director of Finance 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 SANDAG 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 as specified.

4. *Concentration of credit risk*

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. SANDAG' investment policy limits the percentage of the portfolio that can be invested by type of investment for certain types of investments to the following: purchases of bankers' acceptances may not exceed 40 percent of SANDAG investments; commercial paper may not exceed more than 10 percent of the outstanding paper of an issuing corporation, no more than 10 percent in any one corporation, or may not exceed 25 percent of SANDAG investments; medium-term notes may not exceed 30 percent of SANDAG investments or no more than 10 percent in any one corporation; certificates of deposit may not exceed 30 percent of SANDAG investments; money markets fund shares may not exceed 20 percent of SANDAG investments; and mortgage and asset-backed obligations may not exceed 20 percent of SANDAG investments.

The SANDAG portfolio is in compliance with all the limit requirements on the percentage of the portfolio that can be invested by type of investment.

5. *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.

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B. Receivables

Receivables as of June 30, 2014, for the primary government in the aggregate were as follows:

	Governmental Funds					Proprietary Funds		Total Primary Government
	General Fund	Commission Sales Tax Projects Fund	Capital Projects Fund	Commission Debt Service Fund	Non-Major Funds	SR 125 Toll Road Fund	Non-Major Funds	
Receivables:								
Sales tax	\$ -	\$ 48,565,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,565,005
Interest	2,407	4,846,444	-	20,848	5,761	-	-	4,875,460
Advance to agencies for local street improvements	-	-	-	51,148,880	-	-	-	51,148,880
Grants	-	-	61,333,844	-	12,266,378	-	-	73,600,222
Accounts and other	61,925	18,500	650,111	-	2,321,611	1,526,067	634,996	5,213,210
Total receivables	\$ 64,332	\$ 53,429,949	\$ 61,983,955	\$ 51,169,728	\$ 14,593,750	\$ 1,526,067	\$ 634,996	\$ 183,402,777

Receivables as of June 30, 2014, for SourcePoint were \$2,652,350, which is comprised of \$2,651,853 due from other governments for services provided and \$497 in interest receivable.

Receivables as of June 30, 2014, for ARJIS were \$1,085,901, which is comprised of \$1,083,439 due from other governments for grants or services provided, \$2,392 in interest receivable, and \$70 in other receivables.

C. Capital assets

1. Primary government – governmental activities

Capital asset activity for the primary government for the year ended June 30, 2014, was as follows:

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	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction-in-progress	\$ 526,336,392	\$ 417,186,518	\$ (298,575,170)	\$ 644,947,740
Land	5,241,439	-	-	5,241,439
Total capital assets, not being depreciated	<u>531,577,831</u>	<u>417,186,518</u>	<u>(298,575,170)</u>	<u>650,189,179</u>
Capital assets, being depreciated:				
Office equipment	258,158	-	-	258,158
Computer equipment	6,773,633	5,985,903	(151,209)	12,608,327
Other equipment	171,961	-	-	171,961
Vehicles	93,151	45,998	(22,335)	116,814
Buses	380,386	-	-	380,386
Leasehold improvements	192,229	-	-	192,229
Total capital assets, being depreciated	<u>7,869,518</u>	<u>6,031,901</u>	<u>(173,544)</u>	<u>13,727,875</u>
Less accumulated depreciation for:				
Office equipment	(232,807)	(9,403)	-	(242,210)
Computer equipment	(6,500,516)	(542,563)	151,209	(6,891,870)
Other Equipment	(151,119)	(19,431)	-	(170,550)
Vehicles	(84,218)	(5,694)	15,262	(74,650)
Buses	(47,947)	(31,699)	-	(79,646)
Leasehold improvements	(192,229)	-	-	(192,229)
Total accumulated depreciation	<u>(7,208,836)</u>	<u>(608,790)</u>	<u>166,471</u>	<u>(7,651,155)</u>
Loss on disposition	-	-	7,073	7,073
Total capital assets, being depreciated, net	<u>660,682</u>	<u>5,423,111</u>	<u>-</u>	<u>6,083,793</u>
Governmental activities capital assets, net	<u>\$ 532,238,513</u>	<u>\$ 422,609,629</u>	<u>\$ (298,575,170)</u>	<u>\$ 656,272,972</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	\$ 109,488
Modeling and research	25,019
Smart mobility program and services	88,051
Major corridor capital projects	<u>386,232</u>
	<u>\$ 608,790</u>

See Note III.G for more information regarding the decreases in construction-in-progress noted above.

SANDAG had active construction projects as of June 30, 2014. The projects primarily include rail, bus, and major corridor capital improvements. At year end, \$241,775,379 was contractually committed to contractors.

2. Proprietary fund

Capital asset activity for the proprietary fund for the year ended June 30, 2014, was as follows:

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,980,000	\$ -	\$ -	\$ 1,980,000
Total capital assets, not being depreciated	<u>1,980,000</u>	<u>-</u>	<u>-</u>	<u>1,980,000</u>
Capital assets, being depreciated:				
Office equipment	206,933	36,531	-	243,464
Computer equipment	529,229	9,192	-	538,421
Vehicles	189,872	104,816	(25,073)	269,615
Fixed operating equipment	172,137	-	-	172,137
Software	245,364	-	-	245,364
Toll road	395,599,469	-	-	395,599,469
Building	4,020,000	-	-	4,020,000
Electronic toll collection system	19,647,749	-	-	19,647,749
Total capital assets, being depreciated	<u>420,610,753</u>	<u>150,539</u>	<u>(25,073)</u>	<u>420,736,219</u>
Less accumulated depreciation for:				
Office equipment	(63,098)	(41,907)	-	(105,005)
Computer equipment	(268,952)	(176,460)	-	(445,412)
Vehicles	(51,793)	(48,544)	10,455	(89,882)
Fixed operating equipment	(52,487)	(34,428)	-	(86,915)
Software	(124,693)	(81,788)	-	(206,481)
Toll road	(19,447,498)	(12,761,271)	-	(32,208,769)
Building	(122,577)	(80,400)	-	(202,977)
Electronic toll collection system	(3,290,366)	(1,964,774)	-	(5,255,140)
Total accumulated depreciation	<u>(23,421,464)</u>	<u>(15,189,572)</u>	<u>10,455</u>	<u>(38,600,581)</u>
Total capital assets, being depreciated, net	<u>397,189,289</u>	<u>(15,039,033)</u>	<u>(14,618)</u>	<u>382,135,638</u>
Proprietary activities capital assets, net	<u>\$ 399,169,289</u>	<u>\$(15,039,033)</u>	<u>\$ (14,618)</u>	<u>\$384,115,638</u>

Effective December 21, 2011, SANDAG entered into an Asset Purchase and Sale Agreement with South Bay Expressway, LLC to acquire the Seller's rights and interest in a Franchise Agreement between the Seller and the State of California, Department of Transportation. The Franchise Agreement gives the holder the right to operate a toll road (SR 125) in San Diego, California.

3C Advisors & Associates, Inc., an independent valuation firm performed valuation of the acquired assets and liabilities. 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 \$1.45 million and an assumption of the Seller's 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. The fair value portion of the assumed long term debt was also determined as \$61.4 million which is amortized through the term of the assumed debt. As of June 30, 2014, the unamortized fair value debt balance was \$56,145,839.

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Notes to the Basic Financial Statements, Continued
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3. Discretely presented component units

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Work-in-progress	\$ 794,456	\$ 552,704	\$ (1,347,160)	\$ -
Total capital assets, not being depreciated	794,456	552,704	(1,347,160)	-
Capital assets, being depreciated:				
Computer equipment	168,804	91,353	-	260,157
Internally generated computer software	10,168,879	117,720	-	10,286,599
Total capital assets, being depreciated	10,337,683	209,073	-	10,546,756
Less accumulated depreciation for:				
Computer equipment	(31,628)	(68,955)	-	(100,583)
Internally generated computer software	(3,050,663)	(2,057,320)	-	(5,107,983)
Total accumulated depreciation	(3,082,291)	(2,126,275)	-	(5,208,566)
Total capital assets, being depreciated, net	7,255,392	(1,917,202)	-	5,338,190
Total capital assets, net	\$ 8,049,848	\$ (1,364,498)	\$ (1,347,160)	\$ 5,338,190

D. Interfund receivables, payables, and transfers

The composition of interfund balances within the primary government as of June 30, 2014, was as follows:

1. Due to/from other funds

		Due to other funds					
		General Government			Proprietary Funds		
		Commission Sales Tax Projects Fund	Capital Projects Fund	Non-Major Funds	Interstate 15 FasTrak© Fund	SR 125 Toll Road Fund	Total
Due from other funds	General Fund	\$ 133	\$ 6,407,358	\$ 575,099	\$ -	\$ -	\$ 6,982,590
	General Services Fund	6,214,293	-	-	-	-	6,214,293
	Commission Sales Tax Project Fund	-	11,217,334	-	-	-	11,217,334
	Capital Projects Fund	47,279,424	-	-	-	-	47,279,424
	Service Bureau Fund	-	-	27,958	-	-	27,958
	Interstate 15 FasTrak Fund	-	-	7,557,842	-	406,697	7,964,539
	SR 125 Toll Road Fund	-	-	-	14,039	-	14,039
	Total	\$ 53,493,850	\$ 17,624,692	\$ 8,160,899	\$ 14,039	\$ 406,697	\$ 79,700,177

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Notes to the Basic Financial Statements, Continued
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2. Due to primary government and due from component unit

Due from component units	Due to Primary Government		
	SourcePoint	ARJIS	Total
	Primary government: General Fund	\$ 16,917	\$ 225,215
Total	<u>\$ 16,917</u>	<u>\$ 225,215</u>	<u>\$ 242,132</u>

3. Transfers in/out

Transfers In	Transfers Out						
	General Fund	Service Bureau Fund	TransNet Fund	Commission Sales Tax Projects Fund	Commission Debt Service Fund	Interstate 15 FasTrak Fund	Total
	General Fund	\$ -	\$ -	\$ 168,586	\$ -	\$ -	\$ -
General Services Fund	5,174,532	99,914	12,250,817	-	-	3,708	17,528,971
Commission Sales Tax Project Fund	-	-	-	-	276,502,511	-	276,502,511
Capital Projects Fund	288,345	-	270,689,135	-	-	-	270,977,480
Commission Debt Service Fund	-	-	-	72,471,398	-	-	72,471,398
Total	<u>\$ 5,462,877</u>	<u>\$ 99,914</u>	<u>\$ 283,108,538</u>	<u>\$ 72,471,398</u>	<u>\$ 276,502,511</u>	<u>\$ 3,708</u>	<u>\$ 637,648,946</u>

Transfers from the general fund:

To the general services fund consists of the following items:

- \$4,790,606 transferred for projects that were budgeted to receive TDA funds.
- \$383,926 transferred for projects that were budgeted to receive member assessments.

To the capital projects fund consists of the following item:

- \$288,345 for the financial systems upgrade project and building assessment project to receive TDA funds.

Transfers from the Service Bureau fund totaling \$99,914 to the general services fund for a budgeted operating project.

Transfers from the TransNet fund consists of the following items that SANDAG received on behalf of its capital and operating programs:

To the general fund:

- \$168,586 for one-half of the Board of Director expenses budgeted to receive *TransNet* funds.
- \$12,250,817 to the general services fund for operating projects budgeted to receive *TransNet* funds.
- \$270,689,135 for the capital projects fund for capital projects budgeted to receive *TransNet* funds.

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Notes to the Basic Financial Statements, Continued
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Transfers from the Commission sales tax projects fund:

To the Commission debt service fund consists of the following items:

- Transfer of \$69,551,582 in *TransNet* sales tax revenue for bond and commercial paper principal and interest payments.
- Transfer of \$2,919,816 for bond and commercial paper costs.

Transfers from the Commission debt service fund totaling \$276,502,511:

To the Commission sales tax projects fund consists of the following items:

- \$1,593,525 of bond and commercial paper repayments for the County of San Diego and Cities of La Mesa, National City and Santee.
- \$219,291,691 transfer to Commission sales tax projects for use of bond proceeds to fund *TransNet*-eligible capital projects.
- \$6,455,074 return of *TransNet* sales tax funds that were advanced to the trustee for debt-service payments and returned upon receipt of the 2010 Series A BABs federal subsidy.
- \$704,000 of commercial paper proceeds issued for reimbursement to the City of Del Mar for *TransNet* eligible projects.
- \$40,022,000 of commercial paper proceeds issued for reimbursement to SANDAG for *TransNet* eligible projects.
- \$231,545 of bond proceeds used for reimbursement to the City of Santee for *TransNet* eligible projects.
- \$2,699,220 of bond proceeds used for reimbursement to the City of San Marcos for *TransNet* eligible projects.
- \$5,469,723 of bond proceeds used for reimbursement to the City of Solana Beach for *TransNet* eligible projects.
- \$35,733 of administrative transactions transferred for reporting purposes.

Transfers from the Interstate 15 FasTrak fund totaling \$3,708 to the general services fund for a budgeted operating project.

4. Interfund balances

Interfund balances of \$54,766,711 include advances from the Commission sales tax projects fund to the SR 125 toll road fund for the acquisition of the SR 125 franchise with the original \$3 million used toward operations of the SR 125 toll road. The *TransNet* promissory note called for SANDAG to borrow the principal amount of \$254,068,974 from the Commission. As required by the *TransNet* Ordinance, SANDAG will be required to ensure the *TransNet* revenues are made whole. Therefore, the interest rate SANDAG was charged was 4.25 percent based on recent *TransNet* borrowing history. The promissory note was a permitted subordinated debt under the bond transaction documents for *TransNet*. The promissory note requires that the proceeds of the promissory note only be used for costs associated with the toll road franchise.

On March 23, 2012, the *TransNet* Extension Ordinance was amended to modify the Expenditure Plan such that the improvements on Interstate 805, valued at a remaining \$134 million in 2002 dollars (or \$192 million in 2010 dollars), would be removed from the Expenditure Plan. As a

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result, the initial amount borrowed from *TransNet* was reduced by \$192 million. As of June 30, 2014, the outstanding principal of the *TransNet* advance was \$58,686,491 with accrued interest of \$3,666,019.

