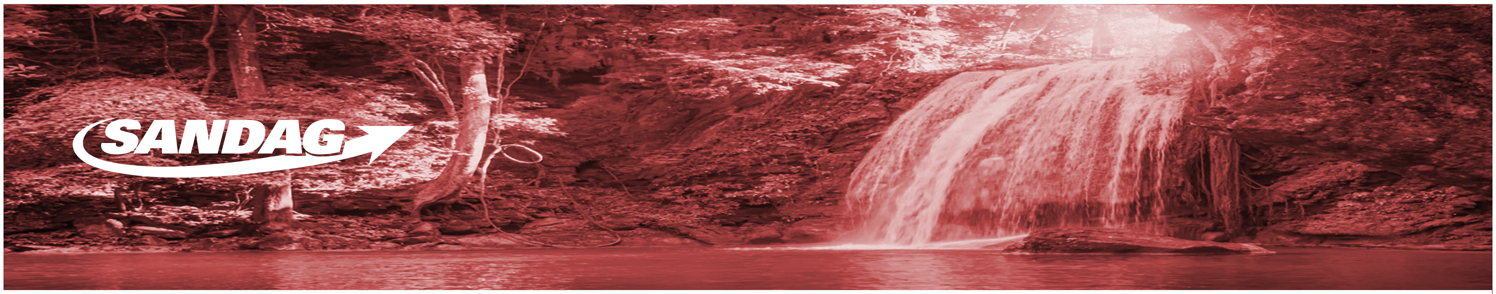

2018

South Bay Expressway

Basic Financial Statements

For the Fiscal Year Ended

June 30, 2018

San Diego, CA

4705 9/18

San Diego Association of Governments

South Bay Expressway

San Diego, California

Basic Financial Statements and Independent Auditor's Report

For the year ended June 30, 2018

PREPARED BY THE SAN DIEGO ASSOCIATION OF GOVERNMENTS

FINANCE DEPARTMENT

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San Diego Association of Governments
South Bay Expressway

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the South Bay Expressway (State Route 125 fund [SR 125]), a major enterprise fund of the San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise SR 125's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SR 125, a major enterprise fund of SANDAG, as of June 30, 2018, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the SR 125 Fund and do not purport to, and do not, present fairly the financial position of SANDAG as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note K to the financial statements, during the year ended June 30, 2018, SR 125 adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which resulted in a restatement of SR 125's July 1, 2017 net position in the amount of $105,858. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The partial comparative information presented herein as of and for the year ended June 30, 2017, was derived from the financial statements of SR 125 for the fiscal year ended June 30, 2017, which were audited by other auditors whose report dated December 15, 2017, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SR 125's basic financial statements. The management's discussion and analysis, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Crowe LLP

Crowe LLP

Costa Mesa, California
December 21, 2018

Management's Discussion and Analysis

As management of the San Diego Association of Governments (SANDAG) South Bay Expressway (State Route 125 [SR 125]), we provide this narrative overview and analysis of the financial activities of SR 125 for the fiscal year ended June 30, 2018. The intent of this analysis is to assist the readers of SR 125 financial statements to better understand the overall financial condition of SR 125.

Financial Highlights

The annual performance has been positive, resulting from increased usage of the toll road which has generated revenues 9.8 percent over the annual budget, while operating costs were 2.7 percent under budget during fiscal year 2018. The strong performance has allowed SR 125 to stay on schedule to meet debt service obligations and reserve funding commitments.

- SR 125 reported net position of $182,697,717. A significant factor related to the $63,405,217 decrease in the unrestricted net deficit balance is the SANDAG refunding of the Transportation Infrastructure Finance and Innovative Act (TIFIA) and *TransNet* loans. Included in the net position in fiscal year 2018 is the implementation of Governmental Accounting Standards Board Statement no. 75 (GASB 75), *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions (OPEB)*. The implementation of GASB 75 resulted in the prior year net position adjustment of ($105,858). SR 125 reported $141,225 proportionate share of net OPEB liability in fiscal year 2018.

- On November 21, 2017 SANDAG issued $194,140,000 Series A toll revenue bonds to refinance indebtedness incurred in connection with the acquisition of SR 125. Bond proceeds were used to pay off the TIFIA and *TransNet* loans with outstanding principal balances of $117,603,765 and $62,352,510 respectively.

- SR 125 total net position increased by $1,171,812 in fiscal year 2018. The increase is due primarily to an 11 percent increase in operating revenues.

- SR 125 total debt balance at the end of June 2018 was $230,697,785, an increase of $3,579,452 compared to the same period of fiscal year 2017. The increase was due to the $194,140,000 bond issuance with a $38,102,982 premium, offset by the TIFIA and *TransNet* loan payoffs of $117,603,765 and $62,352,510 respectively. The debt adjustment related to the acquisition of the SR 125 with a carrying balance of $49,360,606 was written off due to the refunding of the TIFIA loan.

- Net investment in capital assets decreased by $69,122,439 due to the refinancing of the TIFIA and *TransNet* loans.

