

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

SAN FRANCISCO, CA



Golden Gate Bridge, Highway and Transportation District

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2011 and 2010



SAN FRANCISCO, CALIFORNIA

Prepared by the Accounting Department, Office of the Auditor-Controller
Joseph M. Wire, Auditor-Controller/CFO



GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Years Ended June 30, 2011 and 2010

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Introductory Section





November 18, 2011

Board of Directors
Golden Gate Bridge, Highway and
Transportation District
P. O. Box 9000, Presidio Station
San Francisco, CA 94129-0601

Subject: Golden Gate Bridge, Highway and Transportation District, San Francisco, CA
Comprehensive Annual Financial Report

We are pleased to present the Comprehensive Annual Financial Report for the Golden Gate Bridge, Highway and Transportation District (District) for the fiscal year ended June 30, 2011. This transmittal letter provides a summary of the District's finances, services, achievements and economic prospects for readers without a technical background in accounting or finance. Readers may refer to the Management's Discussion and Analysis portion of the Financial Section of this report, beginning on page 17 for a more detailed discussion of the District's financial results.

Management assumes sole responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge, we believe this report to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect the District's assets from loss, to identify and record transactions accurately and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed the likely benefits, the District's internal control system intends to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement.

The District's financial statements have been audited by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants. The firm is based in Palo Alto, CA, and is licensed to practice in the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2011, are free of material misstatement. The auditor expressed an opinion that the District's financial statements are fairly stated and in compliance with accounting principles generally accepted in the United States of America. This conclusion is the most favorable kind and is commonly known as an "unqualified" or "clean" opinion. Financial statements and the auditor's opinion can be found in the Financial Section of this report which commences on page 15.

The District is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133 Audits of States, Local Governments and Non-Profit Organizations. The results of this audit, including findings and recommendations, if any, can be found in the Single Audit Section of this report, starting on page 75.

Profile of the Agency

On December 4, 1928, the District was incorporated as a political subdivision of the State of California as the entity that would design, construct, finance and operate the Golden Gate Bridge. The District is a special district of the State of California formed under the Bridge and Highway District Act of 1923 and is subject to regulation under this Act, as amended. A 19 member Board of Directors (Board) sets policy for the District. Board members represent the following counties: City and County of San Francisco, Counties of Marin, Sonoma, Del Norte, and portions of Napa and Mendocino.

On November 10, 1969, the State of California legislature passed Assembly Bill 584 authorizing the District to develop a transportation facility plan for implementing a mass transportation program in the Highway 101/Golden Gate Corridor as a means of managing traffic congestion across the Bridge as traffic levels had reached capacity. The mass transportation program was to include any and all forms of transit, including ferry transit. At that time, the word "Transportation" was added to the District name to indicate its new commitment to public transportation.

The District has three operating divisions: Golden Gate Bridge (Bridge) which opened to traffic on May 28, 1937, Golden Gate Ferry (GGF) which launched its first vessel on August 15, 1970, and Golden Gate Transit bus service (GGT) which began regional service on January 1, 1972. The administrative division includes functions such as finance, information systems, environmental health and safety, human resources, planning, and marketing.

The District is unique in that its operations are not supported by direct sales tax measures or dedicated general funds. Primary sources of revenues are derived from the operation itself (Bridge tolls and transit fares), supplemented by grant assistance programs, investments and capital contributions, along with revenue programs such as transit advertising and Bridge and GGF concessions. The District's fiscal year 2010/2011 programs and services were based upon an adopted Operating and Capital Budget of \$238.2 million.

The District employs 831 employees. For the fiscal year ended June 30, 2011, 40.2 million vehicles crossed the Bridge (northbound and southbound), 6.6 million customers used GGT and 2.0 million rode GGF.

Financial Condition of the District

Local Economy

It remains clear that the San Francisco Bay Area economic recovery and eventual growth remains tied to the nation's economic fate.

Commencing in December 2007 and continuing into June 2009, the nation's longest recession since the Great Depression has had a direct and devastating effect on not only California's economy but the local San Francisco Bay Area economy as well. The collapse of the financial markets, the continued rise in the unemployment rate, the decline in Gross Domestic Product, and most recently, the European debt crisis has increased investments fears and weakened any recovery efforts, resulting in an overall downturn in Bridge traffic and transit ridership.

For the San Francisco Bay Area, the current near-term economic outlook is best characterized as continued sluggish improvement. This depiction is supported by the Bureau of Labor Statistics which, in January 2011, listed California as tied with Michigan for the second highest unemployment rate in the nation at 12.4 percent, a rate unchanged since 2009. By June 2011, a slight improvement came with the news that the California unemployment rate had dropped to 12.1 percent. In the San Francisco Bay Area, the unemployment news has not been any better, with the California Employment Development Department listing San Francisco County's unemployment rate at 9.0 percent in June 2011, compared to 9.5 percent in the previous year. The county with the region's lowest rate, Marin, came in at 8.1 percent in June 2011, down from 8.3 percent in 2010.

Long-Term Financial Planning

In October 2002, the District adopted its first *Financial Plan for Achieving Long-Term* (Financial Plan). The Financial Plan is updated periodically and serves to:

- Reflect the findings of the Five and Ten-Year Projections (Projections) which are prepared annually, following the adoption of the annual budget. The Projections serve as a road map for the setting of fiscal policy as they incorporate previously enacted policies and programs, demonstrate the District's fiscal status, and facilitate the Board in appropriately re-directing policies.
- Utilize the data in the Short Range Transportation Plan (SRTP). The SRTP is updated periodically, with the most recent edition covering the period of 2008–2017. The development of the SRTP is the principal process for creation and modification of the District's transit service goals, objectives, measures and standards.
- Support the District's Mission Statement: *The mission of the Golden Gate Bridge, Highway and Transportation District is to provide safe and reliable operation, maintenance and enhancement of the Golden Gate Bridge and to provide transportation services, as resources allow, for customers within the U.S. Highway 101 Golden Gate Corridor.*
- Ensure that both revenue enhancements and expense reduction initiatives are identified for consideration, evaluation, and public input, with expense reductions focused on efficiencies in services over the elimination of services.

In May 2009, the Board established the Financial Planning Advisory Committee to work with staff in developing an update to the Financial Plan to address the then projected five-year financial deficit of \$132 million resulting primarily as a result of three significant fiscal impacts:

- The continuing economic recession led to reduced revenues as fewer customers were using the District's services;
- In November 2008, the Board approved execution of a Memorandum of Understanding with the Metropolitan Transportation Commission and the San Francisco County Transportation Authority committing the District to fund \$75 million toward the \$1.045 billion (2008 cost) seismic reconstruction of Doyle Drive, the southern approach to the Bridge, and;
- Since 2008, the State of California, to address its budget shortfall, has reduced the state operating grant assistance provided to the District by several million annually.

On October 30, 2009, the newly updated Financial Plan was approved by the Board. The updated Financial Plan contained 33 distinct initiatives that were either revenue enhancements or expense reductions that, if implemented, would be achieved primarily through increased use of technology, increased user fees, creation of new revenue streams, and internal organizational reductions.

By the end of FY 2010/2011, the \$132 million five-year deficit had been reduced to \$89 million through the implementation of eight of the 33 initiatives with an additional six initiatives underway. Implemented items included the following:

- Revenue Enhancement: Implement a \$3 carpool toll rate.
- Revenue Enhancement: Implement a multi-axle toll rate increase over a two-year period.
- Operating Cost Reduction: Convert to the use of automated ticket machines for ferry riders. Ferry tickets were previously sold to customers by sales staff.
- Operating Cost Reduction: Eliminate under utilized bus service.
- Operating Cost Reduction: Convert to a two-season ferry schedule with less service in the winter months.

In September 2011, the annual Five- and Ten-Year Projections (FY 2012/2013 - FY 2021/2022) were presented to Board and reflect a five-year shortfall of \$87 million. To address the current projected shortfall, the Board has reviewed and will continue to implement the October 2009 Financial Plan. There are sufficient initiatives in the Plan to eliminate the projected deficit.

Relevant Financial Policies

The annual budget is a culmination of the strategic directions and priorities of the Board of Directors and is structured to reflect the goals of the Board's long-term strategic planning process. Included within the Budget are funding strategies to attain sufficient funding for Board-approved capital projects, and establishment of Board approved funding for special reserves, some of which may carry legal implications. These reserves are as follows:

- **Operating Reserve.** A funding of 7.5 percent of the operating budget or to cover the expected operating deficit, whichever is larger.
- **Emergency Reserve.** A funding of 3.5 percent of the operating budget to enable the amount kept in reserve for emergencies to remain relative to the size of the District's operations.
- **Debt Issuance and Management.** A required funding under the terms of the District's Commercial Paper covenants.
- **Board Designated Reserves.** Funding as designated by the Board to cover specific items such as Bridge Self-Insurance Loss Reserve and the Capital Plan Reserve.

Major Initiatives

During the fiscal year, a number of major initiatives were completed or progressed significantly. The District's focus remained on undertaking programs, projects, and activities that either increased revenues or decreased costs while continuing to provide our vital public transportation services.

July 1, 2010: As a new revenue-generating initiative, a \$3 toll rate was implemented for vehicles qualifying for the Golden Gate Bridge carpool toll rate, with an added caveat that carpoolers must also pay this toll using FasTrak.

July 1, 2010: Customer fares for GGT and GGF rose by 5 percent.

July 1, 2010: To better manage ticket fare media and associated administrative costs, the electronic smartcard system used for fare payment in the Bay Area, dubbed Clipper®, was adopted as the sole means for GGT customers to receive fare discounts. GGF customers transitioned to Clipper on January 1, 2009.