E. Derivative instruments

1. 2008 interest rate swaps

Objective of the interest rate swaps. In 2005, SANDAG entered into three forward interest rate swaps for \$200 million each in order to hedge the interest rate risk associated with future variable-rate revenue bonds expected to be issued in 2008 by “locking in” a fixed interest rate. The intention of SANDAG in entering into the swaps was to lock in a relatively low cost of funds on a substantial portion of the *TransNet* Early Action Program. The variable rate bonds were issued in March 2008.

On May 23, 2012, SANDAG refunded \$151.5 million of the outstanding variable rate bonds with fixed rate bonds and terminated the associated interest rate swaps. The low fixed municipal interest rates at that time provided the opportunity for SANDAG to refund the 2013 – 2022 maturities of the Series 2008 variable rate bonds (\$151.5 million in par) and partially terminate the associated swaps (also equal to \$151.5 million in notional amount) without increasing annual debt service. The purpose of this transaction was to reduce variable rate exposure and swap counterparty risk at no additional cost to SANDAG.

Fair values. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflows	\$ (2,827,998)	Debt	\$ (68,206,368)	\$ 402,300,000
Investment derivatives:					
Pay-floating receive floating interest rate swaps	Investment revenue	\$ (1,799,953)	Investment	\$ 16,507,177	\$ 313,200,000

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the SANDAG hedging derivative instruments outstanding at June 30, 2014, along with the credit rating of the associated counterparty.

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For the Fiscal Year Ended June 30, 2014

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating Moody's/S&P
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series A and B bonds	\$134,100,000	5/23/2012	4/1/2038	Pay 3.8165%; received 65% of USD-LIBOR	A2/A
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series B and C bonds	\$134,100,000	5/23/2012	4/1/2038	Pay 3.8165%; received 65% of USD-LIBOR	Aa2/AAA
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series C and D bonds	\$134,100,000	5/23/2012	4/1/2038	Pay 3.41%; received 65% of USD-LIBOR	A2/A

Credit Risk. This is the risk that the counterparty will fail to perform under the terms of the agreement. As of June 30, 2014, SANDAG was not exposed to credit risk on these swaps because they had negative fair values. However, should interest rates change and the fair values of the swaps become positive, SANDAG would be exposed to credit risk in the amount of the swaps' fair values. Favorable credit ratings of the counterparties (Bank of America and Goldman Sachs Mitsui Marine Derivative Products) mitigate this risk. As of June 30, 2014, Bank of America was rated A2 by Moody's and A by Standard & Poor's, and Goldman Sachs Mitsui Marine Derivative Products was rated Aa2 by Moody's and AAA by Standard and Poor's. The ratings are monitored by staff on a weekly basis. In addition, the fair value of the swaps will be fully collateralized by the counterparty with cash or United States government securities if the counterparty's credit quality falls below a rating of Baa2 by Moody's or BBB by Standard & Poor's. Collateral would be posted with a third-party custodian.

Interest rate risk. This is the risk that changes in market interest rates will adversely affect the net payment on the swaps. SANDAG is exposed to interest rate risk on its swaps when LIBOR decreases causing SANDAG net payment on the swaps to increase.

Basis risk. This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable-rate debt issued in 2008. SANDAG is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate SANDAG pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on historical experience, the expectation is that the payments received under the agreements will approximate the expected bond payments over the 30-year term of the swaps. Due to the favorable market conditions during fiscal year 2014, SANDAG was not exposed to basis risk since the variable rate received from the counterparty, which is 65 percent of LIBOR, was more than the variable rate SANDAG paid on the bonds. This savings for fiscal year 2014 was \$235,292 as compared to a negative of \$18,252 in fiscal year 2013.

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Termination risk and termination payments. This is the risk that the transaction is terminated in a market dictating a termination payment by SANDAG. SANDAG can terminate the swap at the fair value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. SANDAG or the counterparties may terminate the swap if the other party fails to perform under the terms of the contracts, such as the failure to make swap payments. If the swap is terminated, the variable-rate bonds would no longer be hedged. Given the negative fair value of June 30, 2014, SANDAG was not in a favorable termination position relative to the market. SANDAG effectively reduced the ongoing termination risk by refunding \$151.5 million in variable-rate bonds and terminating the same amount of the outstanding interest rate swaps in May 2012 under favorable market conditions with low fixed rates. Refunding additional maturities and terminating more of the interest rate swaps would have led to a net increase in debt service under a fixed-rate structure, which was contrary to SANDAG programmatic objectives. Consequently, the reduced amount of variable-rate bonds and interest rate swaps was left in place.

Rollover risk. This is the risk that maturity of the hedging derivative instruments is shorter than the maturity of the associated debt leaving SANDAG unprotected in the future. When these swaps terminate, or in the case of a termination option, if the counterparty exercises its option, SANDAG will be re-exposed to the risks being hedged by the swaps. SANDAG is exposed to rollover risk on the swaps only in the event of a failure to perform under the terms of the contracts by SANDAG or counterparty.

Reset rates paid and received by SANDAG. The weekly variable interest rates paid on the 2008 *TransNet* bonds by SANDAG to the bondholders for the period July 1, 2013, through June 30, 2014, ranged from 0.02 percent to 0.11 percent for Barclays Bank; 0.02 percent to 0.13 percent for Goldman, Sachs & Co.; 0.02 percent to 0.12 percent for J.P. Morgan Securities, Inc.; and 0.02 percent to 0.11 percent for Stifel, Nicolaus & Company, Inc.

Fixed rates paid by SANDAG to the swap provider counterparties were 3.41 percent to Bank of America for one of the swaps, 3.8165 percent to Bank of America for another one of the swaps, and 3.8165 percent to Goldman Sachs Mitsui Marine Derivative Products. Sixty-five percent (65 percent) of LIBOR received by SANDAG from the swap provider counterparties ranged from 0.09815 percent to 0.12678 percent during the same time period.

Actual debt-service requirements versus the projected debt-service on the swap transaction. For the fiscal year ending June 30, 2014, Bank of America actual debt service was \$4,456,081 versus projected debt service of \$4,572,810 for one of the swaps, and was \$5,011,465 versus projected debt service of \$5,117,926 for the other Bank of America swap; and Goldman Sachs Mitsui Marine Derivative Products actual debt service was \$5,012,843 versus projected debt service of \$5,117,926 for its swap. In total, actual debt service was \$14,480,389 versus projected debt service of \$14,808,663, which resulted in a savings of variable rate payments received from the swap counterparties as compared to the variable rate payments made on the bonds in the amount of \$235,292 for fiscal year 2014. Over the life of the swaps from the issuance of the bonds through June 30, 2014, the cumulative excess of variable rate payments made on the bonds as compared to the variable rate payments received from the swap counterparties is \$4,195,417. This means that the net variable rates SANDAG is paying on the

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2008 *TransNet* bonds is more than the variable rate SANDAG is receiving, and these rates were originally intended to offset and net to zero.

The total net cost of the program includes liquidity facilities with JP Morgan (Series A and B), Mizuho Corporate Bank, Ltd (Series C), and State Street Bank and Trust Company and California State Teachers' Retirement Fund (Series D). The Standby Bond Purchase Agreement (SBPA) cost for the Series A and B bonds is 39 basis points, the Series C bonds is 47.5 basis points, and the SBPA cost for the Series D bonds is 65 basis points. The JP Morgan SBPA originally carried a cost for the initial one-year term of 20 basis points, with annual renewals and adjusting costs. While the cost of the latest renewal in March 2014 remained at 39 basis points, the annual renewal was adjusted out to three years. The Mizuho latest renewal is through September 2014 and SANDAG will continue to explore opportunities to lower the cost of the liquidity facility and will again pursue competitive options as we near the renewal term of September 2014.

2. 2018 basis rate swaps overlay to the 2008 interest rate swaps

Objective of the basis rate swaps. On March 19, 2009, SANDAG entered into a SIFMA versus LIBOR floating-to-floating or "basis" swap. The combination of the Basis Swaps and the existing 2008 Interest Rate Swaps effectively amended the existing swaps without having to change the existing floating-to-fixed interest rate swaps. This overlay allowed SANDAG to bid out the new transaction to a group of potential counterparties without changing the existing 2008 Interest Rate Swaps. SANDAG was able to enter into a new transaction with Barclays Bank PLC to overlay the terms under two of the 2008 Interest Rate Swaps, with an expected benefit to SANDAG of a substantial reduction in the cost of debt after 2018.

Terms. The initial notional amounts of the swaps are \$156.6 million each. Under two of the 2008 Interest Rate Swaps, RTC pays the counterparties a fixed payment of 3.8165 percent and receives 65 percent of LIBOR (through April 2018) and thereafter receives the SIFMA index. The 2018 Basis Rate Swaps overlay these two 2008 Interest Rate Swaps with a payment of the SIFMA index and a receipt of 107.4 percent of LIBOR for the last 20 years of the swap (April 2018 to April 2038).

Fair values. The swaps had a total combined positive fair value of \$16,507,177 as of June 30, 2014. The fair values of the derivatives were estimated by an independent third-party based on mid-market levels as of the close of business on June 30, 2014. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps.

Credit risk. This is the risk that the counterparty will fail to perform under the terms of the agreements. As of June 30, 2014, SANDAG was exposed to credit risk on these swaps in the amount of \$16,507,177, which is the fair value of the derivatives. However, should interest rates change and the fair value of the swaps become negative; SANDAG would not be exposed to any credit risk. The favorable credit rating of the counterparty mitigates this risk. As of June 30, 2014, the swap counterparty, Barclays Bank PLC, was rated A2 by Moody's and A by Standard & Poor's.

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Interest rate risk. This is the risk that changes in market interest rates will adversely affect the net payment on the swaps. SANDAG is exposed to interest rate risk on its swaps when LIBOR decreases causing SANDAG net payment on the swaps to increase.

Basis risk. This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable rate debt issued in 2008. SANDAG is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate SANDAG pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on current and historical experience, staff expects the overlay of the SIFMA to LIBOR Basis Rate Swaps to significantly reduce the costs of financing after 2018, assuming a return to normal, or even near to normal trading relationships.

Termination risk and termination payments. This is the risk that the transaction is terminated in a market dictating a termination payment by SANDAG. SANDAG can terminate a swap at the fair market value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. Given the positive fair value at June 30, 2014, SANDAG was in a favorable termination position relative to the market.

SANDAG Board Policy No. 032: The San Diego County Regional Transportation Commission Interest Rate Swap Policy requires a contingency plan to either replace the swaps or fund the termination payments, if any, in the event one or more outstanding swaps are terminated. Should a swap be terminated, the excellent credit rating of SANDAG would allow it to assign the swap to another counterparty. Alternatively, if a swap is terminated and it has a negative fair value, SANDAG could use *TransNet* sales tax receipts to fund the termination payment.

F. Long-term debt

1. The 2008 Series ABCD bonds

In March 2008, SANDAG issued \$600,000,000 of variable rate bonds to fund some of the major projects identified in the *TransNet* reauthorization (approved by voters in November 2004) under the *TransNet* Early Action Program. In June 2012, SANDAG refunded \$151,500,000 of the Series 2008 Bonds and terminated a corresponding portion of the interest rate swaps relating to the Series 2008 Bonds through the issuance of the 2012 Series A tax-exempt bonds.

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Notes to the Basic Financial Statements, Continued
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The principal requirements to maturity for the 2008 Series ABCD bonds are as follows:

Maturity (April 1)	Principal Amount	Interest on Debt	Hedging Derivatives, Net	Total Interest
2015	\$ -	\$ 512,932	\$ 14,301,926	\$ 14,814,858
2016	-	512,932	14,301,926	14,814,858
2017	-	512,932	14,301,926	14,814,858
2018	-	512,932	14,301,926	14,814,858
2019	-	512,932	14,301,926	14,814,858
2020 - 2024	37,800,000	2,528,899	70,512,441	73,041,340
2025 - 2029	108,300,000	2,023,329	56,415,819	58,439,148
2030 - 2034	131,100,000	1,269,804	35,405,532	36,675,336
2035 - 2038	125,100,000	367,104	10,235,849	10,602,953
Total	\$ 402,300,000	\$ 8,753,796	\$ 244,079,271	\$ 252,833,067

The bonds bear interest at a variable rate, which is reset weekly. See Note III.E.1 for reset rate ranges for each remarketing agent. The above table incorporates the net receipts/payments of the hedging derivative instruments that are associated with this debt. These amounts assume that current interest rates on variable rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note III.E.1 for additional information regarding the derivative instruments associated with the debt of SANDAG.

2. The 2010 Series A and B bonds

On November 10, 2010, SANDAG issued \$350,000,000 Series 2010 A and B fixed rate bonds to finance the SANDAG continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire \$7,316,000 in outstanding commercial paper notes, and to pay the costs of issuing the Series 2010 Bonds. The Series A BABs totaled \$338,960,000 and carry a fixed interest rate of 5.911 percent (net interest rate of 3.991 percent after deducting the BABs federal subsidy) with a maturity date of April 1, 2048. The Series B Tax-Exempt bonds totaled \$11,040,000 with a fixed rate interest rate of 3.14 percent, based on an interest rate range of 2.00 – 5.00 percent and a maturity date of April 1, 2030.

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The principal requirements to maturity for the 2010 Series A bonds, net of the federal subsidy, are as follows:

Maturity (April 1)	Principal Amount	Interest Amount
2015	\$ -	\$ 13,556,307
2016	-	13,556,307
2017	-	13,556,307
2018	-	13,556,307
2019	-	13,556,307
2020 - 2024	-	67,781,536
2025 - 2029	-	67,781,536
2030 - 2034	-	67,781,536
2035 - 2039	28,440,000	67,781,536
2040 - 2044	159,455,000	49,820,509
2045 - 2048	151,065,000	15,388,424
Total	\$ 338,960,000	\$ 404,116,612

The principal requirements to maturity for the 2010 Series B bonds are as follows:

Maturity (April 1)	Principal Amount	Interest Amount
2015	\$ 620,000	\$ 358,950
2016	640,000	334,150
2017	665,000	308,550
2018	690,000	281,950
2019	720,000	254,350
2020 - 2024	2,430,000	910,350
2025 - 2029	2,515,000	438,600
2030	570,000	22,800
Total	\$ 8,850,000	\$ 2,909,700

3. The 2012 Series A bonds

On June 14, 2012, SANDAG issued \$420,585,000 of 2012 Series A fixed rate bonds to finance SANDAG's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to refund \$151,500,000 of the Series 2008 ABCD Bonds and terminate a corresponding portion of the interest rate swaps relating to the Series 2008 ABCD Bonds, and to pay the costs of issuing the 2012 Series A Bonds. The 2012 Series A Sales Tax Revenue Bonds (Limited Tax Bonds) totaled \$420,585,000 and carry a fixed interest rate of 3.703 percent with a maturity date of April 1, 2048.