Overview of the Financial Statements

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

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

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

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

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

The *statement of cash flows* presents information about SR 125's cash receipts and cash payments from July 1, 2017, to June 30, 2018. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

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 basic financial statements. The notes to the basic financial statements can be found on pages 17 to 45 of this report.

Other information. In addition to the basic financial statements, required supplemental information can be found on pages 48 to 51 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SR 125's assets and deferred outflows exceeded liabilities and deferred inflows by $182,697,717 as of June 30, 2018.

SR 125's Net Position

	2018	2017
Current and other assets	$ 96,730,757	$ 83,625,056
Capital assets	330,214,390	333,363,876
Total assets	426,945,147	416,988,932
Deferred outflows of resources	2,022,649	1,169,616
Current liabilities	13,083,796	6,077,881
Noncurrent liabilities	232,928,088	230,356,136
Total liabilities	246,011,884	236,434,017
Deferred inflows of resources	258,195	198,626
Net Position:		
Net investment in capital assets	99,475,614	168,598,053
Restricted for:		
Debt service	16,940,865	3,624
Capital expenditures	37,153,023	69,230,054
Project revenue	28,955,820	7,099,391
Customer prepaid accounts	172,395	-
Unrestricted (deficit)	-	(63,405,217)
Total net position	$ 182,697,717	$ 181,525,905

In June 2018, there was a total of $194,140,000 of bond liability with a premium balance of $36,557,785. Restricted net position is predominantly set aside for major maintenance and capital expenditures, a majority of which is anticipated to be spent for toll road improvements over the next several years.

Operating revenues realized an increase of 11.0 percent over the same period of the prior year as toll road usage increased, while operating expenses were 2.7 percent below budget due to operating efficiencies, resulting in a positive net cash flows of $11.8 million.

SR 125's Change in Net Position

	2018	2017
Operating Revenue	$ 41,748,531	$ 37,618,421
Operating Expenses	24,221,834	23,234,114
Operating income	17,526,697	14,384,307
Nonoperating revenues (expenses)	(8,642,442)	(10,080,138)
Income before contributions and transfers	8,884,255	4,304,169
Transfers	(7,606,585)	(5,076,749)
Change in net position	1,277,670	(772,580)
NET POSITION:		
Beginning of year	181,525,905	182,298,485
Implementation of GASB 75	(105,858)	-
Beginning of year, as restated	181,420,047	182,298,485
End of year	$ 182,697,717	$ 181,525,905

SR 125 activities. Key drivers to the 11.0 percent increased toll revenue include the overall improved economic status of the region, public outreach and collection efforts. Operating expenses have come in under budget due to diligent management efforts, efficient maintenance of the roadway and tolling equipment, and effective use of administrative expenses.

As the *statement of revenues, expenses, and changes in net position* (page 12) illustrates, SR 125 collected over $41.7 million in revenues, which adequately covered operating expenses and debt obligations. SR 125 was able to effectively manage costs related to the operations of the facility and the positive performance has allowed the deposit of significantly increased reserve funds for future major maintenance and capital expenditures. This is an important aspect to establishing and building reserve funds to plan for near-term capital expenses related to roadway repairs, vehicle replacements, and replacement of the aging tolling system, which can be completed as planned.

Capital Assets and Debt Administration

Capital assets. SR 125 investment in capital assets as of June 30, 2018, amounts to $330,214,390 (net of accumulated depreciation). This investment in capital assets includes land, toll road, building, equipment, vehicles, office furnishings, and construction-in-progress.

SR 125 Capital Assets
(Net of accumulated depreciation)

	2018	2017
Land	$ 1,980,000	$ 1,980,000
Toll road	312,212,045	324,967,626
Toll road improvements	7,275,829	-
Building	3,497,400	3,577,800
Equipment	236,001	96,468
Vehicles	267,584	273,671
Software	43,341	70,715
Office furnishings	25,527	34,149
Construction-in-progress	4,676,663	2,363,447
SR 125 activities capital assets, net	$ 330,214,390	$ 333,363,876

Additional information on SR 125's capital assets can be found in Note III. E on page 30 of this report.

Debt Administration

Long-term debt. At the end of June 30, 2018, SR 125 had total debt outstanding of $230,697,785 which is comprised of $194,140,000 tax-exempt toll revenue bonds with a net premium balance of $36,557,785. Proceeds from the 2017 bond issuance together with other available funds were used to refund all outstanding TIFIA and *TransNet* notes.

	SR 125 activities	
	2018	2017
TIFIA notes	$ -	$ 115,405,217
TransNet notes	-	62,352,510
Total outstanding debt	-	177,757,727
Acquisition adjustment	-	49,360,606
2017 Series A Toll Revenue Bonds	194,140,000	-
Premium	36,557,785	-
Total	$ 230,697,785	$ 227,118,333

Although SR 125's total debt increased by $3,579,452 over prior year, there was a significant net present value savings by the refinancing of the TIFIA and *TransNet* Loans.

Additional information on SR 125 long-term debts can be found in Note III.F beginning on page 31 of this report.