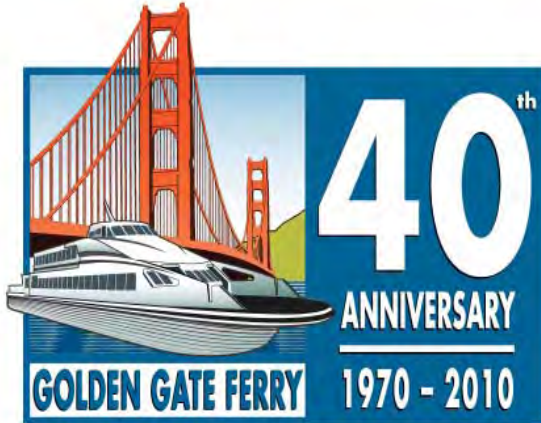
July 1-5, 2010: Celebrated Marin County's *Going Global, Connecting Cultures* Fair with our "*Many Cultures, One Community*" booth and specialty bus.

July 20, 2010: Following the installation of four new Tier 2, 12V4000M60 engines, new main drive line components, and new water jets, the high-speed catamaran *M.V. Del Norte* returned to the Larkspur Ferry Terminal.

July 23, 2010: With the much anticipated Golden Gate Bridge 75th anniversary coming up on May 27, 2012, the Board of Directors began exploring a working partnership with the Golden Gate National Parks Conservancy, in conjunction with the Golden Gate National Recreation Area and Presidio Trust, to manage the planning and implementation of the 75th anniversary celebration programs and activities, at no cost to the District.

July 26, 2010: GGT's newest 45-foot MCI buses entered into service.

July 27, 2010: The Golden Gate Bridge toll plaza pavement and access improvements project was completed. This project resulted in the repaving of the west side employee parking lot, the east side visitor parking lot, and the on- and off-ramps at the east parking lot as well as the installation of associated railings, signage, and lighting.



August 13, 2010: The Board of Directors authorized acceptance of \$5 million in grant funding from the Metropolitan Transportation Commission for the final design of the Golden Gate Bridge suicide deterrent net system. A contract was awarded on June 24, 2011, and the notice to proceed was effective September 23, 2011. The final design work is anticipated to be completed in early 2014.

August 15, 2010: This date marked the 40th anniversary of Golden Gate Ferry with the start of service between Sausalito and San Francisco.

August 30, 2010: Site work began to upgrade the rest room facilities at the San Francisco Ferry Terminal for improved accessibility. The work was completed in summer of 2011.

September 10, 2010: Following contract award in June 2010, a notice to proceed was issued to consultants to prepare a feasibility study, remedial action plan, construction drawings, and a revegetation plan for cleanup of lead paint contaminated soils and sandblast residue at the north and south land approaches to the Bridge. The State Department of Toxic Substances Control has regulatory oversight of the project. Consultant has been undertaking verification and field investigations, and developing cleanup alternatives.

September 13, 2010: GGT Route 101X, a new service linking the San Francisco Civic Center area and Santa Rosa, was established to provide express trips, making just five stops in Sonoma County and the San Rafael Transit Center, before operating non-stop to San Francisco.

October 7, 2010: A Public Hearing was held to receive public comment on proposals to modify GGF schedules by eliminating several under utilized trips and to increase GGF fares by reducing the discount for customers using Clipper cards. These proposals were modified based on public input received at two community open house meetings held September 21 and 22, 2010. The final proposed modifications to discount Clipper card fare and schedules were approved by the Board of Directors for implementation on November 19, 2010.

November 3, 2010: Due to the large volume of San Francisco Giants fans travelling to the World Series Champions Victory Parade and Celebration in San Francisco, GGF carried 15,119 passengers on the Larkspur and Sausalito routes, the fourth highest ridership day in GGF history.

December 12, 2010: To improve operating efficiency, the northbound routing out of San Francisco in the afternoon for several GGT commute routes was changed. Northbound Routes 2, 4, and 8 were moved to Fremont Street from Main Street. Northbound Routes 10, 70, 80, 101, and 101X were relocated to Main Street from Fremont Street.

January 1, 2011: A fare increase of 10 percent for GGF customers using the Clipper card went into effect.

January 28, 2011: The Board of Directors authorized staff to go forward with the planning, development, and implementation of All Electronic Tolling, also known as AET, for the Golden Gate Bridge.

February 1, 2011: A newly developed, more cost-effective, seasonal schedule program for the Golden Gate Larkspur/San Francisco ferry route went into effect with the start of the winter schedule, in effect annually through March. The summer schedule was then in effect April through September.

February 22, 2011: During nighttime hours to avoid impact on traffic, scaffolding required by Golden Gate Bridge maintenance crews to start a multiyear repainting of the two main cables was delivered to midspan on the west sidewalk. The scaffolding was erected over a 400 foot-long portion of the west side main cable running south from midspan (pictured right).

March 11, 2011: The Board of Directors authorized a partnership with the Golden Gate Parks Conservancy, in concert with the Golden Gate National Recreation Area and Presidio Trust, to assist in planning and implementing celebration activities in connection with the 75th anniversary of the Golden Gate Bridge and make improvements for the visitor experience at the Bridge.

March 25, 2011: The Board of Directors approved a new pilot program with Marin County-based Ready Set Entertainment to host mobile gourmet food trucks through an event dubbed Food Truck Crush, every Friday afternoon, 4 p.m. to 8 p.m., May 2011 through September 2011 at the Larkspur Ferry Terminal.



March 29, 2011: *M.V. Golden Gate* was delivered to Larkspur Ferry Terminal from Washington State after undergoing a total refurbishment.

March 30, 2011: *M.V. Napa* was taken out of service and delivered to Washington State for a complete refurbishment. The vessel is due back by early 2012.

April 1, 2011: A newly developed seasonal schedule program for the Golden Gate Larkspur Ferry schedules went into effect with the start of the summer schedule, in effect through September. A winter schedule is in effect October through May.

April 6, 2011: The first of two Public Hearings was held to receive public comments on a proposal to establish a *Five-Year Transit Fare Increase Program* allowing for annual increases in regional Golden Gate Transit bus fares, Golden Gate Ferry fares, special event ferry fares, and intercounty paratransit fares commencing on July 1, 2011. A second Public Hearing was held on April 7 and, on April 22, 2011, the Board of Directors authorized the adoption of a *Five-Year Transit Fare Increase Program*.



April 12, 2011: To begin customer familiarization, a soft launch introduced customers to the new ticket machines at GGF terminals. Historically, ticket sales were accomplished by ticket sales representatives and this practice came to an end on July 8, 2011, with the transition to the ticket vending machines (pictured left).

April 28, 2011: Golden Gate Ferry hosted an interagency emergency response drill on the San Francisco Bay.

May 13, 2011: The Board of Directors approved the implementation of Sunday service on Golden Gate Transit Route 101 beginning September 11, 2011, for a nine-month trial period.

May 15, 2011: The *M.V. Mendocino* was taken out of service to have new generators installed. The vessel returned to service on June 20, 2011.

May 16, 2011: The *M.V. Golden Gate*, one of two vessels purchased from Washington State Ferry in January 2009, entered service on the Larkspur-San Francisco route, after having been completely refurbished in Washington State.

May 19, 2011: Two open houses were held to confer with local bicyclists, bicycle rental companies, and sidewalk stakeholders in general about their ideas for improving Golden Gate Bridge sidewalk safety.

May 20, 2011: From 4 p.m. to 8 p.m., the Food Truck Crush mobile gourmet food truck event kicked off at the Larkspur Ferry Terminal. Food Truck Crush, held every Friday through September, was a huge success providing great eats and free entertainment for GGF passengers and locals alike. Approximately 18,000 attended this event over the course of the pilot program.

May 27, 2011: The Golden Gate National Parks Conservancy unveiled the 75th anniversary logo adorning the side of the Round House, launched the 75th anniversary website at www.goldengatebridge75.org, and announced the 75th Anniversary Steering Committee Co-Chairs: Nancy Hellman Bechtel, Chair, Presidio Trust Board and civic leader and Larry Baer, CEO of the San Francisco Giants (pictured right).

May 31, 2011: The Golden Gate Bridge west sidewalk closed to bicyclists who are normally allowed to use this sidewalk on weekends and weekday afternoons. The sidewalk remained closed through September 10, 2011 to facilitate necessary seismic retrofit work on the Marin anchorage housing roof, of which the sidewalk is a part.

June 10, 2011: A renaming ceremony was held at the Larkspur Ferry Terminal for the newly refurbished *M.V. Golden Gate* vessel which was purchased from Washington State Ferry as the *M. V. Chinook*.



Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for the fiscal year ended June 30, 2010. This is the fourth year running that the District has achieved this prestigious award. To be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The District has also been awarded GFOA's Award for Distinguished Budget Presentation for the fiscal year beginning July 1, 2010. This is the fifth consecutive year the District has received this award.

Grateful acknowledgement is made to the entire staff of the Finance Department and the Public Affairs Director as the preparation of this report would not have been possible without the efficient and dedicated services of these staff members.

Special appreciation is also expressed to the entire Board of Directors, the Executive Management Team and all District staff who remain steadfast to the District's mission of providing safe and reliable services.