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The principal requirements to maturity for the 2012 Series A Bonds, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2015	\$ 14,870,000	\$ 18,665,550
2016	15,470,000	18,070,750
2017	16,240,000	17,297,250
2018	17,055,000	16,485,250
2019	17,855,000	15,682,500
2020 - 2024	66,950,000	65,390,500
2025 - 2029	20,895,000	55,712,750
2030 - 2034	27,985,000	49,866,250
2035 - 2039	39,900,000	42,187,500
2040 - 2044	76,065,000	28,340,006
2045 - 2048	74,750,000	8,780,706
Total	\$ 388,035,000	\$ 336,479,012

4. Commercial paper notes

At June 30, 2014, SANDAG had a \$75,000,000 tax-exempt commercial paper program available (Series B). In September 2012, SANDAG reduced the maximum amount of funding available for the commercial paper program from \$100,000,000 to the current \$75,000,000 and moved from a Line of Credit to a Direct-Pay Letter of Credit, based on anticipated financing needs and to reduce liquidity fees. Under the Reimbursement Agreement relating to the Series B Notes, dated September 1, 2012, the commercial paper would be available through September 18, 2015.

During the fiscal year, the balance issued and outstanding was \$73,001,000. Interest rates during the current year have varied from 0.09 percent to 0.19 percent, with maturities from 5 day to 97 days. Interest rates on outstanding amounts at June 30, 2014, average 0.10 percent, with maturities from 37 to 92 days.

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The scheduled principal requirements to maturity for the Series B commercial paper are as follows:

Scheduled Repayment	Principal Amount	Interest Amount
2015	\$ 42,561,000	\$ 62,082
2016	1,885,000	59,015
2017	1,805,000	55,848
2018	1,200,000	52,723
2019	1,250,000	50,358
2020 - 2024	6,550,000	214,143
2025 - 2029	7,500,000	146,343
2030 - 2034	8,450,000	68,490
2035	1,800,000	3,548
Total	<u>\$ 73,001,000</u>	<u>\$ 712,550</u>

5. Senior Debt - TIFIA Secured Loan

The TIFIA loans are divided into three separate notes or tranches, each of which have different principal amounts, interest rates, and payment commencement and due dates. The loans are secured by first liens on the SR 125 toll road project revenue, the contract rights related to the toll road, and a deed of trust on the leasehold interest in the toll road's right of way. Tranches B-2 and C-2 had accrued interest of \$8,042,784 and \$765,015, respectively, added to the ending balances of their respective tranches. The following table shows the three tranches, initial principal amounts and interest rates.

Tranche	Initial Principal Amount	Interest Rate
A-2	\$ 59,100,809	6.0% through December 31, 2015 7.0% from January 1, 2016 to December 31, 2020 8.0% from January 1, 2021 to December 31, 2025 9.0% from January 1, 2026 to June 30, 2026 (maturity date)
B-2	\$ 32,341,804	9.0% through June 30, 2035 (maturity date)
C-2	\$ 2,740,896	10.0% through December 31, 2035 (maturity date)

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

The principal requirements to maturity for the three tranches are as follows:

a. Tranche A-2

Maturity (Jan 1, Jul 1)	Principal Amount	Interest Amount
2015	\$ 1,468,175	\$ 3,482,998
2016	1,140,315	3,664,849
2017	637,212	3,886,914
2018	1,395,200	3,839,036
2019	2,431,142	3,723,704
2020 - 2024	29,755,213	15,516,527
2025 - 2026	21,481,547	2,135,751
Total	<u>\$ 58,308,804</u>	<u>\$ 36,249,779</u>

b. Tranche B-2

Maturity (Jan 1, Jul 1)	Principal Amount*	Interest Amount
2015	\$ -	\$ -
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020 - 2024	-	-
2025 - 2029	13,314,402	28,188,810
2030 - 2034	87,246,689	33,385,348
2035	18,745,944	1,078,770
Total	119,307,035	<u>\$ 62,652,928</u>
Accrued interest (FY 2015 - 2025)	<u>(78,922,447)</u>	
	<u>\$ 40,384,588</u>	

*The principal amount includes the initial principal balance of \$32,341,804 and total deferred interest of \$78,922,447 added to the principal balance over the life of the loan.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

c. Tranche C-2

Maturity (Jan 1, Jul 1)	Principal Amount**	Interest Amount
2015	\$ -	\$ -
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020 - 2024	-	-
2025 - 2029	-	-
2030 - 2034	-	-
2035 - 2036	25,925,727	1,939,095
Total	25,925,727	\$ 1,939,095
Accrued interest (FY 2015 - 2034)	(22,419,816)	
	\$ 3,505,911	

**The principal amount includes the initial principal balance of \$2,740,896 and total deferred interest of \$22,419,816 added to the principal balance over the life of the loan.

d. Series D Obligation

The Series D Agreement provides that SANDAG will pay TIFIA, to the extent of available project revenue, \$1,445,850 plus interest at the rate of 14 percent per year compounded semi-annually. Payments are only due, and can only be made, after full payment of the existing TIFIA loan and full satisfaction of the *TransNet* loan (see Note III.D.4). Any amounts remaining unpaid as of December 31, 2042, are automatically forgiven. Prepayment of the Series D Note is possible, but only at the value the note will have on December 31, 2042. The Series D loan is secured by a third lien, behind the TIFIA and *TransNet* notes, on the project revenues, but no other project assets are pledged to Series D. The only event of default is SANDAG failure to maintain the Toll Covenant. The Series D Agreement further provides that SANDAG obligations are non-recourse and that the holders of Series D can only look to the revenues of the toll road for repayment in the event of a default. As of June 30, 2014, the SR 125 toll road did not accrue Series D interest due to the uncertain future events that may affect obligations under the Series D agreement.

e. Fair value adjustment

SANDAG purchased the toll road for \$341,445,850, consisting of a cash payment of \$245,816,491, a promissory note (Series D) of \$1,445,850 and an assumption of the TIFIA tranches totaling \$94,183,509. A fair value analysis of the acquired assets and liabilities has been performed as of December 21, 2011, at which time it was determined the fair value of the consideration paid by SANDAG was approximately \$402,884,950, resulting in a fair value adjustment of \$61,439,100.

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Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

For fair value purposes, the assumed TIFIA long-term debt was revalued based on the SANDAG cost of capital. At the date of acquisition, the weighted average yield of Tranches A-C was approximately 8.5 percent and Series D was 14 percent. These debt instruments were revalued at fair value using SANDAG's cost of debt of 4.46 percent. The Fair Value Adjustment is being amortized over the life of the TIFIA long-term debt using the effective interest method.

6. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Sales tax revenue bonds and commercial paper notes					
2008 Series ABCD tax-exempt	\$ 402,300,000	\$ -	\$ -	\$ 402,300,000	\$ -
2010 Series A Build America Bonds	338,960,000	-	-	338,960,000	-
2010 Series B tax-exempt	9,440,000	-	(590,000)	8,850,000	620,000
2012 Series A tax-exempt	402,525,000	-	(14,490,000)	388,035,000	14,870,000
Premium	54,927,472	-	(1,599,672)	53,327,800	-
Loss on refunding	-	-	-	-	-
Commercial paper notes	33,780,000	40,726,000	(1,505,000)	73,001,000	73,001,000
Total bonds and commercial paper	1,241,932,472	40,726,000	(18,184,672)	1,264,473,800	88,491,000
Compensated absences payable	2,075,709	3,054,213	(2,952,870)	2,177,052	2,177,052
Total long-term liabilities	<u>\$ 1,244,008,181</u>	<u>\$ 43,780,213</u>	<u>\$ (21,137,542)</u>	<u>\$ 1,266,650,852</u>	<u>\$ 90,668,052</u>

	Beginning balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Due Within One Year
Business-type Activities:					
TIFIA notes					
Tranche A	\$ 58,965,792	\$ -	\$ (656,988)	\$ 58,308,804	\$ 1,468,175
Tranche B	36,981,382	3,403,206	-	40,384,588	-
Tranche C	3,179,965	325,946	-	3,505,911	-
Series D	1,445,850	-	-	1,445,850	-
Unamortized FV adjustment	58,162,792	-	(2,016,953)	56,145,839	-
Total TIFIA notes	158,735,781	3,729,152	(2,673,941)	159,790,992	1,468,175
Compensated absences payable	-	342,492	(252,983)	89,509	89,509
Total TIFIA notes	<u>\$ 158,735,781</u>	<u>\$ 4,071,644</u>	<u>\$ (2,926,924)</u>	<u>\$ 159,880,501</u>	<u>\$ 1,557,684</u>

On June 30, 2014, sales tax revenue bonds and commercial paper notes consists of 2008 variable rate tax-exempt revenue bonds, 2010 fixed rate BABs, 2010 fixed rate tax-exempt revenue bonds, and 2012 fixed rate tax-exempt bonds issued by SANDAG that are collateralized by a pledge of the revenues from a one-half percent sales tax imposed within the County of San Diego. Long-term debt also consists of commercial paper notes issued by SANDAG. The notes are payable from and secured by a pledge of the retail transactions and use tax subordinate to the pledge of such retail transactions and use tax which secures limited tax bonds issued or to be issued. Proceeds from the bonds and commercial paper debt are to be used primarily to fund certain transportation projects in the San Diego County region.

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Notes to the Basic Financial Statements, Continued
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As maturity of commercial paper notes is 270 days or less, the commercial paper notes are classified as due within one year. Also, obligations for workers' compensation and compensated absences payable are liquidated by the general fund. See Note I.E.12 for further clarification.

7. Pledged revenue

SANDAG and its component units have a number of 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 on the following page. These percentages also approximate the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

<u>Description of Pledged Revenue</u>	<u>Fiscal Year 2014 amount of Pledged Revenue</u>	<u>Fiscal Year 2014 Debt Service Payments</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Sales Tax	\$ 261,732,291	\$ 70,994,413	27%
Toll Revenue - Senior Debt	20,974,238	4,190,918	20%
Toll Revenue - Subordinate Debt	11,099,236	3,202,306	29%

G. Transit capital contributions

The fund financial statements report capital outlay, which are current year capital project expenditures. In the government-wide statement of activities, certain expenditures are eliminated and capitalized as construction-in-progress capital assets in the statement of net position. During the current year, transit capital funding program revenues are \$150,652,713. The program revenues represent the federal funds, state funds, and other local governmental funding for the construction-in-progress projects in the capital projects fund.

During the current fiscal year, \$303,556,952 is reported as transit capital contributions. Of this amount, \$298,575,170 of completed construction-in-progress projects, as well as title to the assets, if applicable, was transferred to other governmental agencies responsible for public transportation operations, \$134,244,527 to MTS, \$84,686,354 to NCTD, \$75,271,168 to Caltrans, \$34,576 to the City of Chula Vista, \$87,742 to the City of Encinitas, \$2,207,023 to the City of Oceanside, \$1,870,317 to the City of San Marcos, \$17,293 to the Port of San Diego, and \$156,170 to the Engangered Habitat League, to reflect the other government's custodial accountability for the operations and maintenance of the assets. These capital contributions represent a reduction in capital assets and are not restricted to specific programs per the government-wide statement of activities.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

H. Risk management

SANDAG has a self-insured retention (deductible) for Bodily Injury and Property Damage Liability (including General Liability and Automobile Liability) claims of \$1,000,000 per occurrence. Amounts in excess of the self-insurance are covered by commercial excess insurance up to \$50,000,000. SANDAG purchases “all-risk” insurance for damage to its property up to \$16,696,518 for SANDAG main location with a per occurrence subject to a deductible of \$5,000; and up to \$363,051,845 for the SR 125 toll road with a per occurrence subject to a deductible of \$50,000. In addition, SANDAG has insurance policies for costs arising from employee Workers’ Compensation claims, Auto Property, Mexican Auto Liability, Foreign Liability and Cyber Liability. Employment Practices Liability and Public Official Errors and Omissions Liability insurance are also covered to a maximum of \$1,000,000 per occurrence, with excess liability insurance up to \$50,000,000.

Claims expenditures and liabilities in connection with these insurance programs are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Claim payments have not exceeded insurance coverage for each of the past three fiscal years.

There were no significant liability or property claims incurred, claims payments and claims payable as of and for the years ended June 30, 2013, and 2014.

I. Commitments and contingencies

SANDAG leases its office space and some of its copiers, and other miscellaneous office equipment, under various operating leases. Total lease expense for fiscal year 2014 was \$2,560,309. Minimum annual lease payments under non-cancellable operating leases with terms in excess of one year were as follows:

FY	Minimum Lease Payment
2015	\$ 2,464,719
2016	2,540,775
2017	2,611,581
Total	\$ 7,617,075

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although SANDAG expects such amounts, if any, to be immaterial.

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

J. Other Post-Employment Benefits (OPEB)

1. Plan description

In March 1986, pursuant to requirements of the state retirement system in which SANDAG participates, SANDAG adopted a policy to provide post-retirement health care benefits to retired employees through California Public Employees' Retirement System (CalPERS), a single-employer benefit plan, that covers all of SANDAG employees. The plan does not issue a separate annual financial report.

2. Funding policy

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, in order to maintain a comparable benefit level. The expenditure was recorded when the Annual Required Contribution (ARC) of the employer was paid. Total payments to retirees for the year ended June 30, 2014, were \$174,934. There were 57 retiree participants receiving post-employment health care benefits as of June 30, 2014.

SANDAG is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC rate for fiscal year 2014 is 1.07 percent of annual covered payroll.

Contributions from SANDAG have been transferred to an irrevocable trust administered by CalPERS (the California Employer's Retiree Benefits Trust) on behalf of SANDAG in which the plan assets held by the trust have been dedicated solely to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer or the plan administrator. Accordingly, SANDAG contributions to this trust have been accounted for as reductions of SANDAG liability for its net OPEB obligation.