Requests for Information

This financial report was designed to provide a general overview of SR 125 finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the 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.

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BASIC FINANCIAL STATEMENTS

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San Diego Association of Governments
South Bay Expressway
Statement of Net Position
June 30, 2018
(With comparative information for the prior year)

	Totals 2018	Totals 2017
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted	$ 3,615,204	$ 3,885,224
Accounts receivable	3,571,363	2,263,136
Prepaid items and other assets	842,309	644,464
Interest receivable	31,285	85,857
Due from other funds	30,513	25,578
Due from other governments	247,912	387,728
Total current assets	8,338,586	7,291,987
Noncurrent assets:		
Cash and investments- restricted	88,392,171	76,333,069
Non-depreciable capital assets	6,656,663	4,343,447
Depreciable capital assets, net of accumulated depreciation	323,557,727	329,020,429
Total noncurrent assets	418,606,561	409,696,945
Total assets	426,945,147	416,988,932
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	1,429,668	1,169,616
OPEB related	48,746	-
Loss on debt refunding	544,235	-
Total deferred outflows of resources	2,022,649	1,169,616
LIABILITIES		
Current liabilities:		
Accounts payable	1,385,195	1,279,545
Accrued liabilities	239,731	185,312
Retentions payable	83,348	20,837
Due to other funds	465,793	1,321,323
Due to other governments	136,810	206,659
Transponder deposit	18,710	18,360
Unearned revenue	1,770,915	1,650,645
Accrued interest	5,913,294	-
Notes and bonds payable due within one year	3,070,000	1,395,200
Total current liabilities	13,083,796	6,077,881
Noncurrent liabilities:		
Notes and bonds payable	227,627,785	225,723,133
Net pension liability	5,159,078	4,633,003
Net OPEB liability	141,225	-
Total noncurrent liabilities	232,928,088	230,356,136
Total liabilities	246,011,884	236,434,017
DEFERRED INFLOWS OF RESOURCES		
Pension related	256,213	198,626
OPEB related	1,982	-
Total deferred inflows of resources	258,195	198,626
NET POSITION		
Net investment in capital assets	99,475,614	168,598,053
Restricted for:		
Debt service	16,940,865	3,624
Capital expenditure	37,153,023	69,230,054
Project revenue	28,955,820	7,099,391
Customer prepaid accounts	172,395	-
Unrestricted (deficit)	-	(63,405,217)
Total net position	$ 182,697,717	$ 181,525,905

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
South Bay Expressway
Statement of Revenues, Expenses, and Changes in Net Position
For the Year ended June 30, 2018
(With comparative information for the prior year)

	Totals	
	2018	2017
OPERATING REVENUES:		
Electronic toll collection	$ 22,885,095	$ 21,395,944
Cash and credit card tolls	10,236,957	9,926,739
Violation	7,294,527	5,156,706
Other	1,331,952	1,139,032
Total operating revenues	41,748,531	37,618,421
OPERATING EXPENSES:		
Facilities, roadway and landscaping operations	2,989,839	2,504,793
Payroll and other compensation expenses	6,106,156	5,733,785
Administrative costs	283,838	349,808
Insurance	484,424	489,791
Utilities	360,726	328,524
Professional services	755,422	681,516
Depreciation	13,241,429	13,145,897
Total operating expenses	24,221,834	23,234,114
Operating income (loss)	17,526,697	14,384,307
NONOPERATING REVENUES (EXPENSES):		
Interest income	1,077,968	431,408
Interest expense	(7,941,049)	(10,511,546)
Bond issuance costs	(1,779,361)	-
Total nonoperating revenues (expenses)	(8,642,442)	(10,080,138)
Income (loss) before contributions and transfers	8,884,255	4,304,169
TRANSFERS		
Transfer to SANDAG	(7,606,585)	(5,076,749)
CHANGE IN NET POSITION	1,277,670	(772,580)
NET POSITION:		
Beginning of year	181,525,905	182,298,485
Implementation of GASB 75	(105,858)	-
Beginning of year, as restated	181,420,047	182,298,485
End of year	$ 182,697,717	$ 181,525,905

See accompanying Notes to the Basic Financial Statements.

San Diego Association of Governments
South Bay Expressway
Statement of Cash Flows
For the Year ended June 30, 2018
(With comparative information for the prior year)