Sincerely,



Denis J. Mulligan
General Manager/Chief Executive Officer



Joseph M. Wire
Auditor-Controller/Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Golden Gate Bridge,
Highway & Transportation District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

District Board of Directors and Executive Management Team

as of June 30, 2011

Board of Directors

Janet Reilly, President,
City & County of San Francisco

James C. Eddie, 1st Vice President
Mendocino County

Dick Grosboll, 2nd Vice President
City & County of San Francisco

City & County of San Francisco
David Campos
Carmen Chu
Sean R. Elsbernd
Eric L. Mar
John J. Moylan
Dave Snyder
Michael Theriault

Sonoma County
David A. Rabbitt
Tiffany Renee
Brian M. Sobel

Marin County
Judy Arnold
Albert J. Boro
Harold C. Brown, Jr.
J. Dietrich Stroeh

Napa County
Barbara L. Pahre

Del Norte County
Gerald D. Cochran

Officers of the Board

General Manager/CEO
Denis J. Mulligan

Auditor-Controller/CFO
Joseph M. Wire

Attorney
David J. Miller

District Engineer
Ewa Bauer

Secretary of the District
Janet S. Tarantino

Deputy General Managers

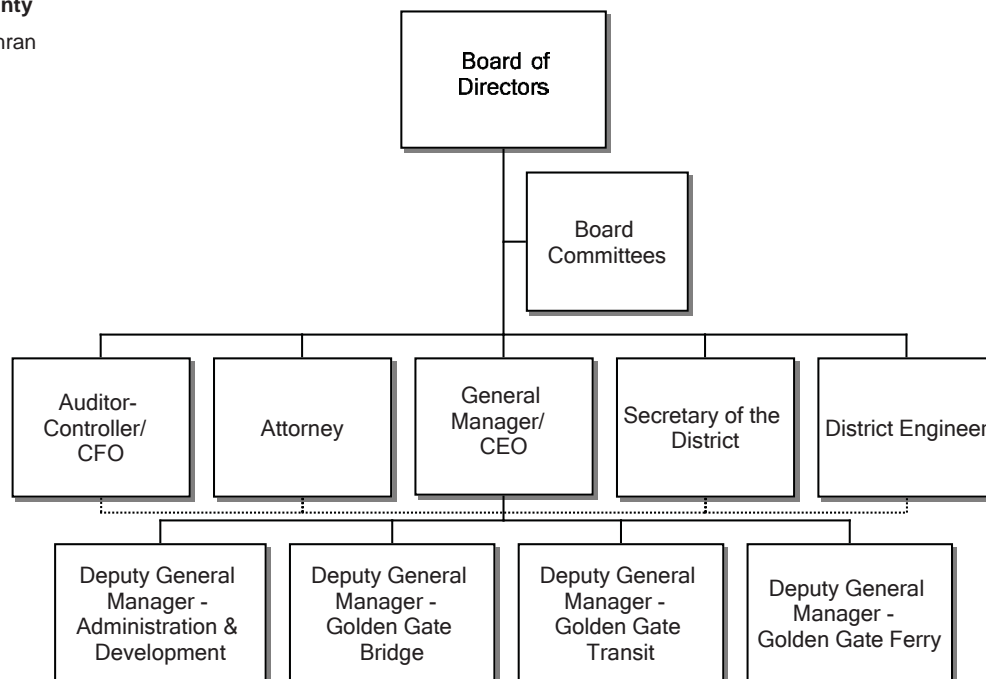
Administration & Development
Kellee Hopper (as of August 2011)

Bridge Division
Kary H. Witt

Bus Division
Teri W. Mantony

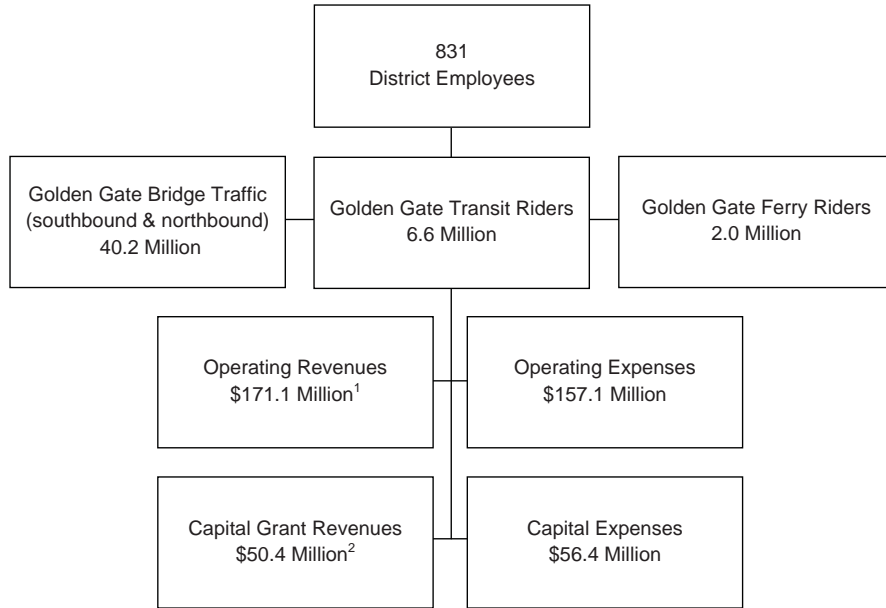
Ferry Division
James P. Swindler

District Organizational Chart



District Mission

The mission of the Golden Gate Bridge, Highway and Transportation District is to provide safe and reliable operation, maintenance and enhancement of the Golden Gate Bridge and to provide transportation services, as resources allow, for customers within the Highway 101 Golden Gate Corridor.



1. The Board of Directors designated up to \$14.3 million in operating revenues to fund future capital projects and Bridge self-insurance; any excess of expenses over revenues is funded from accumulated Unrestricted Net Assets.
2. The capital funding shortfall is funded by reserves designated for capital projects by the Board of Directors in past years.

Transit Service Area Map



Employees of the Month



July 2010 - Phillip Chaney,
Operating Engineers &
Ironworkers Superintendent



August 2010 - Willie Gibson,
Carpenter



September 2010 - Sylvia
Calderon & Wan Chan, Bus
Operators



October 2010 - Steven Thang,
Ironworker



November 2010 - Artemise
Davenport, Administrative
Assistant



December 2010 - Tony Scott,
Software Engineer



January 2011 - Joan Wyman,
Customer Relations Assistant



February 2011 - Clinton Murray,
Bus Servicer



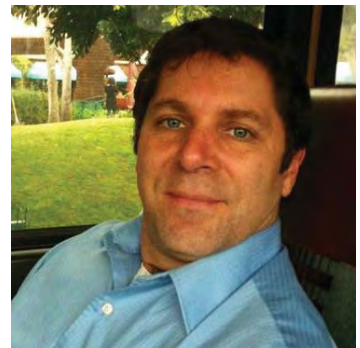
March 2011 - Benjamin Valdez,
Senior Network Administrator



April 2011 - Patricia Noel, Ferry
Operations Supervisor



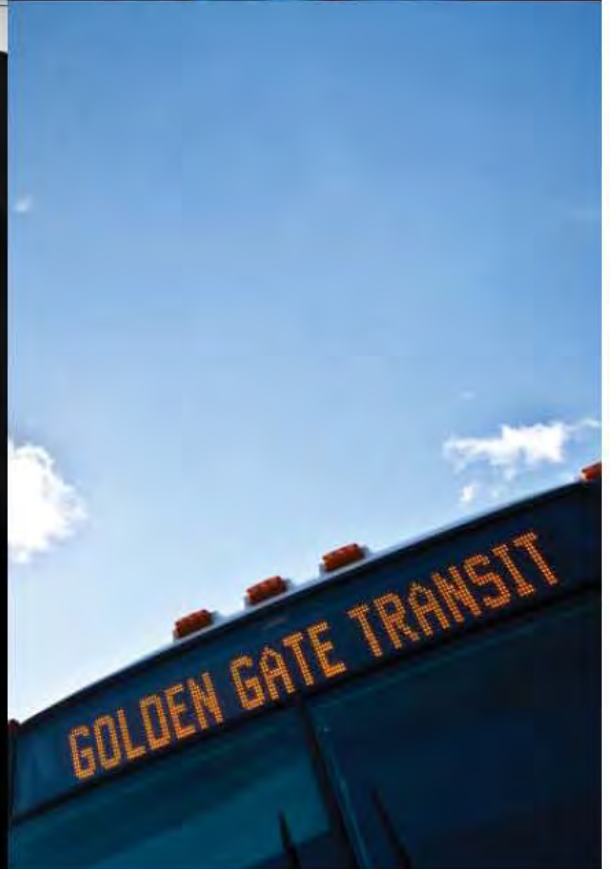
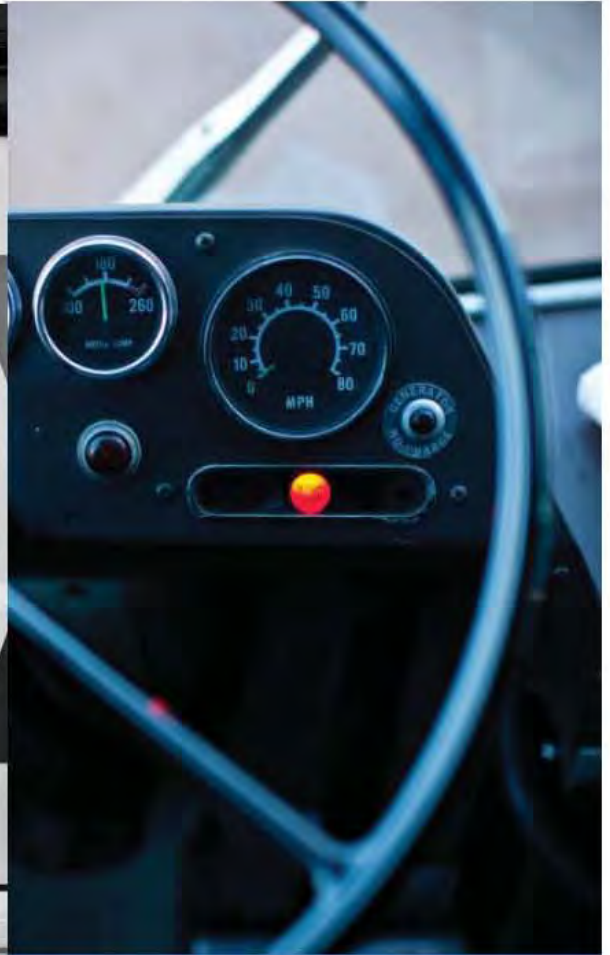
May 2011 - Karen Engbretson,
Workers' Compensation and
Liabilities Claims Administrator



June 2011 - Larry Graham, Bus
Operator

Financial Section







INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Golden Gate Bridge,
Highway and Transportation District
San Francisco, California

We have audited the accompanying basic financial statements of the Golden Gate Bridge, Highway and Transportation District (the District), as of and for the fiscal years ended June 30, 2011 and 2010. These financial statements are the responsibility of the District's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011 and 2010 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the schedules of funding progress listed in the table of contents are not required parts of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Supplemental Schedule of Revenues and Expenses and Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 18, 2011

260 Sheridan Avenue, Suite 440, Palo Alto, CA 94306 Tel: 650.462.0400 Fax: 650.462.0500 www.vtdcpa.com

FRESNO LAGUNA PALO ALTO PLEASANTON SACRAMENTO RANCHO CUCAMONGA

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2011 AND 2010**

The following Management's Discussion and Analysis (MD&A) of the Golden Gate Bridge, Highway and Transportation District's (District) activities and financial performance provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2011 and 2010.