3. Annual OPEB cost and net OPEB asset

SANDAG annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of SANDAG annual OPEB cost for the year, the amount actually contributed to the plan, and changes in SANDAG net OPEB asset for these benefits:

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

Annual required contribution	\$ 228,854
Interest on net OPEB obligation	(36,929)
Adjustment to annual required contribution	<u>34,682</u>
Annual OPEB cost (expense)	226,607
Contributions made (including premiums paid)	<u>(228,854)</u>
Increase in net OPEB asset	(2,247)
Net OPEB asset—beginning of year	<u>(523,078)</u>
Net OPEB asset—end of year	<u><u>\$ (525,325)</u></u>

4. Annual OPEB cost

SANDAG annual OPEB cost, the percentage of annual OPEB cost to be contributed to the plan, and the Net OPEB Obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2012	\$ 154,526	100.5%	\$ 520,841
6/30/2013	215,746	101.0%	523,078
6/30/2014	226,607	101.0%	525,325

5. Funded status and funding progress

The funded status of the plan as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 3,173,833
Actuarial value of plan assets	<u>2,333,013</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 840,820</u>
Funded ratio (actuarial value of plan assets/AAL)	73.5%
Covered payroll (active plan members)	\$ 23,828,423
UAAL as a percentage of covered payroll	3.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

6. Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the following actuarial methods and assumptions were as follows:

<u>Description</u>	<u>Method/Assumption</u>
Actuarial Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.61%
Projected Salary Increases	3.25% per annum, in aggregate
Inflation Rate	3.00%

The actuarial assumptions included an annual healthcare cost trend rate of 7.0 to 7.5 percent initially, reduced by decrements of 0.5 percent to 5.0 percent after 5 years. The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-percentage-of-pay method on a closed-basis. The remaining amortization period at June 30, 2011, is assumed to be 25 years. Any assets of the plan will be valued on a market value basis.

The retirement age for active employees was determined according to the retirement rates under the Public Employees' Retirement System (PERS) pension plan. The pre-retirement turnover was determined according to the termination rates under the PERS pension plan. The pre-retirement and post-retirement mortality rates were determined under the PERS pension plan. It was assumed 95 percent of active employees meeting eligibility requirements will elect retiree health coverage at retirement. Since the retiree pays 100 percent of the cost for spouse coverage, spouse coverage during retiree's lifetime is not explicitly valued. 50 percent of covered retirees are assumed to have spouses continue coverage upon their death. Female spouses are assumed to be three years younger than male spouses. Future retirees are assumed to elect medical plan coverage based on similar (50 percent HMO and 50 percent PPO) elections of current retirees.

The valuation was based on the medical premiums paid by SANDAG for insurance coverage. The valuation assumes SANDAG is exempt from the valuation of any medical plan rate subsidy. The expected monthly medical costs at the valuation date for future retirees is as follows:

	<u>PPO</u>	<u>HMO</u>
Non-Medicare Eligible	\$ 706	\$ 515
Medicare Eligible	408	293

K. Retirement plan

1. Plan description

SANDAG contributes to the CalPERS, an agent multiple-employer public employees retirement system, defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the state of California. A menu of benefit provisions, as well as other requirements, are established by state statutes within the Public Employees' Retirement

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

Law. SANDAG selects optional benefit provisions from the benefit menu by contracting with PERS and adopts those benefits through local resolution. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

Employees in Regular, Limited Term, or Tolling Operations Personnel positions start participating in PERS upon employment. Temporary, Intern, Part-time, and Seasonal employees may gain eligibility for PERS if they have worked 1,000 hours or more in a fiscal year. Membership becomes effective the first day of the following pay period once the eligibility requirement has been met. Employees in the 2.7 percent at 55 years and 2.0 percent at 60 years benefit tiers are eligible to retire at age 50 with at least five years of credited service; employees in the 2.0 percent at 62 years benefit tier are eligible to retire at age 52 with at least five years of credited service. Annual retirement benefits are determined based on age at retirement, the length of membership service, and the amount of earnings based on the highest 12 consecutive months' full-time equivalent monthly pay. PERS also provides death and disability benefits.

2. Funding policy

The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and may be amended by PERS. Eligible SANDAG employees participate in one of three different retirement plans offered by PERS. The member contribution rate for each plan is described below:

PERS Retirement Plan	Employee/Member Contribution
2.7% at 55 years	The member contribution rate is 8.0 percent of gross salary. <ul style="list-style-type: none"> ▪ For employees hired prior to July 1, 2009, SANDAG paid 6.0 percent of the member contribution in fiscal year 2013. Employees paid the remaining 2.0% contribution amount. ▪ Employees hired after July 1, 2009 pay the full 8.0 percent member contribution.
2.0% at 60 years	The member contribution rate is 7.0 percent of gross salary. Employees in this plan pay the full amount of the member contribution.
2.0% at 62 years	The member contribution rate is 6.25 percent of gross salary. Employees in this plan pay the full amount of the member contribution.

SANDAG is required to contribute the actuarially-determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The APC rate for fiscal year 2014 was 18.164 percent of annual covered payroll.

Readers of this document are advised to refer directly to the full disclosure of actuarial and funding practices of the multi-employer CalPERS system, which this agency does not control. CalPERS may employ actuarial techniques such as extended smoothing and amortization

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
For the Fiscal Year Ended June 30, 2014

periods that would result in future increases in required employer contributions which are not reflected in these financial statements, particularly in the event of any future changes in governmental financial reporting standards and systemwide funding practices. Further information on its financial practices should be requested from CalPERS.

Refer to the Required Supplementary Information for the schedule of funding progress for the post-employment defined benefits plan , which presents multi-year trend information regarding the actuarial value of plan assets increases/decreases relative to the actuarial accrued liability for benefits over time.

3. Annual pension costs

An employer reports an Annual Pension Cost (APC) equal to the ARC plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation .

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	APC	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 3,125,140	100%	-
6/30/2013	3,845,918	100%	-
6/30/2014	4,313,811	100%	-

A summary of principle assumptions and methods used to determine the ARC is shown below:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	27 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about six percent of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan

San Diego Association of Governments
Notes to the Basic Financial Statements, Continued
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assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

4. Funded status and funding progress for PERS plan

The funded status of the plan as of June 30, 2013, which is the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 110,583,759
Actuarial value of plan assets	75,356,205
Unfunded actuarial accrued liability (UAAL)	<u>\$ 35,227,554</u>
Funded ratio (actuarial value of plan assets/AAL)	68.1%
Covered payroll (active plan members)	\$ 22,279,385
UAAL as a percentage of covered payroll	158.1%

L. Subsequent events

1. On July 1, 2014, SANDAG transferred the remaining prepaid fare media sales program balance to MTS. This move represents 25 percent of the program with the other 75 percent having been transferred on July 1, 2013. This move will allow MTS, the larger user and recipient of the prepaid fare media sales program, to fully manage the program in-house, thereby eliminating certain external costs.
2. On August 27, 2014, the Commission and Mizuho Bank, Ltd., as successor to Mizuho Corporate Bank, Ltd (2008 Series C bonds), agreed to amend the fee schedule and extend the current SBPA. The amendment included a reduction in the liquidity facilities fees for the period commencing on September 26, 2014, by 15.5 basis points (bps), going from 47.5 bps to 32 bps.
3. On September 10, 2014, the Commission issued \$350,000,000 Series 2014 A sales tax revenue bonds to finance the Commission's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire \$42,725,000 in outstanding commercial paper notes, and to pay the costs of issuing the Series 2014 Bonds. The Series A sales tax revenue bonds include a premium of \$55,305,484 and carry an overall all-in interest rate of 3.85 percent with a maturity date of April 1, 2048.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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San Diego Association of Governments
Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

SCHEDULE OF FUNDING PROGRESS FOR PERS RETIREMENT PLAN

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (UL) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a-b)/(c)]
6/30/11	\$ 95,110,699	\$ 71,999,842	\$ 23,110,857	75.7%	\$ 17,131,413	134.9%
6/30/12	101,929,341	77,002,721	24,726,920	75.5%	17,892,856	138.2%
6/30/13	110,583,759	75,356,205	35,227,554	68.1%	22,279,385	158.1%

SCHEDULE OF FUNDING PROGRESS FOR PERS OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (UL) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a-b)/(c)]
1/1/09	\$ 4,865,596	\$ 615,059	\$ 4,250,537	12.6%	\$ 15,607,224	27.2%
1/1/11	2,586,563	2,016,269	570,294	78.0%	16,397,782	3.5%
6/30/11	3,173,833	2,333,013	840,820	73.5%	23,828,423	3.5%

San Diego Association of Governments
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

A. Budgetary information

Formal budget integration is employed as a management control device for the general fund, special revenue funds, the debt service fund, and the capital project fund. Budgets are adopted on a basis consistent with generally accepted accounting principles. The general fund, special revenue funds, and capital project fund have legally adopted annual program budgets.

After the annual program budget is adopted, the Board of Directors can legally amend the budget at any time during the fiscal year to incorporate new grants or contracts which may become available during the year. Management can legally amend or transfer appropriations between programs or projects within the adopted or amended budget, once the budget has been approved, up to a maximum of \$100,000 with monthly reporting of these delegated budget amendments to the Board of Directors. However, management may not exceed the authorization of any individual fund. The fund level is the legal level of control (the expenditure level on which expenditures may not legally exceed appropriations) for each budget for which data are presented in the annual financial report.

For the Commission sales tax projects special revenue fund, the annual program budget is based on expected sales tax revenue receipts. The expenditures budget reflects the appropriate program split in accordance the *TransNet* Extension Ordinance based on those expected sales tax revenue receipts. After the annual budget is adopted, the Board of Directors can legally amend the budget at any time during the fiscal year to incorporate changes in expected sales tax revenues.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. For budgeting purposes, encumbrances lapse at year-end and may be reappropriated in the following year.

B. Additional appropriations or amendments

1. General fund

Amendments to the general fund were approved by the Board of Directors to increase costs and cost recovery for staffing of the new Department of Operations and additional staffing in various other departments.

2. TransNet fund

TransNet fund appropriations were increased to recognize revisions made to several bicycle and pedestrian projects, primarily the Coastal Rail Trail, Inland Rail Trail, Bayshore Bikeway, and various Bicycle Facilities projects. Revisions were also made to a Smart Growth Improvement Project and a few large capital project budgets, primarily in Interstate 5 Corridor and the State Route 905/125/11 Connector.

San Diego Association of Governments
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local Transportation Development Act sales tax funds	\$ 6,825,844	\$ 6,825,844	\$ 6,825,844	\$ -
Member agency assessments	547,426	547,426	547,425	(1)
Other revenues	-	-	9,832	9,832
Total revenues	7,373,270	7,373,270	7,383,101	9,831
EXPENDITURES:				
Current:				
General government	42,038,098	41,930,085	40,237,955	1,692,130
Cost recovery	(41,611,098)	(41,503,085)	(40,829,605)	(673,480)
Total expenditures	427,000	427,000	(591,650)	1,018,650
REVENUES OVER (UNDER) EXPENDITURES	6,946,270	6,946,270	7,974,751	1,028,481
OTHER FINANCING SOURCES (USES):				
Transfers in	163,500	163,500	168,586	5,086
Transfers out	(7,109,770)	(7,109,770)	(5,462,877)	1,646,893
Total other financing sources (uses)	(6,946,270)	(6,946,270)	(5,294,291)	1,651,979
Net change in fund balances	\$ -	\$ -	2,680,460	\$ 2,680,460
FUND BALANCES:				
Beginning of year			11,601,914	
End of year			<u>\$ 14,282,374</u>	

See accompanying Notes to Required Supplementary Information.

San Diego Association of Governments
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
TransNet Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local <i>TransNet</i> sales tax funds	\$ 314,596,311	\$ 317,251,628	\$ 283,108,538	\$ (34,143,090)
Total revenues	<u>314,596,311</u>	<u>317,251,628</u>	<u>283,108,538</u>	<u>(34,143,090)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(314,596,311)	(317,251,628)	(283,108,538)	34,143,090
Total other financing sources (uses)	<u>(314,596,311)</u>	<u>(317,251,628)</u>	<u>(283,108,538)</u>	<u>34,143,090</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

See accompanying Notes to Required Supplementary Information.

San Diego Association of Governments
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
San Diego County Regional Transportation Commission Sales Tax Projects Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local <i>TransNet</i> sales tax funds	\$ 262,478,164	\$ 262,478,164	\$ 261,732,291	\$ (745,873)
Investment earnings	3,923,000	3,923,000	6,069,610	2,146,610
Other revenues	-	-	21,934	21,934
Total revenues	266,401,164	266,401,164	267,823,835	1,422,671
EXPENDITURES:				
Current:				
General government	2,624,782	2,624,782	2,624,782	-
Bicycle facilities	5,249,563	5,249,563	7,341,136	(2,091,573)
Independent Taxpayer Oversight Committee	-	-	96,017	(96,017)
Major corridor capital projects	96,749,452	96,749,452	249,053,945	(152,304,493)
Major corridor environmental mitigation	11,202,568	11,202,568	18,362,651	(7,160,083)
Local project environmental mitigation	4,582,869	4,582,869	508,632	4,074,237
Local street improvements	74,089,711	74,089,711	62,038,187	12,051,524
Smart growth	5,346,680	5,346,680	2,545,943	2,800,737
New major corridor transit operations	20,622,909	20,622,909	3,368,969	17,253,940
Transit system improvements	42,009,630	42,009,630	40,308,350	1,701,280
Total expenditures	262,478,164	262,478,164	386,248,612	(123,770,448)
REVENUES OVER (UNDER) EXPENDITURES	3,923,000	3,923,000	(118,424,777)	(122,347,777)
OTHER FINANCING SOURCES (USES):				
Transfers in	107,952,020	107,952,020	276,502,511	168,550,491
Transfers out	(59,865,368)	(59,865,368)	(72,471,398)	(12,606,030)
Total other financing sources (uses)	48,086,652	48,086,652	204,031,113	155,944,461
Net change in fund balances	\$ 52,009,652	\$ 52,009,652	85,606,336	\$ 33,596,684
FUND BALANCES:				
Beginning of year			416,962,635	
End of year			\$ 502,568,971	

See accompanying Notes to Required Supplementary Information.