	Totals 2018	Totals 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 40,396,926	$ 36,722,091
Receipts from rental and miscellaneous income	52,111	69,728
Payments for employee salaries and benefits	(5,743,421)	(5,540,588)
Payments for operations	(5,641,157)	(3,240,157)
Net cash provided by operating activities	29,064,459	28,011,074
CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES:		
Transfer to SANDAG	(7,606,585)	(5,076,749)
Payments for acquisition of construction of capital assets	(9,817,194)	(2,255,697)
Proceeds from long-term debt	231,460,545	-
Payments to refund debt	(996,924)	-
Principal payments on debt	(230,409,849)	(637,212)
Interest payments on debt	(1,037,909)	(6,536,896)
Net cash used for capital financing and related activities	(18,407,916)	(14,506,554)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	1,132,539	497,731
Net increase in cash and investments	11,789,082	14,002,251
Cash and investments, beginning of year	80,218,293	66,216,042
Cash and investments, end of year	$ 92,007,375	$ 80,218,293
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income	$ 17,526,697	$ 14,384,307
Adjustments to reconcile net cash provided by (used for) operating activities:		
Depreciation	13,241,429	13,145,897
Change in:		
Accounts receivable	(1,308,227)	(516,538)
Prepaid expenses and other assets	(197,845)	(206,144)
Due from other funds	(4,935)	(2,689)
Due from other governments	139,816	(214,262)
Accounts payable	106,000	315,134
Accrued liabilities and other liabilities	54,419	160,852
Due to other funds	(855,530)	601,224
Due to other governments	(69,849)	115,208
Unearned revenue	120,270	113,348
Net pension liability and related deferred inflows and outflows	323,610	114,737
Net OPEB liability and related deferred inflows and outflows	(11,396)	-
Total adjustments	11,537,762	13,626,767
Net cash provided by (used for) operating activities	$ 29,064,459	$ 28,011,074
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Interest accretion on TIFIA notes	2,198,548	6,469,176
Amortization of acquisition adjustment	(996,326)	(2,429,675)
Bond premium amortization	(1,545,197)	-
Refunding loss amortization	23,003	-
Capital assets purchase included in accounts payable	501,878	283,722

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
South Bay Expressway
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

I. ORGANIZATION AND OPERATIONS

A. General

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

B. Organization

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

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

B. Budgetary information

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

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

1. *Cash and cash equivalents*

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

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

- Treasury obligations
- Federal agencies and United States government-sponsored enterprises
- State obligations
- Local agency obligations
- Repurchase agreements
- Bankers' acceptances
- Commercial paper
- Medium-term notes

- Negotiable and nonnegotiable certificates of deposit
- State of California's Local Agency Investment Fund
- San Diego County Treasurer's pooled investment fund
- Savings/money market accounts
- California Asset Management Program (CAMP)
- Money market funds
- Mortgage and asset-backed obligations
- Supranationals

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

SR 125 is a voluntary participant in CAMP, which is an investment pool, offered by the California Asset Management Trust (the "Trust"). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 *et seq*., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. In accordance with Section 53601(p) of the California Government Code, CAMP's investments are limited to investments permitted by subdivisions (a) through (n), inclusive, of Section 53601. SR 125 reports its investments in CAMP pool share at amortized cost provided by CAMP, which is the same as the value of the pool share. On June 30, 2018, the pool had an average maturity of 35 days.

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

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

2. *Restricted cash and cash equivalents*

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

3. *Restricted investments*

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

4. *Non-current restricted cash, cash equivalents and investments*

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

5. *Fair value measurements*

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

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

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

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

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

6. *Accounts receivable*

Accounts receivable are recognized when invoiced to customers. As of June 30, 2018, an allowance for uncollectible accounts was provided for accounts receivable. The allowance is determined by management to be uncollectible amounts based on historical collection percentages and other information.

7. *Prepaid expenses and other assets*

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

8. *Capital assets*

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

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

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

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

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

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

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016, to June 30, 2017

10. ***Pensions***

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

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016, to June 30, 2017

11. ***Deferred outflows/inflows of resources on pensions***

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

1) Changes in total pension liability arising from differences between expected and actual experience with regard to economic or demographic factors.
2) The effects of changes in assumptions about future economic or demographic factors or of other inputs.
3) Differences between projected and actual investment earnings on pension plan investments.

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

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

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

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

In refunding debt resulting in the legal defeasance of the old debt, the difference in the carrying value of the refunded debt and its reacquisition price is reported as deferred outflows or deferred inflows of resources in the Statement of Net Position and amortized over the life of the old or the new debt, whichever is shorter.

13. *Net position*

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

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

<u>Net investment in capital assets</u> – 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.

<u>Debt service</u> – Net position restricted for the payments of future debt service.

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

<u>Project revenue</u> – Net position restricted for other legally restricted funds.

<u>Customer prepaid</u> – Net position restricted for SR 125 *FasTrak* customers’ deposits for future toll payments.

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

The unrestricted net deficit of $5,211,060 results primarily from debt service activity. On November 21, 2017, SANDAG refunded the TIFIA and *Transnet* notes with proceeds from the $194,140,000 Series A toll revenue bonds together with existing resources. See Note III.F on long-term debt for further information.

14. *Net position flow assumption*

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

15. *Long-term liabilities*

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

16. *Unearned revenues*

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

17. *Estimates*

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

18. *Prior year comparative information*

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

19. *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation. There is no effect on changes in net position as a result of these reclassifications.

20. *Effects of new pronouncements*

Statement No. 75

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Statement No. 75 directs governments to report a liability on their financial statements for their retiree benefits. It requires governments in all types of retiree benefit plans to present additional disclosures and supplementary information (RSI) about their retiree benefit liabilities.

