



Presentation of Audit Results —→

# SAN DIEGO ASSOCIATION OF GOVERNMENTS

Fiscal Year Ended June 30, 2025

**DavisFarr**  
CERTIFIED PUBLIC ACCOUNTANTS

Presented by: Jennifer Farr, CPA, MBA | Partner

1



## Scope and Timing of the FY 24/25 Audit

- Started preliminary audit procedures in July 2025
- Began final audit procedures in mid December
- Finalized the audit on March 23, 2026

- Annual Comprehensive Financial Report
- Regional Transportation Commission
- South Bay Expressway
- SourcePoint
- ARJIS

2



# SANDAG Audit Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of SANDAG, as of June 30, 2025, and the respective 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.

## ***Emphasis of Matter***

As described further in Note M to the financial statements, during the year ended June 30, 2025, SANDAG implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Additionally, SANDAG corrected a prior year error. As a result, the beginning net position has been restated. Our opinion is not modified with respect to these matters.



# Areas of Audit Focus

## **Standard Audit Approach**

Standard approach includes substantively testing all material assets and liabilities and analytically testing all material revenues and expenses

## **Materiality**

Materiality was calculated as 1% of the greater of assets or revenue

## **Additional Areas of Focus**

- Implementation of GASB 101: Compensated Absences
- Toll Revenues
- New Lease at West Office location
- Federal Grant Compliance
- Audit Risks identified in Weaver Assessment (Nov 2025)
- Audit Risks identified by OIPA
- Unpredictability Test: Payroll Test of Transactions and Internal Controls





## Federal Single Audit Results

- Federal Expenditures of \$121,804,175
- Major Programs selected for testing:
  - Federal Railroad Administration: Federal State Partnership for Intercity Passenger Rail program \$7,654,053 of expenditures
  - FHA/Caltrans: Highway Planning and Construction program \$78,271,064 of expenditures
  - FTA/Caltrans: Enhanced Mobility of Seniors and Individuals with Disabilities \$3,719,149
- No material instances of noncompliance identified during the audit



5



## West Lease (Footnote 13)

Beginning in April 2025, SANDAG entered into a fifteen year lease agreement (West) with potential five year extension for the acquisition and use of office space to conduct business operations in Downtown San Diego. As of June 30, 2025, the value of the lease liability was \$62,545,354. SANDAG is required to make monthly principal and interest payments starting from April 2028. The lease has an interest rate of 3.91 percent. The net book value of the right-to-use asset as of the end of the current fiscal was \$61,704,757 and had accumulated amortization of \$781,073.



6



# Internal Control Recommendations

## **(2025-001) Prior Period Restatements and Material Audit Adjustments**

Material adjustments were needed to correct entries related to the West Office Lease, Construction in Progress for a NCTD project, CalTrans unearned revenues, revenues, and receivables, and to record additional accrued expenses

## **(2025-002) Timeliness of Financial Reporting**

Audit start was delayed and additional adjustments were made after the audit started to close the books.

## **(2025-003) Toll Back Office System Limitations**

Immaterial differences between Back Office System detail reports and ERP balances  
Decrease in collections of toll penalties due partially to inability to utilize the CA DMV vehicle registration process to enforce collection

## **Other Recommendations:**

Need to reconcile Accounts Payable system to trial balance to identify/correct immaterial variances  
ERP accounts should support amounts reported in the audited financial statements without manual adjustments



# Required Communications

Finance staff was responsive to our inquires and prioritized the audit

Significant estimates:  
Judgments related to recording capital assets  
Net pension liabilities and other post employment benefit (OPEB) liabilities are estimated by Actuaries

Uncorrected misstatements:  
Immaterial variances in accounts payable  
Reclassification of certain receivables/payables as due to/from other funds



Presentation of Audit Results —→

# THANK YOU FOR YOUR TIME

Fiscal Year Ended June 30, 2025



+949.474.2020



[jfarr@davisfarr.com](mailto:jfarr@davisfarr.com)



18201 Von Karman Ave., Suite 1100 | Irvine, CA 92612