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SUPPLEMENTARY INFORMATION

San Diego Association of Governments
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds			Totals
	General Services Fund	Prepaid Fare Media Sales Fund	SAFE Fund	2014
ASSETS				
Cash and investments	\$ 1,829,920	\$ -	\$ 6,252,152	\$ 8,082,072
Accounts receivable	284,265	-	-	284,265
Prepaid items and other assets	1,917	-	-	1,917
Interest receivable	-	-	5,761	5,761
Due from other funds	6,214,293	-	-	6,214,293
Due from other governments	13,084,082	747,385	472,257	14,303,724
Total assets	\$ 21,414,477	\$ 747,385	\$ 6,730,170	\$ 28,892,032
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,900,784	\$ 44,566	\$ 50,799	\$ 3,996,149
Accrued liabilities	15,922	-	-	15,922
Retentions payable	445,182	-	-	445,182
Due to other funds	7,578,861	550,560	31,478	8,160,899
Due to other governments	4,798,646	14	552,464	5,351,124
Unearned revenue	1,838,457	-	-	1,838,457
Total liabilities	18,577,852	595,140	634,741	19,807,733
Deferred inflows of resources:				
Unavailable revenue	1,886,746	-	-	1,886,746
Total deferred inflows of resources	1,886,746	-	-	1,886,746
Fund Balances:				
Nonspendable:				
Prepaid Items	1,917	-	-	1,917
Total nonspendable	1,917	-	-	1,917
Restricted for:				
Transit planning and services	947,962	152,245	-	1,100,207
Freeway emergency service	-	-	6,095,429	6,095,429
Total restricted	947,962	152,245	6,095,429	7,195,636
Unassigned	-	-	-	-
Total fund balances (deficit)	949,879	152,245	6,095,429	7,197,553
Total liabilities, deferred inflow of resources and fund balances	\$ 21,414,477	\$ 747,385	\$ 6,730,170	\$ 28,892,032

San Diego Association of Governments
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2014

	Special Revenue Funds			Totals
	General	Prepaid Fare		
	Services	Media Sales	SAFE	
	Fund	Fund	Fund	2014
REVENUES:				
Federal funds	\$ 20,718,999	\$ -	\$ -	\$ 20,718,999
State funds	6,697,584	-	-	6,697,584
Other local governmental funding	1,464,972	747,385	-	2,212,357
SAFE program revenue	-	-	2,757,111	2,757,111
Member agency assessments	200,000	-	-	200,000
Investment earnings	-	-	22,916	22,916
Other revenues	154,078	-	-	154,078
Total revenues	29,235,633	747,385	2,780,027	32,763,045
EXPENDITURES:				
Current:				
Modeling and research	4,520,203	-	-	4,520,203
Criminal justice	1,495,834	-	-	1,495,834
Planning and forecasting	4,394,795	-	-	4,394,795
Sustainable development	1,033,906	-	-	1,033,906
Smart mobility programs and services	20,411,861	747,385	-	21,159,246
Intermodal planning and implementation	1,528,526	-	-	1,528,526
Internal and external coordination	5,353,344	-	-	5,353,344
SAFE program	-	-	1,600,183	1,600,183
Bicycle facilities	2,060,943	-	-	2,060,943
Smart growth	2,516,123	-	-	2,516,123
Transit system improvements	1,424,636	-	-	1,424,636
Total expenditures	44,740,171	747,385	1,600,183	47,087,739
REVENUES OVER (UNDER) EXPENDITURES	(15,504,538)	-	1,179,844	(14,324,694)
OTHER FINANCING SOURCES (USES):				
Transfers in	17,528,971	-	-	17,528,971
Total other financing sources (uses)	17,528,971	-	-	17,528,971
Net change in fund balances	2,024,433	-	1,179,844	3,204,277
FUND BALANCES (DEFICIT):				
Beginning of year	(1,074,554)	152,245	4,915,585	3,993,276
End of year	\$ 949,879	\$ 152,245	\$ 6,095,429	\$ 7,197,553

San Diego Association of Governments
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2014

	Business-Type Activities-Enterprise Funds		Totals
	Nonmajor Funds		
	Service Bureau	Interstate 15 FasTrak	2014
ASSETS			
Current assets:			
Cash and investments	\$ -	\$ 1,294,604	\$ 1,294,604
Restricted cash	-	-	-
Accounts receivable	88,758	96,703	185,461
Prepaid items and other assets	-	-	-
Due from other funds	27,958	7,964,539	7,992,497
Due from other governments	113,967	335,568	449,535
Total current assets	230,683	9,691,414	9,922,097
Noncurrent assets:			
Depreciable assets, net of accumulated depreciation	-	14,392,609	14,392,609
Total noncurrent assets	-	14,392,609	14,392,609
Total assets	230,683	24,084,023	24,314,706
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	44,830	538,049	582,879
Retentions payable	-	1,492	1,492
Due to other funds	-	14,039	14,039
Due to other governments	69,840	866,586	936,426
Transponder deposits payable	-	280	280
Unearned revenue	-	791,535	791,535
Total current liabilities	114,670	2,211,981	2,326,651
Total liabilities	114,670	2,211,981	2,326,651
Net position:			
Net investment in capital assets	-	14,392,609	14,392,609
Restricted for:			
Toll road operations and improvement	-	7,479,433	7,479,433
Unrestricted	116,013	-	116,013
Total net position	\$ 116,013	\$ 21,872,042	\$ 21,988,055

San Diego Association of Governments
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the year ended June 30, 2014

	Business-type Activities-Enterprise Funds		Totals
	Nonmajor Funds		
	Service Bureau	Interstate 15 FasTrak	2014
OPERATING REVENUES:			
Service Bureau revenue	\$ 639,983	\$ -	\$ 639,983
Interstate 15 FasTrak permit revenue	-	6,429,533	6,429,533
Interstate 15 FasTrak fines and forfeitures revenue	-	20,438	20,438
Total operating revenues	639,983	6,449,971	7,089,954
OPERATING EXPENSES:			
Service Bureau operating expenses	548,715	-	548,715
Interstate 15 FasTrak operating expenses	-	4,617,324	4,617,324
Depreciation	-	1,964,775	1,964,775
Total operating expenses	548,715	6,582,099	7,130,814
Operating income (loss)	91,268	(132,128)	(40,860)
NONOPERATING REVENUES (EXPENSES):			
Interest income	-	19,945	19,945
Total nonoperating revenues (expenses)	-	19,945	19,945
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	91,268	(112,183)	(20,915)
Transfers out	(99,914)	(3,708)	(103,622)
Total transfers	(99,914)	(3,708)	(103,622)
CHANGE IN FUND NET POSITION	(8,646)	(115,891)	(124,537)
NET POSITION:			
Beginning of year	124,659	21,987,933	22,112,592
End of year	\$ 116,013	\$ 21,872,042	\$ 21,988,055

San Diego Association of Governments
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended June 30, 2014

	Business-type Activities-Enterprise Funds		Totals
	Service Bureau	Interstate 15 FasTrak	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 665,411	\$ 4,887,306	\$ 5,552,717
Payments for employee salaries and benefits	(419,652)	(322,807)	(742,459)
Payments for operations	(145,845)	(4,414,874)	(4,560,719)
Net cash provided by operating activities	99,914	149,625	249,539
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer to governmental funds	(99,914)	(3,708)	(103,622)
Net cash used for noncapital financing activities	(99,914)	(3,708)	(103,622)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investment	-	19,945	19,945
Net cash provided by investing activities	-	19,945	19,945
Net increase in cash and investments	-	165,862	165,862
Cash and investments, beginning of year	-	1,128,742	1,128,742
Cash and investments, end of year	\$ -	\$ 1,294,604	\$ 1,294,604
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 91,268	\$ (132,128)	\$ (40,860)
Adjustments to reconcile net cash provided by (used for) operating activities:			
Depreciation	-	1,964,775	1,964,775
(Increase) decrease in:			
Accounts receivable	(43,996)	(4,579)	(48,575)
Due from other funds	224,729	(1,417,007)	(1,192,278)
Due from other governments	101,507	(141,079)	(39,572)
Increase (decrease) in:			
Accounts payable	(71,532)	(227,583)	(299,115)
Retentions payable	-	(1,492)	(1,492)
Due to other funds	-	845	845
Due to other governments	54,750	38,341	93,091
Transponder deposits payable	-	80	80
Unearned revenue	(256,812)	69,452	(187,360)
Total adjustments	8,646	281,753	290,399
Net cash provided by (used for) operating activities	\$ 99,914	\$ 149,625	\$ 249,539

THERE ARE NO NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES.

San Diego Association of Governments
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the year ended June 30, 2014

	Budgeted Amounts ¹		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Federal funds	\$ 188,425,000	\$ 192,959,000	\$ 70,363,181	\$ (122,595,819)
State funds	212,332,000	217,937,000	82,509,570	(135,427,430)
Local Transportation Development Act sales tax funds	3,731,000	7,518,000	3,106,541	(4,411,459)
Other governmental funding	89,892,000	85,509,286	3,135,471	(82,373,815)
Investment earnings	-	-	(5,360)	(5,360)
Total revenues	494,380,000	503,923,286	159,109,403	(344,813,883)
EXPENDITURES:				
Current:				
Transit support activities				-
Capital outlay	801,001,000	813,398,286	427,710,598	385,687,688
Total expenditures	801,001,000	813,398,286	427,710,598	385,687,688
REVENUES OVER (UNDER) EXPENDITURES				
	(306,621,000)	(309,475,000)	(268,601,195)	40,873,805
OTHER FINANCING SOURCES (USES):				
Transfers in	306,621,000	309,475,000	270,977,480	(38,497,520)
Total other financing sources (uses)	306,621,000	309,475,000	270,977,480	(38,497,520)
Net change in fund balances	\$ -	\$ -	2,376,285	\$ 2,376,285
FUND BALANCES (DEFICIT):				
Beginning of year			(5,342,215)	
End of year			\$ (2,965,930)	

¹ Several transportation projects are completed in partnership with other governmental agencies. The *TransNet* Early Action Program (EAP) portion of the SANDAG Capital Budget is prepared in collaboration with Caltrans, the Metropolitan Transit System, and other governmental agencies in an effort to report, track, and monitor EAP projects on a combined, entire project level and the budgets include all funds received and spent by SANDAG and the other agencies. However, actuals are recorded and presented for funds directly received and spent by SANDAG and do not incorporate funds received and spent by others.

San Diego Association of Governments
Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual
San Diego County Regional Transportation Commission Debt Service Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Federal funds	\$ 6,479,618	\$ 6,479,618	\$ 6,455,074	\$ (24,544)
Investment earnings	-	-	323,857	323,857
Debt repayments from other governments	-	-	1,593,525	1,593,525
Total revenues	6,479,618	6,479,618	8,372,456	1,892,838
EXPENDITURES:				
Current:				
Debt service:				
Principal retirement	15,080,000	15,080,000	16,585,000	(1,505,000)
Interest and other charges	54,866,309	54,866,309	56,961,271	(2,094,962)
Total expenditures	69,946,309	69,946,309	73,546,271	(3,599,962)
REVENUES OVER (UNDER) EXPENDITURES	(63,466,691)	(63,466,691)	(65,173,815)	(1,707,124)
OTHER FINANCING SOURCES (USES):				
Transfers in	69,946,309	69,946,309	72,471,398	2,525,089
Transfers out	(107,952,020)	(107,952,020)	(276,502,511)	(168,550,491)
Commercial Paper issued	-	-	40,726,000	40,726,000
Total other financing sources (uses)	(38,005,711)	(38,005,711)	(163,305,113)	(125,299,402)
Net change in fund balances	\$ (101,472,402)	\$ (101,472,402)	(228,478,928)	\$ (127,006,526)
FUND BALANCES:				
Beginning of year			291,362,816	
End of year			<u>\$ 62,883,888</u>	

San Diego Association of Governments
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
General Services Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Federal funds	\$ 22,726,781	\$ 22,509,459	\$ 20,718,999	\$ (1,790,460)
State funds	7,903,615	7,401,842	6,697,584	(704,258)
Other local governmental funding	4,450,409	4,636,066	1,464,972	(3,171,094)
Member agency assessments	200,000	200,000	-	(200,000)
Other revenues	-	-	154,078	154,078
Total revenues	35,280,805	34,747,367	29,035,633	(5,711,734)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Cost recovery			-	
Modeling and research	6,242,762	5,439,483	4,520,203	919,280
Criminal justice	1,311,356	1,355,555	1,495,834	(140,279)
Planning and forecasting	5,093,000	5,093,000	4,394,795	698,205
Sustainable development	5,057,728	5,429,259	1,033,906	4,395,353
Smart mobility programs and services	25,795,918	24,670,842	20,411,861	4,258,981
Intermodal planning and implementation	1,297,107	1,617,004	1,528,526	88,478
Internal and external coordination	6,919,849	6,599,849	5,353,344	1,246,505
Bicycle facilities	3,147,682	3,147,682	2,060,943	1,086,739
Smart growth	3,546,632	3,546,632	2,516,123	1,030,509
Transit system improvements	1,450,847	1,450,847	1,424,636	26,211
Total expenditures	59,862,881	58,350,153	44,740,171	13,609,982
REVENUES OVER (UNDER) EXPENDITURES	(24,582,076)	(23,602,786)	(15,704,538)	7,898,248
OTHER FINANCING SOURCES (USES):				
Transfers in	24,582,076	23,602,786	17,528,971	(6,073,815)
Total other financing sources (uses)	24,582,076	23,602,786	17,528,971	(6,073,815)
Net change in fund balances	\$ -	\$ -	1,824,433	\$ 1,824,433
FUND BALANCES (DEFICIT):				
Beginning of year			(1,074,554)	
End of year			\$ 749,879	

San Diego Association of Governments
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Prepaid Fare Media Sales Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Other local governmental funding	\$ 779,157	\$ 779,157	\$ 747,385	\$ (31,772)
Total revenues	779,157	779,157	747,385	(31,772)
EXPENDITURES:				
Current:				
Smart mobility programs and services	779,157	779,157	747,385	31,772
Total expenditures	779,157	779,157	747,385	31,772
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ -	\$ -	-	\$ -
FUND BALANCES:				
Beginning of year			152,245	
End of year			\$ 152,245	

San Diego Association of Governments
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
SAFE Program Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
SAFE program revenue	\$ 2,160,537	\$ 2,160,537	\$ -	\$ (2,160,537)
Investment earnings	-	-	22,916	22,916
Total revenues	<u>2,160,537</u>	<u>2,160,537</u>	<u>22,916</u>	<u>(2,137,621)</u>
EXPENDITURES:				
Current:				
SAFE program expense	<u>2,160,537</u>	<u>2,160,537</u>	<u>1,600,183</u>	<u>560,354</u>
Total expenditures	<u>2,160,537</u>	<u>2,160,537</u>	<u>1,600,183</u>	<u>560,354</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(1,577,267)</u>	<u>(1,577,267)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(1,577,267)</u>	<u>\$ (1,577,267)</u>
FUND BALANCES:				
Beginning of year			<u>4,915,585</u>	
End of year			<u>\$ 3,338,318</u>	