SR 125 implemented the new reporting requirements for the fiscal year ending June 30, 2018. See note III.K on restatement for further information.

Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Specifically, this Statement addresses the following topics:

a) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;

b) reporting amounts previously reported as goodwill and "negative" goodwill;

c) classifying real estate held by insurance entities;

d) measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

e) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;

f) recognizing on-behalf payments for pensions or OPEB in employer financial statements;

g) presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;

h) classifying employer-paid member contributions for OPEB;

i) simplifying certain aspects of the alternative measurement method for OPEB;

j) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this statement are effective for reporting period beginning after June 15, 2017. SANDAG implemented the new reporting requirements for the fiscal year ending June 30, 2018.

III. DETAILED NOTES

A. Cash and investments

Cash, cash equivalents, and investments consisted as follows on June 30, 2018:

Investment Type	Amount	Weighted Average Maturity (Days)	NRSRO Rating
Cash and cash equivalents:			
Cash - demand deposits	$ 28,787,512	1	Not rated
California Asset Management Program	54,030,022	35	AAAm
Total cash and cash equivalents	82,817,534	23	
Investments:			
U.S. Agencies	5,700,721	180	AA+, Aaa
Corporate Medium-Term Notes	3,489,120	137	A, A1
Total investments	9,189,841	164	
Total cash, cash equivalents, and investments	$ 92,007,375		

On June 30, 2018, SR 125's carrying amount of deposits was $28,787,512 and the bank balance was $28,897,267.

1. *Interest rate risk*

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from the rising interest rates, the SANDAG investment policy, which is adopted by SR 125, limits investments to a maximum maturity of five years or 1,825 days from purchase date. The total portfolio shall not exceed SR 125's anticipated liquidity needs for operations for the next six months. SR 125 is in compliance with all maturity provisions of the investment policy.

2. *Credit risk*

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

The portfolio is diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Credit requirements listed in the investment policy apply at the time of purchase. In the event a security held by SR 125 is subject to a credit rating change that brings it below the minimum credit ratings specified for purchase, the 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 SR 125 portfolio is in compliance with all minimum rating requirements of the investment policy and did not experience any credit rating changes that brought the security below the minimum credit ratings.

3. *Concentration of credit risk*

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issuers. The SR 125 maintains investment policies that establish thresholds for holdings of individual securities. The SR 125 did not have any holdings meeting or exceeding the allowable threshold levels as of June 30, 2018.

As of June 30, 2018, with the exception of investments that are explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments, SANDAG did not have any investments with more than 5 percent of the total investments under one issuer except for the following U.S. Agency securities:

Investment	Total	Concentration of Credit Risk
Federal National Mortgage Association (FNMA)	$ 4,484,299	48.80%
Federal Home Loan Mortgage Corp (FHLMC)	1,216,422	13.23%
Walt Disney Corp	498,965	5.43%
Microsoft Corp	1,494,444	16.26%
Wal-Mart Stores Inc.	1,495,711	16.28%

4. *Custodial credit risk*

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

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

B. Fair value measurements

The SR 125 categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The SR 125 has the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurements		
	June 30, 2018	Level 1	Level 2	Level 3
Investments measured at fair value				
U.S. Agencies	$ 5,700,721	$ -	$ 5,700,721	$ -
Corporate Medium Notes	3,489,120	-	3,489,120	-
Total investments measured at fair value	$ 9,189,841	$ -	$ 9,189,841	$ -

Investment securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

C. Receivables

Receivables as of June 30, 2018, were $3,881,073 which is primarily comprised of $3,454,598 violations fines receivable, net of an allowance for doubtful accounts.

D. Transfers in/out

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

Transfers from the SR 125 capital reserve to fund capital projects totaled $7,606,585.

- Transfer of $6,500,000 to develop the South Bay Bus Rapid Transit (BRT) guideway over the SR 125 toll road.
- Transfer of $1,103,044 for the design and construction of the SR 125 connectors southbound to eastbound SR 905 and eastbound SR 11.
- Transfer of $3,541 for the design of the Joint Transportation Operation Center which will combine management and operation function in a single facility.

E. Capital assets

Capital asset activity at June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,980,000	$ -	$ -	$ 1,980,000
Construction-in-progress	2,363,447	9,670,374	(7,357,158)	4,676,663
Total capital assets, not being depreciated	4,343,447	9,670,374	(7,357,158)	6,656,663
Capital assets, being depreciated:				
Office equipment	244,433	6,554	-	250,987
Computer equipment	329,696	218,414	-	548,110
Vehicles	521,120	80,451	(34,631)	566,940
Fixed operating equipment	157,661	10,920	-	168,581
Software	199,170	-	-	199,170
Roadway improvements	176,469	7,462,389	(176,469)	7,462,389
Toll road	395,423,000	-	-	395,423,000
Building	4,020,000	-	-	4,020,000
Total capital assets, being depreciated	401,071,549	7,778,728	(211,100)	408,639,177
Less accumulated depreciation for:				
Office equipment	(210,284)	(15,176)	-	(225,460)
Computer equipment	(246,995)	(85,168)	-	(332,163)
Vehicles	(247,449)	(86,538)	34,631	(299,356)
Fixed operating equipment	(143,894)	(4,633)	-	(148,527)
Software	(128,455)	(27,374)	-	(155,829)
Roadway improvements	(176,469)	(186,560)	176,469	(186,560)
Toll road	(70,455,374)	(12,755,581)	-	(83,210,955)
Building	(442,200)	(80,400)	-	(522,600)
Total accumulated depreciation	(72,051,120)	(13,241,430)	211,100	(85,081,450)
Total capital assets, being depreciated, net	329,020,429	(5,462,703)	-	323,557,727
Capital assets, net	$ 333,363,876	$ 4,207,672	$ (7,357,158)	$ 330,214,390