Following this MD&A are the basic financial statements of the District together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

This section should be read in conjunction with the transmittal letter in the front of this report and the basic financial statements following this section.

DISTRICT ORGANIZATION AND BUSINESS

The Golden Gate Bridge, Highway and Transportation District (District) is a political subdivision of the State of California created by the legislature in 1923 and subject to regulation under the Bridge and Highway District Act, as amended. The District operates the Golden Gate Bridge, operates bus service primarily in Marin, San Francisco and Sonoma counties and operates ferry service between Marin and San Francisco counties. The disbursement of funds received by the District is controlled by statute and by provisions of various grant contracts entered into with the federal government, the State of California and certain counties within the District. The District is based in San Francisco and consists of three operating divisions, Bridge (including Visitor Services), Bus and Ferry, and an administrative District Division. Overseeing more than 800 employees who work together in the public interest, the General Manager coordinates the operations of all divisions according to the policy and direction of the District Board of Directors. The District Board of Directors consists of 19 members representing the six member counties: San Francisco, Marin, Sonoma, Del Norte, and parts of Mendocino and Napa counties.

A summary of District indicators (in thousands) is provided below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total southbound vehicle crossings	19,084	19,295	19,066
% increase/(decrease)	(1.1%)	1.2%	(3.0%)
Bus patronage - regional service	3,410	3,392	3,964
% increase/(decrease)	0.5%	(14.4%)	(3.6%)
Bus patronage - local service under agreement with Marin Transit	3,158	3,122	3,202
% increase/(decrease)	1.2%	(2.5%)	(1.7%)
Bus patronage - combined			
Regional and local service	6,568	6,514	7,166
% increase/(decrease)	0.8%	(9.1%)	(2.8%)
Club Bus riders	40	49	50
% increase/(decrease)	(18.4%)	(2.0%)	4.2%
Ferry patronage	2,031	1,931	1,949
% increase/(decrease)	5.2%	(0.9%)	(1.6%)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The District is unique among Bay Area transit operations because it provides transit services without support from direct sales tax measures or dedicated general funds. As the District does not have the authority to levy taxes, the use of surplus Bridge toll revenue is the only available local means the District has to support the District's regional and transbay transit services. Presently, Golden Gate Transit Bus and Ferry operations are funded approximately 42% by surplus Golden Gate Bridge tolls and 22% by transit fares. In addition, operating grants (including a one-time federal funding for suicide deterrent in the amount of \$4 million, along with State and local funds received from Marin and Sonoma counties for the provision of transit services) supported funding in the amount of 20%. See table How The District Was Funded in Fiscal Year 2011 shown on Page 23 at the end of the Revenues section, for further funding details.

FINANCIAL POSITION SUMMARY

Total net assets, especially unrestricted net assets, serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$668.9 million at June 30, 2011, a \$50.6 million increase from June 30, 2010.

A condensed summary of the District's net assets (in thousands) at June 30 is shown below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current and other assets	\$ 240,088	\$ 238,007	\$ 206,238
Capital assets	549,160	513,844	478,642
Total assets	<u>789,248</u>	<u>751,851</u>	<u>684,880</u>
Liabilities:			
Current liabilities	26,815	40,824	29,167
Debt outstanding	61,000	61,000	61,000
Other noncurrent liabilities	32,527	31,724	29,314
Total liabilities	<u>120,342</u>	<u>133,548</u>	<u>119,481</u>
Net Assets:			
Invested in capital assets, net of debt	488,159	452,844	417,641
Restricted:			
Debt service requirements	12,791	12,791	12,791
Unrestricted			
Bridge grant projects	3,996	4,636	5,922
Transit grant projects	1,850	8,608	4,050
Unrestricted reserves	162,110	139,424	124,995
Total Net Assets	<u><u>\$ 668,906</u></u>	<u><u>\$ 618,303</u></u>	<u><u>\$ 565,399</u></u>

The largest portion of the District's net assets (73% at June 30, 2011) represents its investment in capital assets (i.e., bridge, buses, ferries, buildings, improvements, and equipment), less the related debt outstanding used to acquire those capital assets. The District uses these capital assets to provide services to its patrons and passengers, and visitors to the Golden Gate Bridge. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves are unlikely to be used to liquidate liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

An additional portion of the District's net assets (1.9% at June 30, 2011) represents resources that are subject to external restrictions imposed by creditors (debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by laws through constitutional provisions or enabling legislation, that restrict the use of net assets. The remaining unrestricted net assets (25.1% at June 30, 2011) may be used to meet the District's capital and ongoing obligations.

FISCAL YEAR 2011 FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues increased by \$2.2 million (\$145.7 million in 2011 compared to \$143.5 million in 2010), most of which was attributable to increased Ferry transit ridership.
- Operating expenses before depreciation increased by \$10.3 million (\$149.7 million in 2011 compared to \$139.4 million in 2010), as the prior year included a one-time credit for general liability claims reserves. Workers compensation expense reflected increases for prior year claims, in addition to a spike in fuel costs. All other expenses were inflationary in nature.
- As a result of the above, operating losses before depreciation and other nonoperating revenue and expenses changed from a gain of \$4.1 million in 2010 to a loss of \$4 million in 2011. Depreciation decreased (\$21.1 million in 2011 compared to \$24.9 million in 2010) as the previous year reflected a one-time adjustment for prior year depreciation costs related to Bridge Seismic project (Phase II). As a result, operating loss before nonoperating revenues showed a loss of \$25.1 million in 2011 compared to a loss of \$20.8 million in 2010.
- Nonoperating net revenue increased to \$25.3 million in 2011 (compared to \$18.4 million in 2010). In addition to unanticipated State Transit Assistance (STA) grants, the District received \$4 million of a federal operating grant toward its Suicide Deterrent program.
- Capital contribution received in the form of grants from the Federal, State and Local governments decreased from \$55.4 million in 2010 to \$50.4 million in 2011 primarily as a result of the major purchase of twenty three 45' buses and seven 35' hybrid buses in the prior fiscal year. In addition, the District is involved in other major projects, including the implementation of the Asset and Fluid Management System and the Advanced Communication and Information System; replacement of San Rafael and Santa Rosa wash racks; acquisition, installation and transition to ticket vending machines at all three ferry terminals; repower and rehabilitation of three passenger ferry vessels; maintenance dredging of the berth and channels, and refurbishment of the utility system at Larkspur Ferry Terminal.

FISCAL YEAR 2010 FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues increased by \$3.7 million (\$143.4 million in 2010 compared to \$139.7 million in 2009), most of which was attributable to a base toll increase that had gone into effect for a portion of the prior year. Bridge traffic flow increased slightly, but was offset by decreases in transit ridership.
- Operating expenses before depreciation decreased by \$2.5 million (\$139.4 million in 2010 compared to \$141.9 million in 2009). Due to careful oversight of its self-insured loss programs for workers compensation and general liability, the District reduced its reserves to reflect actuarial data projections. All other expenses were inflationary in nature.
- As a result of the above, operating losses before depreciation and other nonoperating revenue and expenses changed from a loss of \$2.2 million in 2009 to a gain of \$4.1 million in 2010. Depreciation increased (\$24.9 million in 2010 compared to \$18.7 million in 2009) as the current year reflected a

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

one-time adjustment for prior year depreciation costs related to Bridge Seismic project (Phase II). Operating loss before nonoperating revenues and expenses was relatively flat, showing a loss of \$20.8 million in 2010 compared to a loss of \$20.9 million in 2009.

- Nonoperating net revenue decreased to \$18.4 million in 2010 (compared to \$25.0 million in 2009). As with most transit agencies, the District did not receive State Transit Assistance (STA) grants due to the severe economic conditions in California.
- Capital contribution received in the form of grants from the Federal, State and Local governments increased from \$28.3 million in 2009 to \$55.4 million in 2010 primarily as a result of the continuation of Phase III construction portion of the seismic retrofit of the Bridge. In addition, the District is involved in other major projects, including the purchase of twenty three 45' buses and seven 35' hybrid buses; repower and rehabilitation of three passenger ferry vessels; the replacement of San Rafael Data Center; the implementation of the Asset and Fluid Management System; and the Advanced Communication and Information System.

SUMMARY OF CHANGES IN NET ASSETS (In thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 145,710	\$ 143,470	\$ 139,735
Operating expenses	(149,697)	(139,387)*	(141,905)
Income (loss) before depreciation and other nonoperating revenue and expenses	(3,987)	4,083	(2,170)
Depreciation	(21,081)	(24,925)	(18,690)
Operating loss	(25,068)	(20,842)	(20,860)
Other nonoperating revenue and expenses, net	25,257	18,374	25,044
Income (loss) before capital contributions and special items	189	(2,468)	4,184
Capital contributions	50,414	55,372	28,287
Increase in Net Assets	<u>\$ 50,603</u>	<u>\$ 52,904</u>	<u>\$ 32,471</u>

*Expense decrease due to one-time credit for reduction in self-insured loss reserves.