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STATISTICAL SECTION

This part of the SANDAG's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the SANDAG's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how SANDAG's financial performance and well-being changed over time.	114
Revenue Capacity These schedules contain information to help the reader assess SANDAG's most significant local revenue source, the sales tax.	120
Debt Capacity These schedules present information to help the reader assess the affordability of the SANDAG current levels of outstanding debt and the SANDAG ability to issue additional debt in the future.	123
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which SANDAG financial activities take place.	126
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in SANDAG financial report relates to the services SANDAG provides and the activities it performs.	128

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

San Diego Association of Governments
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 95,703,822	\$ 131,050,654	\$ 218,687,940	\$ 317,645,268	\$ 396,389,593	\$ 401,218,096	\$ 194,300,002	\$ 144,582,596	\$ 212,369,791	\$ 287,100,514
Restricted for:										
Debt service	-	-	-	18,201,939	21,523,955	21,324,637	26,892,891	10,314,653	64,135,550	28,414,519
Environmental mitigation	-	-	-	-	-	-	1,203,086	1,208,689	1,210,668	1,207,152
Unrestricted (deficit)	(85,795,572)	(21,485,552)	(26,957,631)	(50,041,224)	(87,120,162)	(100,267,719)	183,072,505	(35,541,644)	(181,431,527)	(257,431,467)
Total governmental activities net position	\$ 9,908,250	\$ 109,565,102	\$ 191,730,309	\$ 285,805,983	\$ 330,793,386	\$ 322,275,014	\$ 405,468,484	\$ 120,564,294	\$ 96,284,482	\$ 59,290,718
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,259,406	\$ 240,433,508	\$ 224,324,646
Restricted for:										
Debt service	-	-	-	-	-	-	-	1,866,486	448	986
Major maintenance post-acquisition	-	-	-	-	-	-	-	4,540,504	15,761,136	28,505,216
Project revenue	-	-	-	-	-	-	-	142,000	79,004	261,009
Toll road operations and improvements	-	-	-	-	-	-	-	-	-	7,479,433
Unrestricted (deficit)	-	16,216	(19,182)	645,541	762,166	2,263,466	2,611,579	(56,693,496)	(53,302,771)	(58,324,897)
Total business-type activities net position	\$ -	\$ 16,216	\$ (19,182)	\$ 645,541	\$ 762,166	\$ 2,263,466	\$ 2,611,579	\$ 205,114,900	\$ 202,971,325	\$ 202,246,393
Primary government										
Net investment in capital assets	\$ 95,703,822	\$ 131,050,654	\$ 218,687,940	\$ 317,645,268	\$ 396,389,593	\$ 401,218,096	\$ 194,300,002	\$ 399,842,002	\$ 452,803,299	\$ 511,425,160
Restricted for:										
Debt service	-	-	-	18,201,939	21,523,955	21,324,637	26,892,891	12,181,139	64,135,998	28,415,505
Environmental mitigation	-	-	-	-	-	-	1,203,086	1,208,689	1,210,668	1,207,152
Major maintenance post-acquisition	-	-	-	-	-	-	-	4,540,504	15,761,136	28,505,216
Project revenue	-	-	-	-	-	-	-	142,000	79,004	261,009
Toll road operations and improvements	-	-	-	-	-	-	-	-	-	7,479,433
Unrestricted (deficit)	(85,795,572)	(21,469,336)	(26,976,813)	(49,395,683)	(86,357,996)	(98,004,253)	185,684,084	(92,235,140)	(234,734,298)	(315,756,364)
Total primary government net position	\$ 9,908,250	\$ 109,581,318	\$ 191,711,127	\$ 286,451,524	\$ 331,555,552	\$ 324,538,480	\$ 408,080,063	\$ 325,679,194	\$ 299,255,807	\$ 261,537,111

Source: Finance Department

San Diego Association of Governments
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010 ¹	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government, net of cost recovery	\$ 3,751,062	\$ 3,651,738	\$ 4,226,675	\$ 5,155,572	\$ 3,490,679	\$ 3,843,933	\$ 4,340,560	\$ (50,395)	\$ (75,055)	\$ (486,437)
Transit support activities	67,329,086	61,020,196	42,774,445	51,063,433	63,760,998	48,016,961	-	-	-	-
Regional planning	2,612,265	2,277,187	2,483,597	2,832,945	4,123,055	3,326,106	-	-	-	-
Transportation service and facility planning	1,509,487	1,264,772	1,530,219	1,799,546	1,969,902	2,225,251	-	-	-	-
Transportation development projects	5,116,224	4,924,015	6,614,060	4,586,455	3,974,971	5,600,080	-	-	-	-
Technical assistance to member agencies	377,564	-	-	-	-	-	-	-	-	-
Systems management	5,989,890	6,600,740	7,214,967	6,831,294	7,745,668	7,815,571	-	-	-	-
Program management, project monitoring, and external relations	5,450,563	2,940,238	2,741,834	3,674,813	4,605,874	5,489,182	-	-	-	-
Regional information systems	4,463,923	4,507,030	5,495,871	5,513,475	5,278,079	4,275,893	-	-	-	-
Modeling and research	-	-	-	-	-	-	2,945,543	3,906,142	4,458,732	4,545,222
Criminal justice	1,088,667	1,219,117	1,379,305	1,470,916	1,442,777	1,342,462	1,322,882	1,635,255	1,521,582	1,495,834
Planning and forecasting	-	-	-	-	-	-	5,626,008	4,708,816	4,212,706	4,394,795
Sustainable development	-	-	-	-	-	-	1,640,795	1,269,411	1,304,160	1,033,906
Smart mobility programs and services	-	-	-	-	-	-	46,513,217	46,418,002	47,366,426	21,247,297
Intermodal planning and implementation	-	-	-	-	-	-	1,554,009	2,602,205	2,114,127	1,528,526
Internal and external coordination	-	-	-	-	-	-	4,506,081	7,078,166	5,773,179	5,353,344
Bicycle facilities	307,053	2,028,225	1,233,516	2,314,739	4,238,080	1,044,430	1,108,513	192,495	71,080	1,990,728
Independent Taxpayer Oversight Committee	-	-	-	-	260,757	126,063	85,510	356,159	83,071	96,017
Major corridor capital projects	-	624,091	2,157,385	8,431,949	5,333,453	7,294,773	16,217,358	542,364	126,155	141,223
Major corridor environmental mitigation	-	-	-	-	9,243	439,616	3,239	4,264	-	20,306
Local project environmental mitigation	-	438,629	-	-	3,781	1,913	33,793	1,744	34,019	7,824
Local street improvements	-	-	-	-	39,940,542	23,990,084	33,306,399	86,880,721	66,153,631	52,452,895
Smart growth	-	-	-	-	4,412	95,554	934,701	1,821,384	1,783,732	2,525,948
New major corridor transit operations	-	-	-	-	71,628	564	862,901	1,912,773	606,497	2,509,523
Transit system improvements	-	-	-	-	35,474,000	54,883,491	34,556,716	37,632,167	39,679,702	40,266,354
SAFE program	-	-	-	-	-	-	-	-	11,216,566	1,600,183
Transit capital contributions	-	-	-	-	123,795,904	176,392,582	125,806,324	246,284,582	244,093,156	303,556,952
Interest on long-term debt	16,151,787	12,722,427	9,051,666	10,774,960	25,589,285	28,261,556	36,988,739	46,908,631	58,602,402	57,551,894
Cost of debt issuance	-	-	-	-	-	-	-	6,256,132	-	-
Total governmental activities expenses	114,147,571	104,218,405	86,903,540	104,450,097	331,113,088	374,466,065	318,353,288	496,361,018	489,125,868	501,832,334
Business-type activities:										
Service Bureau	-	302,387	437,993	602,339	471,887	357,488	312,016	490,289	504,167	548,715
Interstate 15 FasTrak	2,211,003	1,616,934	1,495,881	1,161,859	2,128,490	3,099,415	3,702,804	5,094,168	6,092,062	6,582,099
State Route 125 Toll Road	-	-	-	-	-	-	-	12,013,407	29,911,481	30,380,940
Total business-type activities expenses	2,211,003	1,919,321	1,933,874	1,764,198	2,600,377	3,456,903	4,014,820	17,597,864	36,507,710	37,511,754
Total primary government expenses	\$ 116,358,574	\$ 106,137,726	\$ 88,837,414	\$ 106,214,295	\$ 333,713,465	\$ 377,922,968	\$ 322,368,108	\$ 513,958,882	\$ 525,633,578	\$ 539,344,088
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 547,426	\$ 547,426	\$ 547,426	\$ 547,426	\$ 547,425	\$ 547,424	\$ 547,426	\$ 547,426	\$ 565,386	\$ 547,425
Technical assistance to member agencies	92,065	-	-	-	-	-	-	-	-	-
Transit support activities	-	-	-	-	888,532	1,431,222	1,106,349	1,208,837	1,184,459	-
Criminal justice	170,000	200,000	200,000	200,000	200,000	200,000	200,000	199,999	200,001	200,000
SAFE	-	-	-	-	-	-	-	-	1,614,190	2,757,111
Operating grants and contributions	83,068,940	79,279,568	65,314,690	72,589,286	86,646,372	70,900,310	62,912,360	65,142,256	78,195,117	34,298,223
Capital grants and contributions	50,334,267	30,687,025	33,615,281	33,432,790	35,229,222	33,912,628	91,481,754	114,897,279	112,147,740	150,652,714
Total governmental activities program revenues	134,212,698	110,714,019	99,677,397	106,769,502	123,511,551	106,991,585	156,247,889	181,995,797	193,906,893	188,455,473
Business-type activities:										
Charges for services:										
Service Bureau	-	318,603	402,595	564,013	469,365	348,823	332,478	534,763	547,760	639,983
Interstate 15 FasTrak	2,224,610	1,540,841	1,384,779	1,771,295	2,164,606	3,251,352	4,005,920	4,786,063	6,141,283	6,449,971
State Route 125 Toll Road	-	-	-	-	-	-	-	15,134,831	26,134,191	29,764,264
Total business-type activities program revenues	2,224,610	1,859,444	1,787,374	2,335,308	2,633,971	3,600,175	4,338,398	20,455,657	32,823,234	36,854,218
Total primary government program revenues	\$ 136,437,308	\$ 112,573,463	\$ 101,464,771	\$ 109,104,810	\$ 126,145,522	\$ 110,591,760	\$ 160,586,287	\$ 202,451,454	\$ 226,730,127	\$ 225,309,691
Net (expense)/revenue										
Governmental activities	\$ 20,065,127	\$ 6,495,614	\$ 12,773,857	\$ (131,178,318)	\$ (207,601,537)	\$ (267,474,480)	\$ (162,105,399)	\$ (314,365,221)	\$ (295,218,975)	\$ (313,376,861)
Business-type activities	13,607	(59,877)	(146,500)	571,110	33,594	143,272	323,578	2,857,793	(3,684,476)	(657,536)
Total primary government net expense	\$ 20,078,734	\$ 6,435,737	\$ 12,627,357	\$ (130,607,208)	\$ (207,567,943)	\$ (267,331,208)	\$ (161,781,821)	\$ (311,507,428)	\$ (298,903,451)	\$ (314,034,397)

San Diego Association of Governments
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010 ¹	2011	2012	2013	2014
General Revenues and Other Change in Net Position										
Governmental activities:										
Local <i>Trans/Net</i> sales tax funds	\$ 229,576,284	\$ 244,103,489	\$ 248,467,503	\$ 244,535,119	\$ 219,173,861	\$ 208,504,753	\$ 223,939,663	\$ 239,071,064	\$ 249,520,133	\$ 261,732,291
Local Transportation Development Act sales tax funds	6,762,493	6,587,559	6,603,759	8,597,251	8,032,786	6,552,873	7,012,535	7,488,972	8,135,581	9,932,385
Contributions not restricted to specific programs	16,841,908	-	-	-	-	-	-	-	-	-
Investment earnings (loss)	3,540,867	6,209,416	5,805,048	(1,115,263)	24,947,560	9,785,173	14,321,473	(6,984,702)	12,212,398	4,604,966
Cost recovery	18,811,159	20,633,960	22,625,351	23,780,295	-	-	-	-	-	-
Other revenues	1,582,039	2,781,344	631,889	91,165	466,059	677,295	35,625	32,336	64,454	9,832
Transfers in (out)	13,607	-	-	-	(31,326)	(43,072)	(10,427)	(210,146,639)	(1,492,360)	103,622
Capital contributions not restricted to specific programs	(61,462,944)	(35,150,111)	(40,600,248)	(50,634,575)	-	-	-	-	-	-
Total governmental activities	215,665,413	245,165,657	243,533,302	225,253,992	252,588,940	225,477,022	245,298,869	29,461,031	268,440,206	276,383,096
Business-type activities:										
Investment earnings	-	76,093	111,102	93,613	51,705	8,488	14,108	(10,501,111)	37,141	36,226
Other revenues	-	-	-	-	-	-	-	-	11,400	-
Transfers in (out)	(13,607)	-	-	-	31,326	43,072	10,427	210,146,639	1,492,360	(103,622)
Total business-type activities	(13,607)	76,093	111,102	93,613	83,031	51,560	24,535	199,645,528	1,540,901	(67,396)
Total primary government	\$ 215,651,806	\$ 245,241,750	\$ 243,644,404	\$ 225,347,605	\$ 252,671,971	\$ 225,528,582	\$ 245,323,404	\$ 229,106,559	\$ 269,981,107	\$ 276,315,700
Change in net position										
Governmental activities	\$ 235,730,540	\$ 251,661,271	\$ 256,307,159	\$ 94,075,674	\$ 44,987,403	\$ (41,997,458)	\$ 83,193,470	\$ (284,904,190)	\$ (26,778,769)	\$ (36,993,765)
Business-type activities	-	16,216	(35,398)	664,723	116,625	194,832	348,113	202,503,321	(2,143,575)	(724,932)
Total primary government	\$ 235,730,540	\$ 251,677,487	\$ 256,271,761	\$ 94,740,397	\$ 45,104,028	\$ (41,802,626)	\$ 83,541,583	\$ (82,400,869)	\$ (28,922,344)	\$ (37,718,697)

Source: Finance Department

¹ Beginning in 2010, the methodology for accruing sales tax changed and the 2010 amount was restated. Prior years are not restated. The comparability impact between years is minimal since each year represents 12 months of sales tax.