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

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

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

F. Long-term debt

1. *The 2017 Series A Toll Revenue Bonds*

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

The table below presents sources and uses of funds:

	Amount
Sources of Funds:	
Par amount	$ 194,140,000
Premium	38,102,982
Less: Underwriter's discount	(782,437)
Net proceeds	**$ 231,460,545**
Uses of Funds:	
TIFIA loan payoffs	$ 168,057,339
TransNet loan refunding	62,352,510
Cost of bond issuance	1,050,696
Total fund uses	**$ 231,460,545**

The reacquisition price of the refunded acquisition debts exceeded the net carrying amount by $567,238. The excess of the reacquisition price over the net carrying value is reported as deferred outflows of resources and is amortized over the shorter of the life of the refunded debt or the refunding bonds.

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

Maturity (Jan 1, July 1)	Principal Amount	Interest Amount
2019	$ 3,070,000	$ 10,690,044
2020	4,315,000	9,445,625
2021	4,535,000	9,224,375
2022	4,765,000	8,991,875
2023	5,010,000	8,747,500
2024 - 2028	29,175,000	39,610,625
2029 - 2033	37,470,000	31,320,750
2034 - 2038	48,115,000	20,676,125
2039 - 2043	57,685,000	7,108,875
Total	$ 194,140,000	$ 145,815,794

2. *Changes in long-term liabilities*

Long-term liability activity for the year ended June 30, 2018, are as follows:

	Beginning balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Due Within One Year
TIFIA notes					
Tranche A	$ 55,063,101	$ -	$ (55,063,101)	$ -	
Tranche B	52,591,223	1,869,078	(54,460,301)	-	-
Tranche C	4,698,254	185,527	(4,883,781)	-	-
Series D	3,052,639	143,943	(3,196,582)	-	-
Unamortized FV Adjustment	49,360,606	-	(49,360,606)	-	-
2017 Series A Toll Revenue Bonds	-	194,140,000	-	194,140,000	3,070,000
Premium	-	38,102,982	(1,545,197)	36,557,785	-
Total	$ 164,765,823	$ 234,441,530	$ (168,509,568)	$ 230,697,785	$ 3,070,000
TransNet note					
Category C	62,352,510	-	(62,352,510)	-	-
Total TransNet note	62,352,510	-	(62,352,510)	-	-
Total long-term liabilities	$ 227,118,333	$ 234,441,530	$ (230,862,078)	$ 230,697,785	$ 3,070,000

On June 30, 2018, long-term debt consisted of 2017 fixed-rate, tax-exempt toll revenue bonds. SR 125 reported $3,070,000 as current bonds payable and $227,627,785 as noncurrent liabilities in the Statement of Net Position.

Long-term debts increased by $3,579,452 from $227,118,333 in fiscal year 2017 to $230,697,785 in fiscal year 2018 with the new debt structure. The net present value savings from the debt defeasance was estimated at $88.5 million.

3. *Pledged revenue*

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

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

The table below presents the SR 125's pledged revenue, annual debt service and debt service coverage for the fiscal year ended June 30, 2018.

Description of Pledged Revenue	FY 2018 Amount of Pledged Revenue	FY 2018 Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Toll Revenue	$ 31,846,094	$ 8,983,294	28%

G. Risk Management

Insurance coverage is maintained for SR 125 by SANDAG through commercial insurance. See SANDAG Comprehensive Annual Financial Report (CAFR) for further details, which may be obtained from SANDAG, 401 B Street, Suite 800, San Diego, California 92101, (619) 699-1900.

H. Commitments and Contingencies

As of June 30, 2018, SR 125's commitments to vendors and consultants for capital projects which are in various stages of development are as follows:

Projects	Contract Amount	Remaining
Back office system	$ 7,012,016	$ 4,932,986
Roadway tolling system	17,892,491	16,414,741
Roadway pavement overlay	7,944,000	594,000
Total	$ 32,848,507	$ 21,941,727

I. Other postemployment benefits

1. *Plan description*

In March 1986, pursuant to requirements of the state retirement system in which SANDAG participates, SANDAG adopted a policy to provide post-retirement health care benefits to retired employees through the California Public Employees' Retirement System (CalPERS), an agent multiple-employer benefit plan (plan) that covers all SANDAG employees and is administered by the California Employer's Retiree Benefits Trust (CERBT). SR 125 is considered a separate employer of the SANDAG plan and therefore reports as a cost-sharing plan. The plan does not issue a separate financial report.