DISTRICT TOLLS AND FARES

Golden Gate Bridge tolls are set by Board Policy and change when determined necessary by the Board. In July of 2008, the District Board approved a 20% increase in the auto cash Bridge toll to \$6.00 and a 25% increase in the FasTrak® toll to \$5.00, effective September 2, 2008. In July 2010, the District eliminated its free carpool program and implemented a car pool toll rate at 50% of the cash toll for 2-axle vehicles.

In April 2011, the Board approved the third five year plan to increase regional transit fares by 5% (to the nearest \$0.25) per year. The previous plan expired at the end of June 30, 2011. The annual fare increases will assist in meeting operating expenses and generating additional revenue through June 30, 2016.

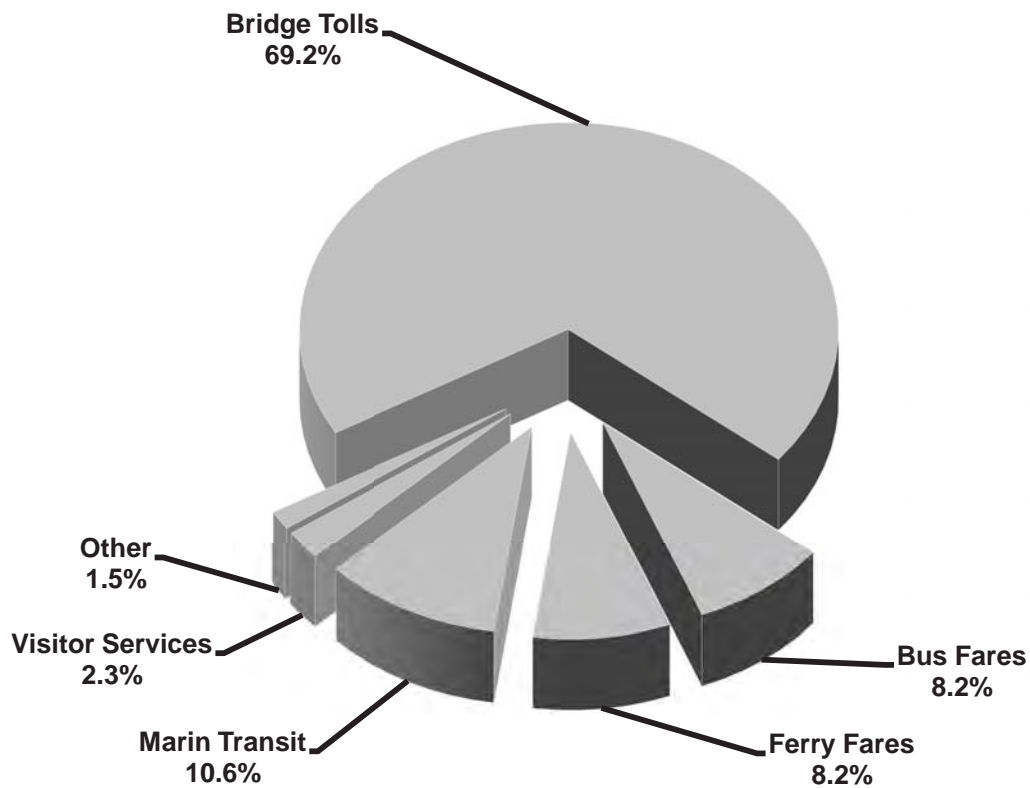
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

A summary of tolls and fares are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Average Bridge toll	\$5.28	\$5.21	\$5.09
Average bus fare-regional service	\$3.51	\$3.46	\$2.98
Average bus fare-local service under agreement with Marin Transit	\$0.96	\$0.98	\$1.01
Average bus fare - combined regional and local service	\$2.29	\$2.27	\$2.10
Average ferry fare	\$5.90	\$5.54	\$5.17

REVENUES

The following chart shows the major sources and the percentage of operating revenues for the year ended June 30, 2011 (tolls, transit fares, visitor services and other):



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

A summary of revenues for the years ended June 30, 2011 and 2010 and the amount and percentage of change in relation to prior year amounts (in thousands) is as follows:

	<u>2011 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2010</u>	<u>Percent Increase/ (Decrease)</u>
Operating Revenues:				
Bridge tolls	\$ 100,776	45.5%	\$ 207	0.2%
Bus fares	11,960	5.4%	210	1.8%
Ferry fares	11,979	5.4%	1,282	12.7%
Marin Transit contract	15,511	7.0%	(127)	(0.9%)
Visitor Services	3,352	1.5%	270	8.6%
Other	2,132	1.0%	398	14.2%
Total operating revenues	<u>145,710</u>	<u>65.8%</u>	<u>2,240</u>	<u>1.6%</u>
Nonoperating Revenues:				
Operating assistance	22,614	10.2%	9,667	57.1%
Investment income	2,789	1.3%	(2,845)	(32.4%)
Total nonoperating revenues	<u>25,403</u>	<u>11.5%</u>	<u>6,822</u>	<u>26.5%</u>
Capital contributions	50,414	22.7%	22,127	78.2%
Total Revenues	<u>\$ 221,527</u>	<u>100.0%</u>	<u>\$ 31,189</u>	<u>16.1%</u>

	<u>2010 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2009</u>	<u>Percent Increase/ (Decrease)</u>
Operating Revenues:				
Bridge tolls	\$ 100,569	50.7%	\$ 3,448	3.6%
Bus fares	11,750	6.9%	(54)	(0.5%)
Ferry fares	10,697	5.9%	630	6.3%
Marin Transit contract	15,638	8.3%	848	5.7%
Visitor Services	3,082	1.8%	(60)	(1.9%)
Other	1,734	1.4%	(1,077)	(38.3%)
Total operating revenues	<u>143,470</u>	<u>75.0%</u>	<u>3,735</u>	<u>2.7%</u>
Nonoperating Revenues:				
Operating assistance	12,947	11.7%	(3,978)	(23.5%)
Investment income	5,634	5.3%	(3,140)	(35.8%)
Total nonoperating revenues	<u>18,581</u>	<u>17.0%</u>	<u>(7,118)</u>	<u>(27.7%)</u>
Capital contributions	55,372	8.0%	27,085	95.8%
Total Revenues	<u>\$ 217,423</u>	<u>100.0%</u>	<u>\$ 23,702</u>	<u>12.2%</u>

The primary reason for the increase in revenues in 2011 was due to increased Ferry transit ridership resulting from the San Francisco Giants participation in National League Baseball postseason and World Series championship play and related postseason celebration activities. The District also received a one-time Federal grant to support the final design of its Suicide Deterrent Project along with

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

a carryover balance for Marin Transportation Development Act Funds. The District's investments continued to reflect the negative sentiment of the financial markets.

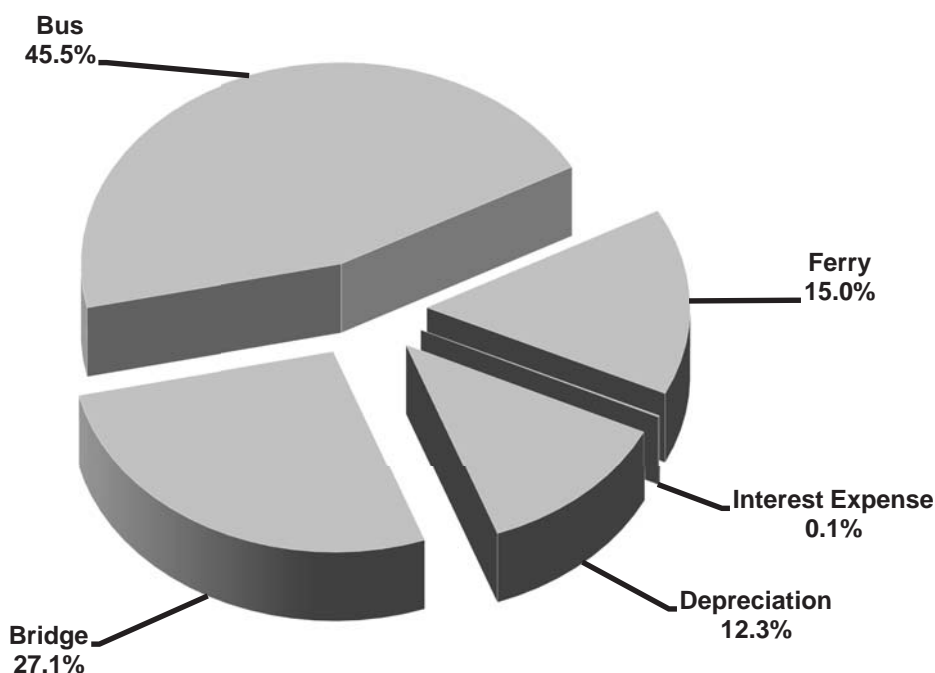
The District funds its operations with Bridge tolls, transit fares, government grants and other revenues from operations or investments. The operations of the Bridge Division produce a surplus of Bridge toll revenues that are used to subsidize transit operations. In addition, in years where there are not sufficient Bridge toll revenues to fully subsidize transit operations, funds are taken from District reserves to cover the shortfall. The reserves were funded with Bridge toll revenues from past years. The following table, which is derived from the Supplemental Schedule of Revenues and Expenses by Division (Non-GAAP Basis), records how the divisions were funded in fiscal year 2011. The table includes transfers to designated reserves in the amount of \$14.3 million to be used to fund capital projects and bridge self-insurance.