Note: Certain amounts from prior years have been reclassified in order to present comparable results.

San Diego Association of Governments
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011 ¹	2012	2013	2014
General fund										
Reserved	\$ 39,704	\$ 46,703	\$ 48,521	\$ 200,437	\$ 68,342	\$ 52,759	\$ -	\$ -	\$ -	\$ -
Unreserved	810,052	1,970,106	3,151,595	2,767,664	4,252,570	5,599,803	-	-	-	-
Nonspendable	-	-	-	-	-	-	44,896	113,560	59,670	465,189
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	263,449	376,736	-	-
Unassigned	-	-	-	-	-	-	6,204,099	9,132,124	11,542,244	13,817,185
Total general fund	\$ 849,756	\$ 2,016,809	\$ 3,200,116	\$ 2,968,101	\$ 4,320,912	\$ 5,652,562	\$ 6,512,444	\$ 9,622,420	\$ 11,601,914	\$ 14,282,374
All other governmental funds										
Reserved	\$ 34,528,258	\$ 33,318,208	\$ 55,596,655	\$ 52,228,642	\$ 55,536,856	\$ 56,527,024	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	99,959,794	100,141,773	20,980,805	90,942,421	178,822,011	284,688,750	-	-	-	-
Capital projects fund	(2,206,496)	(1,732,962)	(1,539,943)	(1,571,738)	(784,745)	(4,156,878)	-	-	-	-
Debt service fund	200,215	2,289,435	-	436,251,098	298,173,715	157,891,614	-	-	-	-
Nonspendable, reported in:										
Special revenue funds	-	-	-	-	-	-	508	1,182,899	315	1,917
Capital projects fund	-	-	-	-	-	-	25,832,151	19,451,327	8,737,107	7,129,070
Debt service fund	-	-	-	-	-	-	-	-	-	-
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	380,945,586	447,198,151	422,030,465	509,764,607
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	436,660,863	393,359,255	291,362,816	62,883,888
Committed, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Assigned, reported in:										
Special revenue funds	-	-	-	-	-	-	1,089,608	366,605	-	-
Capital projects fund	-	-	-	-	-	-	17,044,959	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	-	1,738,947	(3,258,178)	(1,074,869)	-
Capital projects fund	-	-	-	-	-	-	-	-	(14,079,322)	(10,095,000)
Debt service fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 132,481,771	\$ 134,016,454	\$ 75,037,517	\$ 577,850,423	\$ 531,747,837	\$ 494,950,510	\$ 863,312,622	\$ 858,300,059	\$ 706,976,512	\$ 569,684,482

Source: Finance Department

² SANDAG adopted GASB Statement 54 in fiscal year 2011.

San Diego Association of Governments
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010 ¹	2011	2012	2013	2014
Revenues										
Federal funds	\$ 53,790,232	\$ 45,638,791	\$ 32,430,708	\$ 33,237,437	\$ 33,735,151	\$ 31,995,005	\$ 58,782,786	\$ 65,491,578	\$ 62,203,796	\$ 97,537,254
State funds	25,934,441	15,338,196	15,581,022	16,639,723	24,041,976	29,205,281	50,665,783	81,143,207	74,185,732	89,207,154
Local <i>TransNet</i> sales tax funds	229,576,284	244,103,489	248,467,503	244,535,119	219,173,861	208,504,753	223,939,663	239,071,064	249,520,133	261,732,291
Local Transportation Development Act sales tax funds	9,765,475	8,910,257	6,603,759	8,597,251	8,032,786	6,552,873	7,012,535	7,488,972	8,135,581	9,932,385
Other local governmental funding	11,942,966	8,492,531	12,402,311	5,101,979	5,687,036	3,241,951	6,451,622	5,982,868	10,517,389	5,347,828
Prepaid fare media sales revenue	33,551,222	36,624,690	37,403,564	48,961,243	56,746,947	41,534,073	31,954,282	28,764,525	27,178,362	-
SAFE program revenue	-	-	-	-	-	-	-	-	1,614,190	2,757,111
Member agency assessments	717,426	747,426	747,426	747,426	747,425	747,425	747,426	747,425	747,427	747,425
Investment earnings	3,890,417	6,894,094	6,263,513	(382,454)	24,947,560	9,212,254	4,661,340	5,149,714	4,338,235	6,411,023
Debt repayments from other governments	33,283,478	36,030,848	7,831,626	15,026,316	514,150	1,182,228	1,430,353	943,177	1,624,727	1,593,525
Other revenues	6,855,468	3,741,756	1,338,461	1,726,110	3,019,075	945,146	611,701	596,467	4,708,500	185,844
Total revenues	409,307,409	406,522,078	369,069,893	374,190,150	376,645,967	333,120,989	386,257,491	435,378,997	444,774,072	475,451,840
Expenditures										
Current:										
General government	22,643,046	24,098,415	26,279,551	28,799,495	28,395,131	29,538,756	31,551,416	29,908,171	36,081,584	40,237,955
Cost recovery	(18,811,159)	(20,633,960)	(22,625,351)	(23,780,295)	(26,015,616)	(27,654,909)	(28,897,881)	(30,048,643)	(36,320,981)	(40,829,605)
Modeling and research	-	-	-	-	-	-	2,945,543	3,961,210	4,404,320	4,520,203
Criminal justice	1,088,667	1,219,117	1,379,305	1,470,916	1,442,777	1,342,462	1,322,882	1,635,255	1,521,582	1,495,834
Planning and forecasting	-	-	-	-	-	-	5,626,008	4,708,816	4,212,706	4,394,795
Sustainable development	-	-	-	-	-	-	1,640,795	1,269,411	1,304,160	1,033,906
Smart mobility programs and services	-	-	-	-	-	-	46,561,518	45,016,226	47,420,104	21,159,246
Intermodal planning and implementation	-	-	-	-	-	-	1,554,009	2,602,205	2,114,127	1,528,526
Internal and external coordination	-	-	-	-	-	-	4,506,081	7,078,166	5,773,179	5,353,344
Transit support activities	61,829,086	61,020,196	42,774,445	51,063,433	63,760,998	48,016,961	-	-	-	-
Regional planning	2,612,265	2,277,187	2,483,597	2,832,945	4,123,055	3,326,106	-	-	-	-
Transportation service and facility planning	1,509,487	1,264,772	1,530,219	1,799,546	1,969,902	2,225,251	-	-	-	-
Transportation development projects	4,432,711	4,924,015	6,614,060	4,586,455	3,974,971	5,600,080	-	-	-	-
Technical assistance to member agencies	377,564	-	-	-	-	-	-	-	-	-
Systems management	5,989,890	6,600,740	7,214,967	6,831,294	7,745,668	7,815,571	-	-	-	-
Program management, project monitoring, and external relations	2,870,658	2,940,238	2,741,834	3,674,813	4,605,874	5,489,182	-	-	-	-
Regional information systems	4,309,335	4,507,030	5,495,871	5,513,475	5,278,079	4,275,893	-	-	-	-
Highway improvements	17,603,111	10,874,515	24,191,072	12,481	165,343	-	-	-	-	-
Local street and road improvements	67,952,014	92,581,602	82,885,657	62,766,695	10,228,989	-	-	-	-	-
Public transit improvements and operations	13,210,120	47,514,342	50,439,872	46,938,252	1,114,806	-	-	-	-	-
Bicycle facilities	307,053	2,028,225	1,233,516	2,314,739	4,238,080	1,044,430	1,108,513	192,495	71,080	1,990,728
Independent Taxpayer Oversight Committee	-	-	-	-	260,757	126,063	85,510	356,159	83,071	96,017
Major corridor capital projects	-	-	-	-	5,168,110	7,294,773	16,217,358	542,364	126,155	141,223
Major corridor environmental mitigation	-	624,091	2,157,385	8,431,949	9,243	439,616	3,239	4,264	-	20,306
Local project environmental mitigation	-	438,629	-	-	3,781	1,913	33,793	1,744	34,019	7,824
Local street improvements	-	-	-	-	32,711,553	29,440,084	33,306,399	94,061,810	78,188,231	61,583,853
Smart growth	-	-	-	-	4,412	95,554	934,701	1,821,384	1,783,732	2,525,948
New major corridor transit operations	-	-	-	-	71,628	564	862,901	1,912,773	606,497	2,509,523
Transit system improvements	-	-	-	-	34,359,194	54,883,491	34,556,716	37,632,167	39,679,702	40,266,354
SAFE program	-	-	-	-	-	-	-	-	11,216,566	1,600,183
Capital outlay	59,159,968	61,925,674	128,328,361	149,676,575	203,674,807	183,167,335	157,934,729	282,966,853	325,735,127	427,710,598
Debt service:										
Principal retirement	112,386,000	104,816,000	88,438,000	202,302,316	-	-	20,048,000	165,460,000	20,260,000	16,585,000
Debt issuance costs	-	533,633	-	797,218	10,800,000	11,962,000	2,864,732	2,296,858	-	-
Interest and other charges	16,939,153	14,136,581	9,303,162	10,359,957	26,272,874	26,678,486	33,107,476	69,284,878	53,909,872	56,961,271
Total expenditures	376,408,969	423,691,042	460,865,523	566,392,259	424,364,416	395,109,662	367,874,438	722,664,566	598,204,833	650,893,032
Excess of revenues over (under) expenditures	32,898,440	(17,168,964)	(91,795,630)	(192,202,109)	(47,718,449)	(61,988,673)	18,383,053	(287,285,569)	(153,430,761)	(175,441,192)

San Diego Association of Governments
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010 ¹	2011	2012	2013	2014
Other financing sources (uses)										
Transfers in	107,222,686	125,845,108	195,423,779	303,161,848	388,388,597	357,834,060	309,509,142	592,295,624	409,359,665	637,648,946
Transfers out	(107,209,079)	(125,845,108)	(195,423,779)	(303,161,848)	(388,419,923)	(357,877,132)	(309,519,569)	(784,295,624)	(409,350,914)	(637,545,324)
Commercial paper issued	-	53,954,000	34,000,000	94,783,000	3,000,000	5,450,000	-	921,000	1,579,000	40,726,000
Bonds issued	-	-	-	600,000,000	-	-	350,000,000	420,585,000	-	-
Payment to refunded debt agent	-	(33,415,000)	-	-	-	-	-	-	-	-
Premium on bonds issued	-	(668,300)	-	-	-	-	849,368	55,876,982	-	-
Total other financing sources (uses)	13,607	19,870,700	34,000,000	694,783,000	2,968,674	5,406,928	350,838,941	285,382,982	1,587,751	40,829,622
Net change in fund balances	<u>\$ 32,912,047</u>	<u>\$ 2,701,736</u>	<u>\$ (57,795,630)</u>	<u>\$501,199,241</u>	<u>\$ (44,749,775)</u>	<u>\$ (56,581,745)</u>	<u>\$369,221,994</u>	<u>\$ (1,902,587)</u>	<u>\$ (151,843,010)</u>	<u>\$ (134,611,570)</u>
Debt service as a percentage of noncapital expenditures	34.50%	32.87%	29.38%	45.50%	7.60%	6.84%	15.79%	33.27%	14.32%	13.96%

Source: Finance Department

¹ Fiscal year 2004 was the first year that SANDAG presented financial statements since the consolidation required by Senate Bill 1703. The consolidation significantly changed the structure of SANDAG and therefore it is not deemed useful to present the prior fiscal years for comparative analysis.

² Beginning in 2010, the methodology for accruing sales tax changed and the 2010 amount was restated. Prior years are not restated. The comparability impact between years is minimal since each year represents 12 months of sales tax.

Note: Certain amounts from prior years have been reclassified in order to present comparable results.

San Diego Association of Governments
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Sales Tax	Total
2005	\$ 229,576,284	\$ 229,576,284
2006	244,103,489	244,103,489
2007	248,467,503	248,467,503
2008	244,535,119	244,535,119
2009	239,071,064	239,071,064
2010 ¹	208,504,753	208,504,753
2011	223,939,663	223,939,663
2012	239,071,064	239,071,064
2013	249,520,133	249,520,133
2014	261,732,291	261,732,291

Source: Finance Department

¹ Beginning in 2010, the methodology for accruing sales tax changed and the 2010 amount was restated. Prior years are not restated. The comparability impact between years is minimal since each year represents 12 months of sales tax.

San Diego Association of Governments
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	<i>TransNet</i> Sales Tax Proposition A ¹	County of San Diego ²
2005	0.50%	7.75%
2006	0.50%	7.75%
2007	0.50%	7.75%
2008	0.50%	7.75%
2009	0.50%	8.75%
2010	0.50%	8.75%
2011	0.50%	8.75%
2012	0.50%	7.75%
2013	0.50%	8.00%
2014	0.50%	8.00%

Source: California State Board of Equalization

¹*TransNet* sales tax was extended another 40 years to 2048 in 2004 under Proposition A.

²The following four cities within the County of San Diego have a sales tax rate other than 8.00%:

El Cajon	9.00%
La Mesa	8.75%
National City	9.00%
Vista	8.50%

San Diego Association of Governments
San Diego Region Taxable Sales by Jurisdiction
Fiscal Year 2013 and Nine Years Prior

	FY 2013 ¹			FY 2003 ²		
	Taxable Sales (thousands of dollars)	Rank	Percentage of Total	Taxable Sales (thousands of dollars)	Rank	Percentage of Total
San Diego	\$ 20,976,800	1	42.8%	\$ 16,976,673	1	43.0%
Escondido	2,700,681	3	5.5%	2,446,831	3	6.2%
Carlsbad	2,646,219	4	5.4%	2,006,776	4	5.1%
Chula Vista	2,552,591	5	5.2%	1,776,344	6	4.5%
El Cajon	1,953,248	6	4.0%	1,877,512	5	4.8%
National City	1,699,740	7	3.5%	1,069,969	9	2.7%
Oceanside	1,339,924	8	2.7%	1,330,236	7	3.4%
La Mesa	1,334,423	9	2.7%	793,693	13	2.0%
Vista	1,275,322	10	2.6%	955,310	10	2.4%
San Marcos	1,047,061	11	2.1%	1,213,698	8	3.1%
Encinitas	1,044,204	12	2.1%	932,129	12	2.4%
Poway	995,670	13	2.0%	950,749	11	2.4%
Santee	794,700	14	1.6%	559,155	14	1.4%
Lemon Grove	358,286	15	0.7%	392,676	15	1.0%
Solana Beach	245,670	16	0.5%	220,448	16	0.6%
Coronado	240,986	17	0.5%	177,061	17	0.4%
Del Mar	151,430	18	0.3%	118,707	18	0.3%
Imperial Beach	72,739	19	0.1%	59,414	19	0.2%
Incorporated	41,429,693			33,857,381		
Unincorporated	7,601,786	2	15.5%	5,665,822	2	14.3%
San Diego Region Total	<u>\$ 49,031,480</u>		<u>100.0%</u>	<u>\$ 39,523,203</u>		<u>100.0%</u>

Source: California Board of Equalization

Annual data for 2014 are not yet available.