Commencing with the January 1, 2009, benefit year, SANDAG provides a fixed dollar amount contribution equal to a maximum of $250 per month per each eligible retiree. The maximum of $250 per month has not been increased in subsequent years, and any future increases would be at the discretion of SANDAG. Eight retirees were grandfathered into their 2007 SANDAG contribution with a 5 percent increase for 2007 and 2008. For these retirees, amounts in excess of the SANDAG fixed dollar contribution will be placed in a tax-free health reimbursement account. In future years, the SANDAG contribution may be subject to the CalPERS minimum required employer contribution ($128 per month in 2017, $133 per month in 2018 and subject to annual adjustments to reflect Medical Portion of CPI). There were no changes in the benefit terms from the prior period.

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

2. *Contributions*

Contributions to retirees are a fixed dollar amount equal to a maximum of $250 per month per each eligible retiree. The exception to this contribution is for eight retirees who were grandfathered into their 2007 SANDAG contribution with an increase in each year thereafter, to maintain a comparable benefit level. The expenditure was recorded when the Annual Required Contribution of the employer was paid. For the fiscal year ended June 30, 2018, total cash contributions were $48,746.

3. *Net OPEB liability*

The SANDAG net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Salary Increase	3.00%, in aggregate plus Merit
Investment Rate of Return	6.50%
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover[2]	Derived using CalPERS' Membership Data for all funds
Healthcare Cost Trend Rate	6.5% PPO / 6.0% HMO decreasing to 5.0% PPO / 5.0% HMO

1 The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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

There were no changes of assumptions from the previous measurement date, and no events occurring between the measurement date and the reporting date that would have an impact on the OPEB liability.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	40.0%	5.50%
REITs	8.0	3.65
US Fixed Income	39.0	2.35
Commodities	3.0	1.75
Inflation Assets	10.0	1.50
Total	**100.0**	

Long-term expected rate of return is 6.50%.

4. ***Discount rate***

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that SANDAG continues to fully fund for its retiree health benefits through the CERBT under its investment allocation strategy 2. The rate reflects the CERBT published median interest rate for strategy 2 of 6.73 percent with an additional margin for adverse deviation.

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

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

	6/30/2018	6/30/2017	Change
Proportionate share	$ 141,225	$ 163,255	$ (22,030)
Proportionate share (%)	9.48%	9.48%	0.00%

The SR 125's proportion of the net OPEB liability is based on its contributions relative to the total contributions for the period ended June 30, 2017.

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

The following presents the net OPEB liability of the SR 125 plan as of the measurement date, calculated using the discount rate of 6.50 percent, as well as if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate.

	Discount Rate		
	1% Decrease (5.50%)	**Current** (6.50%)	**1% Increase** (7.50%)
Proportionate share of collective net OPEB liability	$ 205,361	$ 141,225	$ 87,763

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

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

	Healthcare Cost Trend Rates		
	1% Decrease	**Current**	**1% Increase**
	(5.00%HMO / 5.50%PPO decreasing to 4.00%HMO / 4.00%PPO	(6.00%HMO / 6.50%PPO decreasing to 5.00%HMO / 5.00%PPO	(7.00%HMO / 7.50%PPO decreasing to 6.00%HMO / 6.00%PPO
Proportionate share of collective net OPEB liability	$ 98,535	$ 141,225	$ 202,916

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

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

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

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

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) (5 years at June 30, 2017)

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

For the fiscal year ended June 30, 2018, SR 125 recognized OPEB expense of $37,350 for the plan. SR 125 reports other amounts for the plan as deferred outflows and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 48,746	$ -
Net difference between projected and actual earnings on OPEB plan investments	-	(1,982)
Total	$ 48,746	$ (1,982)

SR 125 reported $48,746 deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

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

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	$ (496)
2020	(496)
2021	(495)
2022	(495)

J. Pension plan

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

1. *Plan description*

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

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

2. *Benefits provided*

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

The plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire date	Prior to 10/27/12	After 10/27/12[1]	On or after 1/1/13[2]
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule (# years of service)	5 yrs	5 yrs	5 yrs
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	2.7%	2.0%	2.0%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	18.843%	18.843%	18.843%

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

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

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

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

3. ***Contributions***

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

For the reporting fiscal year 2018, the required contributions were actuarially determined by the funding valuation reports dated June 30, 2016. The actuarially required contribution rate was 19.225% of covered payroll and actual contributions totaled $507,192 for the SR 125. This rate includes the mandatory employee contribution rate that is currently paid by the SR 125 for all eligible members. PEPRA members pay 6.25% of covered payroll which is 60.56% of the total normal cost of 10.32%. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

4. ***Net pension liability***

The Plan's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled forward to determine the June 30, 2017, total pension liability.