HOW THE DISTRICT WAS FUNDED IN FISCAL YEAR 2011 (In thousands)

Funding category	Bridge Division		Bus Transit Division		Ferry Transit Division		Combined Transit Divisions		District Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Bridge tolls	\$54,200	88%	\$33,200	41%	\$13,400	47%	\$ 46,600	42%	\$ 100,800	59%
Patron fares	-	-	12,000	15%	12,000	42%	24,000	22%	24,000	14%
Marin Transit	-	-	15,500	18%	-	0%	15,500	14%	15,500	9%
Other revenues	6,600	11%	1,200	2%	400	2%	1,600	1%	8,200	5%
Government grants	700	1%	19,300	24%	2,600	9%	21,900	20%	22,600	13%
District toll reserves	-	-	100	-	100	-	200	-	200	-
Total	\$61,500	100%	\$81,300	100%	\$28,500	100%	\$109,800	100%	\$ 171,300	100%

EXPENSES

The following chart shows the major cost centers and the percentage of expenses (excluding disposal of assets and special items) for the year ended June 30, 2011:



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Interest expense is related to the commercial paper notes issued to support the Golden Gate Bridge (Bridge) seismic retrofit project. Depreciation expense is divided among the various divisions and represents 49.3%, 35.9% and 14.8%, respectively (Bridge, Bus and Ferry divisions).

A summary of expenses for the years ended June 30, 2011 and 2010 and the amount and percentage of change in relation to prior year amounts (in thousands) is as follows:

	2011 Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent Increase/ (Decrease)
Operating Expenses:				
Bridge	\$ 46,260	27.1%	\$ 1,825	4.1%
Bus	77,804	45.5%	4,360	5.9%
Ferry	25,633	15.0%	4,125	19.2%
Total operating expenses	149,697	87.6%	10,310	7.4%
Nonoperating Expenses:				
Interest expense	183	0.1%	4	2.2%
Depreciation	21,081	12.3%	(3,844)	(15.4%)
(Gain)/loss on disposal of assets	(37)	(0.0%)	(65)	(100.0%)
Total nonoperating expenses	21,227	12.4%	(3,905)	(15.5%)
Total Expenses	\$ 170,924	100.0%	\$ 6,405	3.7%

	2010 Amount	Percent of Total	Increase/ (Decrease) From 2009	Percent Increase/ (Decrease)
Operating Expenses:				
Bridge	\$ 44,435	27.0%	\$ 423	1.0%
Bus	73,444	44.6%	134	0.2%
Ferry	21,508	13.1%	(3,075)	(12.5%)
Total operating expenses*	139,387	84.7%	(2,518)	(1.8%)
Nonoperating Expenses:				
Interest expense	179	0.1%	(572)	(76.2%)
Depreciation	24,925	15.2%	6,235	33.4%
(Gain)/loss on disposal of assets	28	0.0%	124	100.0%
Total nonoperating expenses	25,132	15.3%	5,787	29.9%
Total Expenses	\$ 164,519	100.0%	\$ 3,269	2.0%

*Expense decrease due to one-time credit for reduction in self-insured loss reserves.

The primary reason for the 3.7% increase in total expenses is attributed to unanticipated costs related to prior year reserve workers compensation claims with an escalation in fuel costs. All other expenses were inflationary in nature.

FINANCIAL STATEMENTS

The District's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The District is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction purposes. See the notes to the financial statements for a summary of the District's significant accounting policies.

In 2007, the Golden Gate Bridge, Highway and Transportation District Other Post Employment Benefits Trust (the Trust) was created to provide for the funding of retiree health benefits and other post-employment benefits other than pensions (OPEB) for the District's eligible retirees. Due to the close relationship between the District and the Trust, the District determined that the financial statements of the Trust should be included in the financial entity of the District.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During 2011, the District expended \$56.4 million, which is a reduction of \$3.8 million or 6.3% over the amount expended in 2010, on capital activities. This included the following major construction and procurement projects:

- Seismic retrofit projects (\$24.7 million).
- Maintenance dredging of Larkspur Ferry Terminal berths and channel (\$6.0 million).
- Rehabilitation of *M.V. Golden Gate* (formerly *M.V. Chinook*) and *M.V. Napa* (\$6.3 million).
- Replacement of the District's radio communication system (\$4.2 million).
- Installation of ticket vending machines at three ferry terminals (\$3.0 million).
- Replacement of San Rafael and Santa Rosa wash racks (\$2.0 million).
- Repower of *M.V. Del Norte* (\$1.4 million).
- Refurbishment of Larkspur Ferry Terminal utility system (\$1.1 million).

During 2011, completed projects totaling \$34.2 million, which is a decline of \$162.6 million over the amount completed in 2010, were closed from construction in progress to their respective capital accounts. The major completed projects included the purchase of twenty-three 45' buses and seven 35' hybrid buses (\$18.0 million), the implementation of the assets and vehicle fluid management system (\$3.7 million), the installation of ticket vending machines (\$3.2 million), the replacement of San Rafael Data Center (\$2.4 million) and the improvement of Toll Plaza pavement and access areas (\$2.2 million).

During 2010, the District expended \$60.2 million, which is an increase of \$24.2 million or 67.2% over the amount expended in 2009, on capital activities. This included the following major construction and procurement projects:

- Seismic retrofit projects (\$17.6 million).
- Purchase of twenty three 45' buses and seven 35' hybrid buses (\$17.1 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Rehabilitation of *M.V. Golden Gate* (formerly *M.V. Chinook*) and *M.V. Napa* (\$7 million).
- Replacement of the District's radio communication system (\$2.9 million).
- Repower of *M.V. Del Norte* (\$2.8 million).
- Improvement of Toll Plaza pavement and access areas (\$2 million).
- Replacement of San Rafael data center (\$1.7 million).
- Implementation of the asset and vehicle fluid management system (\$1.4 million).
- Design phase of the moveable median barrier (\$1.2 million).

During 2010, completed projects totaling \$196.8 million, which is an increase of \$193.8 million over the amount completed in 2009, were closed from construction in progress to their respective capital accounts. The major completed projects included the completion of the seismic retrofit of the south approach viaduct (\$184.3 million), the upgrade/replacement of the FasTrak system (\$3.2 million), the repower of *M.V. Mendocino* (\$3.2 million), and the improvement of Larkspur Ferry Terminal parking and access areas (\$2.1 million).

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including Federal grants, with matching State grants and District reserve funds, debt issuance, and District revenues. Additional information on the District's capital assets and commitments can be found in Note 4 (Capital Assets) in the financial statements.

DEBT ADMINISTRATION

On July 12, 2000, the District issued commercial paper notes in Series A and Series B in an amount of \$30.5 million for each series to provide funds for the Golden Gate Bridge (Bridge) seismic retrofit project and the renovation of main cables of the Bridge. The commercial paper notes are secured by a pledge of the District's revenues and two dedicated reserves, and additionally secured by a line of credit. Under this program, the District is able to issue commercial paper notes at prevailing interest rates for periods of maturity not to exceed 270 days. At June 30, 2011, \$61.0 million in commercial paper notes was outstanding and maturing within 20 to 127 days, with interest ranging from 0.12% to 0.25% (0.30% to 0.35% in 2010).

CREDIT RATINGS AND BOND ISSUANCE

Standard & Poor's and Fitch began rating the District in 2000 when the District issued commercial paper for the first time. The District has the highest credit rating (AA- and A+) in the nation for a single toll facility. These are implied credit ratings as the District has no outstanding long-term debt. Currently, the District has \$61 million in outstanding commercial paper and has no plans at this time to increase that amount.

In connection with the sale of the commercial paper, the District has secured a Line of Credit with J.P. Morgan to guarantee the payment of interest when due. As additional security, the District established both an Operating Reserve Fund and a Debt Service Reserve Fund.

Additional information on the District's commercial paper notes payable can be found in Note 5 (Commercial Paper Notes Payable) in the financial statements.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Auditor-Controller at Box 9000, Presidio Station, San Francisco, California 94129-0601 or visit www.goldengate.org.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010 (In thousands)**

	2011	2010
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 48,289	\$ 41,848
Investments	136,101	129,377
Capital and operating grants receivable	25,109	31,683
Accounts receivable	5,882	5,404
Maintenance inventories and supplies - average cost	4,640	4,394
Prepaid expenses	1,192	1,420
Total unrestricted assets	221,213	214,126
Restricted assets:		
Cash and cash equivalents	18,320	23,304
Total current assets	239,533	237,430
Noncurrent assets:		
Capital assets		
Nondepreciable capital assets:		
Land	6,650	6,650
Construction in progress	121,022	98,767
Total nondepreciable capital assets	127,672	105,417
Depreciable capital assets:		
Property and equipment:		
Bridge, related buildings and equipment	458,364	454,800
Bus transit property and equipment	137,828	119,273
Ferry transit property and equipment	94,172	97,878
Accumulated depreciation	(268,876)	(263,524)
Total depreciable capital assets	421,488	408,427
Total capital assets	549,160	513,844
Note receivable	555	577
Total noncurrent assets	549,715	514,421
Total Assets	\$ 789,248	\$ 751,851

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENTS OF NET ASSETS (Concluded)
JUNE 30, 2011 AND 2010 (In thousands)**

	<u>2011</u>	<u>2010</u>
Liabilities		
Current liabilities		
Payable from unrestricted assets:		
Trade accounts payable	\$ 10,585	\$ 23,643
Accrued liabilities	3,640	3,317
Deferred revenue	4,098	7,466
Accrued compensated absences	340	444
Contract retentions	5,163	3,253
Self-insurance liabilities	2,989	2,701
Commercial notes payable	61,000	61,000
Total current liabilities	<u>87,815</u>	<u>101,824</u>
Noncurrent liabilities		
Accrued compensated absences	7,505	7,587
Self-insurance liabilities	25,022	24,137
Total noncurrent liabilities	<u>32,527</u>	<u>31,724</u>
Total Liabilities	<u>120,342</u>	<u>133,548</u>
Net Assets:		
Invested in capital assets, net of related debt	488,159	452,844
Restricted		
Debt service requirements	12,791	12,791
Unrestricted		
Bridge grant projects	3,996	4,636
Transit grant projects	1,850	8,608
Unrestricted reserves	162,110	139,424
Total Net Assets	<u><u>\$ 668,906</u></u>	<u><u>\$ 618,303</u></u>