¹ Sum of data for third and fourth quarters of 2012 and first and second quarters of 2013.

² Sum of data for third and fourth quarters of 2002 and first and second quarters of 2003.

San Diego Association of Governments
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Sales Tax Revenue	Sales Tax Commercial Paper	Total	TIFIA Notes	Total			
	Bonds							
2005	\$ 223,795,000	\$ 55,889,000	\$ 279,684,000	\$ -	\$ -	\$ 279,684,000	0.192%	94
2006	119,700,000	75,707,000	195,407,000	-	-	195,407,000	0.131%	66
2007	57,765,000	83,204,000	140,969,000	-	-	140,969,000	0.093%	47
2008	600,000,000	34,000,000	634,000,000	-	-	634,000,000	0.417%	209
2009	589,200,000	37,000,000	626,200,000	-	-	626,200,000	0.425%	204
2010	577,800,000	41,888,000	619,688,000	-	-	619,688,000	0.414%	200
2011	916,463,741	34,000,000	950,463,741	-	-	950,463,741	0.612%	305
2012	1,228,392,144	33,821,000	1,262,213,144	95,629,359	95,629,359	1,357,842,503	0.849%	432
2013	1,208,152,472	33,989,000	1,242,141,472	100,572,988	100,572,988	1,342,714,460	0.834%	426
2014	1,141,472,800	73,001,000	1,214,473,800	103,645,153	103,645,153	1,318,118,953	0.818% ²	418

Source: Finance Department

Note: Details regarding the outstanding debt can be found in the Notes to the Basic Financial Statements, Note III.F.

¹See the Schedule of Demographic and Economic Statistics for personal income and population data.

²Used the most recent data available (2013).

San Diego Association of Governments
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Sales Tax Revenue	Sales Tax Revenue Bonds		Sales Tax Commercial Paper		Total		Coverage
		Debt Service		Debt Service		Debt Service		
		Principal	Interest	Principal	Interest	Principal	Interest	
2005	\$ 229,576,284	\$ 67,175,000	\$ 15,408,362	\$ -	\$ 1,489,252	\$ 67,175,000	\$ 16,897,614	2.73
2006	244,103,489	70,680,000	11,800,125	-	1,912,165	70,680,000	13,712,290	2.89
2007	248,467,503	61,935,000	6,124,476	26,503,000	1,961,803	88,438,000	8,086,279	2.57
2008	244,535,119	57,765,000	6,704,350	32,604,000	796,370	90,369,000	7,500,720	2.50
2009	219,173,861	10,800,000	23,664,091	-	497,799	10,800,000	24,161,890	6.27
2010	208,504,753	11,400,000	21,583,544	562,000	221,555	11,962,000	21,805,099	6.17
2011	223,939,663	12,160,000	29,792,943	572,000	381,768	12,732,000	30,174,711	5.22
2012	239,071,064	164,360,000	42,798,432	1,100,000	737,393	165,460,000	43,535,825	1.14
2013	249,520,133	18,640,000	50,723,216	1,620,000	584,452	20,260,000	51,307,668	3.49
2014	261,732,291	15,080,000	54,038,836	1,505,000	370,577	16,585,000	54,409,413	3.69

Source: Finance Department

Note: Details regarding the outstanding debt can be found in the Notes to the Basic Financial Statements, Note III. F.

San Diego Association of Governments
Pledged-Revenue Coverage - SR 125 Toll Road
Last Three Fiscal Years

Fiscal Year	SR 125 Project Revenues	Less: Operating and Maintenance Costs	Net SR 125 Revenues	Less: TIFIA Debt Service	Less: Major Maintenance Reserve Fund Deposits	Adjusted Net SR 125 Revenues	Principal	Interest	Total
2012	\$ 15,125,130	\$ (5,196,570)	\$ 9,928,560	\$ (1,860,488)	\$ (4,540,504)	\$ 3,527,568	\$ -	\$ 1,860,488	\$ 1,860,488
2013	26,134,191	(8,172,275)	17,961,916	(3,676,182)	(10,865,173)	3,420,561	135,018	3,541,164	3,676,182
2014	29,743,159	(8,768,921)	20,974,238	(4,190,918)	(5,684,084)	11,099,236	656,988	3,533,930	4,190,918

First Subordinate Obligation Debt Service			Total Debt Service			Coverage Ratios	
Principal	Interest	Total	Principal	Interest	Total	TIFIA	First Subordinated
\$ 2,044,204	\$ 112,585	\$ 2,156,789	\$ 2,044,204	\$ 1,973,073	\$ 4,017,277	5.34	1.64
1,044,422	316,883	1,361,305	1,179,440	3,858,047	5,037,487	4.89	1.23
528,080	2,674,226	3,202,306	1,185,068	6,208,156	7,393,224	5.00	3.47

Source: Finance Department

Note: Details regarding the outstanding debt can be found in the Notes to the Basic Financial Statements, Note III.F.

San Diego Association of Governments
Demographic and Economic Statistics
Last Ten Available Calendar Years¹

Calendar Year	Population ²	Personal Income (<i>millions of dollars</i>) ⁴	Per Capita Personal Income ⁴	Median Age ²	Unemployment Rate ³
2005	2,966,783	\$ 145,674	\$ 49,100	34.6	4.3%
2006	2,976,492	148,892	50,020	34.6	4.0%
2007	2,998,477	151,867	50,650	34.6	4.6%
2008	3,032,689	152,109	50,160	34.6	6.0%
2009	3,064,436	147,249	48,050	34.6	9.6%
2010	3,095,313	149,547	48,310	34.6	10.6%
2011	3,115,810	155,258	49,830	34.8	10.1%
2012	3,143,429	160,024	50,910	34.8	8.9%
2013	3,150,178	161,093	51,140	34.9	7.5%

¹ Data for 2014 is not yet available, therefore, 2013 data is the most current year provided.

Source: Data compiled by SANDAG. ² SANDAG, Current Estimates; ³ California Employment Development Department; ⁴ SANDAG estimates based on U.S. Census Bureau, Census 2000, Census 2010, American Community Survey, and U.S. Bureau of Economic Analysis.

Notes: Year-to-year variation for socio-economic data (education, poverty, unemployment) are the result of both actual change and sampling error. Dollar values are inflation-adjusted to 2013 dollars. Personal Income was estimated by using BEA and SANDAG data. 2013 data for population and median age are based on regional forecasted totals.

San Diego Association of Governments
San Diego Region Employment by Industry
Calendar Year 2013¹ and Nine Years Prior

Industry Type	2013 ¹		2003	
	Average Annual Employment	% of Total Employment	Average Annual Employment	% of Total Employment
Agriculture	9,800	0.7%	11,200	0.9%
Natural Resources and Mining	400	0.0%	300	0.0%
Construction	61,200	4.6%	80,200	6.3%
Manufacturing	94,600	7.1%	105,300	8.4%
Wholesale Trade	44,300	3.4%	41,600	3.3%
Retail Trade	140,800	10.7%	140,800	11.2%
Transportation, Warehousing and Utilities	27,200	2.1%	27,300	2.2%
Information	24,100	1.8%	33,400	2.6%
Financial Activities	71,400	5.4%	79,900	6.3%
Professional and Business Services	222,600	16.8%	204,700	16.3%
Educational and Health Services	179,300	13.6%	129,000	10.3%
Leisure and Hospitality	167,500	12.7%	140,700	11.2%
Other Services	49,200	3.7%	46,800	3.7%
Government (civilian)	229,500	17.4%	217,300	17.3%
Total, All Industries	1,321,900	100.0%	1,258,500	100.0%

Source: California Employment Development Department

Note: Employment figures may not add up to totals due to rounding.

¹Data for 2014 is not yet available; therefore, 2013 data is provided.

San Diego Association of Governments
Operating Indicators: Employees by Functional Department
Last Ten Fiscal Years

Functional Department	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Regular Full-Time Equivalent (FTE) Employees: ¹										
Administrative Services	31	34	34	35	35	38	33	32	33	33
Finance	18	19	19	19	19	18	17	16	17	17
Executive	16	15	16	16	16	16	21	30	32	31
Technical Services	41	42	44	47	47	49	49	49	53	55
Land Use and Transportation Planning	30	31	31	30	30	31	31	31	35	35
Operations	0	0	0	0	0	0	0	0	0	4
Mobility Management and Project Implementation	33	36	37	39	45	43	46	41	42	40
Total Regular FTE Employees	169	177	181	186	192	195	197	199	212	215
Limited Term FTE Employees: ²										
Executive	0	0	0	1	1	1	5	9	7	7
Administrative Services	2	1	3	1	2	0	0	1	4	4
Finance	0	0	0	0	1	1	0	0	1	1
Technical Services	3	2	8	6	7	4	4	4	9	9
Land Use and Transportation Planning	1	1	3	3	3	4	8	7	9	9
Mobility Management and Project Implementation	2	0	8	17	12	7	6	6	4	4
Total Limited Term FTE Employees	8	4	22	28	26	17	23	27	34	34
Toll Operations Personnel (TOP) FTE Employees:										
Operations	0	0	0	0	0	0	0	52	51	51
Total Toll Operations Personnel (TOP) FTE Employees	0	0	0	0	0	0	0	52	51	51
Temporary, Interns, Part-time, or Seasonal (TIPS) Employees: ³										
Executive	0	1	1	1	2	2	4	3	4	4
Administrative Services	0	0	0	1	2	2	0	4	3	4
Finance	0	0	0	1	0	0	0	0	0	0
Technical Services	0	18	14	13	9	13	11	9	9	9
Operations	0	0	0	0	0	0	0	0	0	1
Land Use and Transportation Planning	0	4	3	5	7	6	13	8	14	16
Mobility Management and Project Implementation	0	6	4	7	11	11	9	13	13	13
Total TIPS Employees	0	29	22	28	31	34	37	37	43	47
Total Employees	177	210	225	242	249	246	257	315	340	347

¹ Regular positions make up the core Board of Director authorized positions. Most regular positions are full-time.

² Limited Term positions are considered part of the contingent workforce, hired to fill a short-term need for additional staff. Most Limited Term positions are full-time positions authorized for a term of one year.

³ TIPS positions are determined by the number of authorized positions on the active payroll as of June 30 each year. TIPS employees are part of the contingent workforce, the majority of which are interns working on a part-time basis.

Note: The number of government employees is more appropriately represented by functional department than the functional levels used in the government-wide statement of activities due to the cross functional nature of SANDAG's employees and activities. Individual employees generally work on several functions.

Note: Operating indicators of demand or level of service by functions used in the government-wide statement of activities are not available due to the nature of functional services provided by SANDAG, a special-purpose government.

Note: Indicators of the volume, usage, or nature of capital assets is not applicable since upon construction-in-progress (CIP) project completion, the project's entire amount of the CIP, as well as the legal title of the property and operations and maintenance of the assets. The remaining capital assets balance is for the general government function, for which indicators are not available.

San Diego Association of Governments
Capital Asset Statistics by Program
Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Functions/Programs										
Transit capital funding - construction-in-progress (CIP):										
Major improvements - light rail transit	\$ 9,120,854	\$ 7,264,394	\$ 2,490,567	\$ 1,998,814	\$ 3,538,273	\$ 4,564,873	\$ 18,549,163	\$ -	\$ -	\$ 24,186
Major improvements - bus	59,200,404	61,823,550	73,330,339	63,808,075	14,924,821	1,828,961	3,053,173	6,596,210	19,889,933	21,723,804
Operations capital - Metropolitan Transit System	48,440	55,537	-	-	-	-	-	-	-	-
Operations capital - light rail transit	15,700,838	2,253,421	2,162,969	2,920,025	5,803,140	5,573,754	6,524,570	1,933,123	3,299,086	2,644,422
Operations capital - bus	10,976,622	18,376,467	847,343	2,000,213	-	-	-	-	-	-
Major corridor projects	-	40,789,242	136,712,330	236,207,294	349,655,143	355,997,202	346,482,102	381,020,889	434,535,412	581,750,439
Operations capital - SANDAG	-	-	-	10,202,367	11,621,959	20,231,739	33,718,421	727,253	829,468	1,337,743.03
Major improvements - SANDAG	-	-	-	195,936	636,813	618,563	1,956,243	38,603,773	42,658,106	12,865,882
Goods movement projects	-	-	-	-	1,484,923	5,624,733	10,874,326	17,314,284	25,124,387	24,601,264
Total transit capital contributions- CIP	95,047,158	130,562,611	215,543,548	317,332,724	387,665,072	394,439,825	421,157,998	446,195,532	526,336,392	644,947,739
Transit capital contributions - land	-	-	-	-	2,932,171	2,932,171	5,241,439	5,241,439	5,241,439	5,241,439
General government	656,666	488,043	397,216	312,544	118,714	172,574	207,301	169,239	237,256	258,070
Modeling and research	-	-	-	-	-	-	-	55,068	35,048	28,025
Smart mobility programs and services activities	-	-	-	-	5,673,636	3,673,526	8,272,769	369,093	388,378	334,719
Major Corridor Capital Projects	-	-	-	-	-	-	-	-	-	5,147,169
Transit System Improvements	-	-	-	-	-	-	-	-	-	315,811
Total capital assets	\$ 95,703,824	\$ 131,050,654	\$ 215,940,764	\$ 317,645,268	\$ 396,389,593	\$ 401,218,096	\$ 434,879,507	\$ 452,030,371	\$ 532,238,513	\$ 656,272,972

Source: Finance Department

Note: No capital asset indicators are available for the above functions.

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