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

The June 30, 2017 (the measurement date), total pension liability was based on the following actuarial methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment Expenses; includes inflation
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1]The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The Experience Study report can be accessed on the CalPERS website at calpers.ca.gov under Forms and Publications.

6. ***Changes of assumptions***

In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent.

7. *Discount rate*

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF's asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11–60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one-quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

[1] An expected inflation of 2.5 percent used for this period.
[2] An expected inflation of 3.0 percent used for this period.

8. *Subsequent events*

There were no subsequent events that would materially affect the results presented in this disclosure.

9. *Pension plan fiduciary net position*

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

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

The following table displays the SR 125 aggregate changes in net pension liability recognized over the measurement period of July 1, 2016 to June 30, 2017:

	6/30/2018	6/30/2017	Change
Proportionate share	$ 5,159,078	$ 4,633,003	$ 526,075
Proportionate share (%)	9.82%	9.82%	0.00%

The proportion of the net pension liability of the plan is measured as of June 30, 2017, and the total pension liability for the plan to calculate the net pension liability was determined by an actuarial valuation of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. SR 125's proportion of the net pension liability was based on its contributions relative to the total contributions for the period ended June 30, 2017.

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

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

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1 (8.15%)
Proportionate share of collective net pension liability	$ 7,377,619	$ 5,159,078	$ 3,329,520

12. *Recognition of gains and losses*

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

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

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

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

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

The EARSL for the plan, for the 2016-2017 measurement period, is 4.6 years, which was obtained by dividing the total service years of 3,425 (the sum of remaining service lifetimes of the active employees) by 746 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to zero. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the reporting period ended June 30, 2018, SR 125 recognized a pension expense of $830,803 for the plan.

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

SR 125 reports deferred outflow and deferred inflow of resources related to pensions as of June 30, 2018 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 701,353	$ (87,182)
Differences between expected and actual experience	100,896	(128,525)
Change in proportionate share	-	(40,506)
Employer contributions for fiscal year 2018	507,192	-
Net difference between projected and actual earnings on pension plan investments	120,227	-
Total	$ 1,429,668	$ (256,213)

The SR 125 reports a total of $507,192 as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	$ 139,766
2020	294,781
2021	216,899
2022	14,817

K. Restatement

The accompanying financial statements reflect certain prior period adjustments as set forth below:

During the year, SR 125 implemented GASB 75 resulting in recording a net OPEB liability and deferred outflow of resources as a restatement to opening net position as of July 1, 2017.

Net Position at Beginning of Year

	SR 125 Fund
Net position July 1, 2017	$ 181,525,905
Implementation of GASB 75	(105,858)
As restated	$ 181,420,047

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REQUIRED SUPPLEMENTARY INFORMATION

San Diego Association of Governments
South Bay Expressway
Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

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

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

Meassurement Period	2016 - 2017
Proportion of the collective net OPEB liability	9.48%
Proportionate share of the collective net OPEB liability	141,225
Covered-employee payroll	2,529,029
Proportionate share of the collective net OPEB liability as a percentage of covered-employee payroll	5.58%
Plan fiduciary net position as a percentage of the total OPEB liability	72.71%

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

San Diego Association of Governments
South Bay Expressway
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2018

Schedule of OPEB Contributions
Last Ten Years[2]

	Fiscal Year 2018
Actuarially Determined Contribution	$ 46,197
Contributions in Relation to the Actuarially Determined Contribution	(48,746)
Contribution Deficiency (Excess)	$ (2,549)
Covered-Employee Payroll	$ 2,546,783
Contributions as a Percentage of Covered-Employee Payroll	1.914%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for FY 2018 were from the June 30, 2017 actuarial valuations.

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

San Diego Association of Governments
South Bay Expressway
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2018

B. Pension Plan:

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

Measurement Period	2016 - 2017	2015 - 2016	2014 - 2015	2013 - 2014
Proportion of the collective net pension liability	9.82%	9.82%	9.82%	9.82%
Proportionate share of the collective net pension liability	$ 5,159,078	$ 4,633,003	$ 3,848,466	$ 3,314,702
Covered payroll	2,619,733	2,517,267	2,371,292	2,339,951
Proportionate share of the collective net pension liability as a percentage of covered payroll	196.93%	184.05%	162.29%	141.66%
Plan fiduciary net position as a percentage of the total pension liability	67.47%	67.16%	70.71%	72.98%

Notes to Schedule

Benefit Changes: In 2017, there were no changes in benefits.

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

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

San Diego Association of Governments
South Bay Expressway
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2018

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

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Actuarially Determined Contribution	$ 507,192	$ 493,636	$ 460,106	$ 452,514	$ 409,903
Contributions in Relation to the Actuarially Determined Contribution	(507,192)	(493,636)	(460,106)	(452,514)	(409,903)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,638,124	$ 2,619,733	$ 2,517,267	$ 2,371,292	$ 2,339,951
Contributions as a Percentage of Covered Payroll	19.225%	18.843%	18.278%	19.083%	17.518%

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