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010 (IN THOUSANDS)**

	2011	2010
Operating Revenues:		
Bridge tolls	\$ 100,776	\$ 100,569
Transit fares	23,939	22,447
Marin Transit revenues	15,511	15,638
Visitor Services revenues	3,352	3,082
Other operating revenues	2,132	1,734
Total operating revenues	145,710	143,470
Operating Expenses:		
Operations	82,676	78,107
Maintenance	35,020	32,907
General and administrative	32,001	28,373
Depreciation	21,081	24,925
Total operating expenses	170,778	164,312
Operating Loss	(25,068)	(20,842)
Nonoperating Revenues (Expenses):		
Operating Assistance:		
State operating assistance	14,999	9,858
Federal operating assistance	4,717	50
Local operating assistance	2,898	3,039
Total operating assistance	22,614	12,947
Investment income	2,789	5,634
Interest expense	(183)	(179)
Gain (Loss) on disposal of capital assets	37	(28)
Total nonoperating revenues	25,257	18,374
Income (Loss) before Capital Contributions	189	(2,468)
Capital Contributions	50,414	55,372
Net Increase In Net Assets	50,603	52,904
Net Assets, beginning of year	618,303	565,399
Net Assets, end of year	\$ 668,906	\$ 618,303

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010 (IN THOUSANDS)**

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 141,402	\$ 146,928
Cash payments to suppliers for goods and services	(108,165)	(66,460)
Cash payments to employees for services	(59,930)	(70,502)
Net cash used in operating activities	<u>(26,693)</u>	<u>9,966</u>
Cash Flows From Noncapital Financing Activities:		
Operating grants received	<u>17,006</u>	<u>13,514</u>
Cash Flows From Capital and Related Financing Activities		
Capital contributions received	62,596	35,419
Interest paid	(183)	(179)
Proceeds from disposal of capital assets	37	-
Purchase of capital assets	(47,587)	(53,211)
Net cash provided for (used in) capital and related financing activities	<u>14,863</u>	<u>(16,372)</u>
Cash Flows From Investing Activities:		
Net proceeds (purchases) of investment securities	(8,348)	6,967
Investment income received	4,629	5,412
Net cash (used in) provided by investing activities	<u>(3,719)</u>	<u>12,379</u>
Net (Decrease) Increase In Cash And Equivalents	1,457	19,487
Cash and Equivalents, beginning of year	65,152	45,665
Cash and Equivalents, end of year	<u><u>\$ 66,609</u></u>	<u><u>\$ 65,152</u></u>

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENTS OF CASH FLOWS (CONCLUDED)
YEARS ENDED JUNE 30, 2011 AND 2010 (IN THOUSANDS)**

	2011	2010
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities:		
Operating loss	\$ (25,068)	\$ (20,842)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	21,082	24,925
Effect of changes in:		
Accounts receivable	(695)	(570)
Prepaid expenses	226	461
Inventory and supplies	(246)	(151)
Other assets	22	619
Trade accounts payable	(19,958)	6,008
Accrued liabilities	324	(760)
Deferred revenue	(3,368)	4,178
Accrued compensated absences	(186)	137
Self-insurance liabilities	1,174	(4,039)
Net cash (used in) provided for operating activities	\$ (26,693)	\$ 9,966
Supplemental disclosures of cash flow information:		
Noncash investing activities:		
Increase (decrease) in fair value of investments	\$ (4,412)	\$ 17

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
OTHER POST EMPLOYMENT BENEFITS TRUST
STATEMENT OF TRUST NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2011 AND 2010 (IN THOUSANDS)**

	<u>2011</u>	<u>2010</u>
Assets		
Investments		
Cash and cash equivalents	\$ 493	\$ 226
Mutual funds	24,724	15,925
Total Assets	<u>25,217</u>	<u>16,151</u>
Liabilities		
Accounts payable	168	321
Net Assets		
Restricted	25,049	15,830
Total Net Assets	<u>\$ 25,049</u>	<u>\$ 15,830</u>

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
OTHER POST EMPLOYMENT BENEFITS TRUST
STATEMENT OF CHANGES IN TRUST NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010 (IN THOUSANDS)**

	<u>2011</u>	<u>2010</u>
Additions:		
Employer contributions	\$ 14,851	\$ 14,357
Net investment income:		
Net appreciation/(depreciation) on investments	1,567	591
Investment earnings	2,232	928
Total net investment income	<u>3,799</u>	<u>1,519</u>
Total Additions	<u>18,650</u>	<u>15,876</u>
 Deductions		
Other benefits paid to participants	9,344	9,570
Administrative expenses	87	74
Total Deductions	<u>9,431</u>	<u>9,644</u>
 Increase in Plan Assets	9,219	6,232
 Net Assets		
Beginning of year	15,830	9,598
End of year	<u>\$ 25,049</u>	<u>\$ 15,830</u>

See accompanying notes to the financial statements.

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010

(1) ORGANIZATION

The Golden Gate Bridge, Highway and Transportation District (District) is a political subdivision of the State of California created by the legislature in 1923 and subject to regulation under the Bridge and Highway District Act, as amended. The District operates the Golden Gate Bridge, operates bus service primarily in Marin, San Francisco and Sonoma counties and operates ferry service between Marin and San Francisco counties. The disbursement of funds received by the District is controlled by statute and by provisions of various grant contracts entered into with the federal government, the State of California and certain counties within the District. The District is based in San Francisco and consists of three operating divisions, Bridge (including Visitor Services), Bus and Ferry, and an administrative District Division. The District Division has no revenue and all District Division expenses are allocated to general and administrative expenses of the other Divisions.

The accompanying basic financial statements also include the financial activities of the Golden Gate Bridge, Highway and Transportation District Other Post Employment Benefits Trust (the Trust) as a blended component unit. The Trust is a legally separate organization. The financial activities of the Trust are included in the basic financial statements because they serve exclusively the employees of the District and are governed by the District's Board. Due to the fact the Trust is fiscally dependent on the District; it is considered a trust fund by the District.

(2) SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The District's reporting entity includes all activities of the District and its blended component unit.

Basis of Accounting – The District accounts for its activities in the enterprise and fiduciary funds and maintains their records on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The District has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash Equivalents – The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents (See Note 3).

Investments – are stated at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools (see Note 3). Statutes authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities; certificates of deposit; commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances; repurchase agreements; reverse repurchase agreements; and the State Treasurer's investment pool.

Restricted Assets – consist of monies and other resources which are restricted legally as described below:

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

Operating Reserve Fund – These assets are restricted for the Bridge Division operating expenses and principal of and interest on the 2000 commercial paper notes which must be at least equal to the lesser of \$12,000,000 or 12% of the principal amount of all notes then outstanding.

Debt Service Reserve Fund – These assets represent the 2000 commercial paper notes proceeds held in Debt Reserve Account which must be at least equal to the lesser of 125% of average annual debt service on all notes then outstanding or 10% of the principal amount of all notes then outstanding.

Capital Assets – The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Major additions and replacements are capitalized. Maintenance, repairs and additions of a minor nature are expensed as incurred. The costs of acquisition and construction of equipment and facilities are recorded in construction in progress until such assets are completed and placed in service, at which time the District commences recording depreciation expense.

Depreciation – is calculated on the straight-line method over the estimated useful lives of the assets, as follows:

Bridge structural components.....	100 years
Bridge buildings, toll plaza structure, deck, approach roadways and sidewalks.....	20 - 50 years
Buses.....	12 - 16 years
Ferry vessels	25 - 30 years
Visitor services and other transit properties	5 - 50 years

Capitalization of Interest – Interest costs incurred that relate to the acquisition or construction of property and equipment acquired with tax-exempt debt is capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project. No interest was capitalized for the years ended June 30, 2011 and 2010.

Operating Assistance Grants – are recorded as revenue when earned.

Capital Contributions – The District has grant contracts with the U.S. Department of Transportation through the Federal Transit Administration for certain capital improvements. Federal Transit Administration funds are used to replace and improve the District’s buses, ferries and transit facilities. The District also has contracts with Caltrans for State Transportation Program funds and with Bay Area Air Quality Management District for Carl Moyer funds, which are used either to match Federal Transit Administration grants or to fund transit improvement projects. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for property and equipment acquisition and facility development and rehabilitation are reported in the statement of revenues, expenses and changes in net assets, after nonoperating revenues and expenses as capital contributions.

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

The District's capital contributions for the years ended June 30, 2011 and 2010 are as follows (in thousands):

	<u>Bridge Division</u>	<u>Bus Division</u>	<u>Ferry Division</u>	<u>Total</u>
Capital contributions in fiscal year 2011:				
U.S. Department of Transportation	\$ 25,114	\$ 4,611	\$ 14,536	\$ 44,261
U.S. Department of Homeland Security	-	161	241	402
National Science Foundation	574	-	-	574
State Transportation Program	3	412	596	1,011
I-Bond	-	2,412	-	2,412
Carl Moyer Funds	-	-	74	74
Local Assistance	5	(46)	1,721	1,680
Total capital contributions	<u>\$ 25,696</u>	<u>\$ 7,550</u>	<u>\$ 17,168</u>	<u>\$ 50,414</u>
Capital contributions in fiscal year 2010:				
U.S. Department of Transportation	\$ 19,551	\$ 18,871	\$ 8,623	\$ 47,045
U.S. Department of Homeland Security	-	23	127	150
National Science Foundation	518	-	-	518
State Transportation Program	1,112	2,541	672	4,325
Carl Moyer Funds	-	-	2,942	2,942
Local Assistance	189	89	114	392
Total capital contributions	<u>\$ 21,370</u>	<u>\$ 21,524</u>	<u>\$ 12,478</u>	<u>\$ 55,372</u>

Compensated Absences – Accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue to employees.

Operating Revenues and Expenses – consists of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of bridge tolls, transit fares and visitor services sales. Effective with the renegotiated contract entered into in April 2006 with Marin Transit, the fare revenues for the Marin local bus service lines and the related revenues from Marin County's state and local funding sources are classified as operating revenues. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Assets – comprise the various net earnings from operating income, nonoperating revenues, expenses and capital contributions. Net assets are classified into the following three components:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of external constraints imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net assets.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Pension Plans – The District participates in several pension plans covering all employees. Certain union members are covered under single employer or multi-employer plans while other union and non-union employees participate in the State of California’s Public Employees’ Retirement System. Pension contributions are based on rates established by negotiated labor contracts or by the actual plans. The District’s policy is to fund pension costs as accrued.

Use of Estimates – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

(3) CASH AND INVESTMENTS

The District maintains cash and investments that are available for general use subject to prior Board designations and debt covenant restrictions. At June 30, cash and investments are comprised of the following (in thousands):

	<u>2011</u>	<u>2010</u>
Reported as:		
Unrestricted:		
Cash and cash equivalents	\$ 48,289	\$ 41,848
Investments	136,101	129,377
Total unrestricted cash and investments	<u>184,390</u>	<u>171,225</u>
Restricted:		
Cash and cash equivalents	18,320	23,304
Total cash and investments	<u>\$ 202,710</u>	<u>\$ 194,529</u>

Deposits – Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The California Government Code Section 53600 requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District’s deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the District’s total deposits. Such collateral is considered to be held in the District’s name. As of June 30, 2011 (and 2010), of the District’s bank balance of \$6,822,000 (2010, \$7,760,000) approximately \$6,220,000 (2010, \$7,260,000) is uninsured but is collateralized in conformance with the California Government Code.

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

Investments

At June 30, 2011 and 2010, cash and investments excluding the OPEB Trust Fund investments, were comprised of the following (in thousands):

Investments	June 30, 2011			June 30, 2010		
	Fair Value	Less than 1 year	1-5 Years	Fair Value	Less than 1 Year	1-5 Years
Federal Agency Notes	\$ 68,190	\$ 21,432	\$ 46,758	\$ 60,451	\$ 5,247	\$ 55,204
Federal Agency Notes (Callable)	-	-	-	35,386	-	35,386
Certificate of Deposit	5,007	5,007	-	-	-	-
US Treasury Notes	5,119	-	5,119	848	848	-
Municipal Bonds	-	-	-	2,995	2,995	-
Medium-term Corporate Notes	52,219	14,014	38,205	32,692	18,393	14,299
Commercial Paper	24,422	24,422	-	20,040	20,040	-
State Treasurer's Investment Pool	45,658	45,658	-	37,762	37,762	-
Federal Obligation Mutual Funds	1	1	-	931	931	-
	<u>200,616</u>	<u>\$ 110,534</u>	<u>\$ 90,082</u>	<u>191,105</u>	<u>\$ 86,216</u>	<u>\$ 104,889</u>
Cash and deposits						
Demand deposits	2,014			3,389		
Cash on hand	80			35		
Total cash and investments	<u>\$ 202,710</u>			<u>\$ 194,529</u>		

At June 30, 2011 and 2010 the OPEB Trust Fund cash and investments were comprised of the following (in thousands):

Investments	June 30, 2011			June 30, 2010		
	Fair Value	Less than 1 year	1-5 Years	Fair Value	Less than 1 Year	1-5 Years
Mutual Funds - Equity	\$ 15,482	\$ 15,482	\$ -	\$ 8,895	\$ 8,895	\$ -
Mutual Funds - Fixed Income	9,242	9,242	-	7,030	7,030	-
	<u>24,724</u>	<u>\$ 24,724</u>	<u>\$ -</u>	<u>15,925</u>	<u>\$ 15,926</u>	<u>\$ -</u>
Cash and deposits						
Demand deposits	493			226		
Total OPEB Trust Cash and Investments	<u>\$ 25,217</u>			<u>\$ 16,151</u>		

Interest Rate Risk – Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. State law limits investment maturities to five years as a means of managing entities' exposure to fair value losses arising from increasing interest rates. In addition, the District limits eligible commercial paper to have a maximum maturity of 270 days or less. The District invests in callable Federal Agency notes as noted above. These issues are sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

Credit Risk – The District’s investment policy limits corporate commercial paper and medium-term corporate notes investments as follows:

Corporate commercial paper rated in the highest short-term category, as rated A-1 by Standard and Poor’s Corporation or P-1 by Moody’s Commercial Paper Record; provided that the issuing corporation is organized and operating within the United States, has total assets of \$500 million and has an “A” or higher rating for its long-term debt.

Medium-term corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any State and operating within the United States may be purchased. These notes are to be rated at a level of “A”, its equivalent or better by a nationally recognized rating service.

As of June 30, 2011 and 2010, the District held investments with the following Standard and Poor’s Corporation ratings and amounts (in thousands):

Investment	Rating	2011	2010
Corporate commercial paper	A-1+	\$ 11,077	\$ 15,483
Corporate commercial paper	A-1	13,344	4,558
Medium-term corporate notes	AAA	8,802	9,014
Medium-term corporate notes	AA+	8,105	5,110
Medium-term corporate notes	AA	6,438	-
Medium-term corporate notes	AA-	8,471	5,284
Medium-term corporate notes	A+	12,064	5,208
Medium-term corporate notes	A	8,339	8,074
Certificate of Deposit	A-1+	5,007	-
Federal Agency Notes	AAA	68,191	95,838
Municipal Bonds	AA+	-	2,995
Treasury Note	Exempt	5,119	848
LAIF	Unrated	45,658	37,762
Mutual Funds	Unrated	1	931
Total		\$ 200,616	\$ 191,105

As of June 30, 2011 and 2010, the District’s investment in the State Treasurer’s investment pool (LAIF) is \$45,658,000 and \$37,762,000, respectively. The total amount invested by all public agencies in LAIF at those dates is \$23,983,772,000 and \$23,263,615,000, respectively. LAIF is part of the State of California Pooled Money Investment Account (PMIA). Of the total invested in PMIA, 94.99% and 94.58% is invested in non-derivative financial products and 5.01% and 5.42% in structured notes and asset-backed securities as of June 30, 2011 and 2010, respectively. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District’s position in the pool. The District’s investment in LAIF is unrated.

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

Concentration of Credit Risk – The District limits the purchase of medium-term corporate notes to not exceed 30% of the District’s surplus money. At June 30, 2011 and 2010, these investments are 26% and 17%, respectively, of the District’s total investments. At June 30, 2011 and 2010, the District holds more than 5% of the District’s investments in the following issuers:

Investment	2011	2010
Federal Home Loan Bank	21.78%	26.00%
Federal National Mortgage Association	7.25%	5.30%
Federal Farm Credit Banks	2.85%	5.64%
Federal Home Loan Mortgage Corporation	2.12%	13.20%

4) CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2011 and 2010 was as follows (in thousands):

	Balance July 1, 2010	Additions	Reductions/ Adjustments	Transfers	Balance June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 6,650	\$ -	\$ -	\$ -	\$ 6,650
Construction in progress	98,767	56,407	(34,152)	-	121,022
Total capital assets, not being depreciated	<u>105,417</u>	<u>56,407</u>	<u>(34,152)</u>	<u>-</u>	<u>127,672</u>
Capital assets, being depreciated:					
Bridge, related buildings and equipment	454,800	7,095	(3,580)	50	458,365
Bus transit property and equipment	119,273	22,232	(3,667)	(10)	137,828
Ferry transit property and equipment	97,878	4,825	(8,492)	(40)	94,171
Total capital assets, being depreciated	<u>671,951</u>	<u>34,152</u>	<u>(15,739)</u>	<u>-</u>	<u>690,364</u>
Accumulated depreciation					
Bridge, related buildings and equipment	(119,847)	(10,947)	3,572	(40)	(127,262)
Bus transit property and equipment	(80,377)	(7,187)	3,666	(11)	(83,909)
Ferry transit property and equipment	(63,300)	(2,948)	8,492	51	(57,705)
Less accumulated depreciation	<u>(263,524)</u>	<u>(21,082)</u>	<u>15,730</u>	<u>-</u>	<u>(268,876)</u>
Total capital assets, being depreciated, net	<u>408,427</u>	<u>13,070</u>	<u>(9)</u>	<u>-</u>	<u>421,488</u>
Total capital assets, net	<u>\$ 513,844</u>	<u>\$ 69,477</u>	<u>\$ (34,161)</u>	<u>\$ -</u>	<u>\$ 549,160</u>

	Balance July 1, 2009	Additions	Reductions/ Adjustments	Transfers	Balance June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 6,650	\$ -	\$ -	\$ -	\$ 6,650
Construction in progress	235,391	60,168	(196,792)	-	98,767
Total capital assets, not being depreciated	<u>242,041</u>	<u>60,168</u>	<u>(196,792)</u>	<u>-</u>	<u>105,417</u>
Capital assets, being depreciated:					
Bridge, related buildings and equipment	269,429	186,003	(591)	(41)	454,800
Bus transit property and equipment	114,400	4,917	(83)	39	119,273
Ferry transit property and equipment	92,036	5,872	(32)	2	97,878
Total capital assets, being depreciated	<u>475,865</u>	<u>196,792</u>	<u>(706)</u>	<u>-</u>	<u>671,951</u>
Accumulated depreciation					
Bridge, related buildings and equipment	(106,131)	(14,315)	571	28	(119,847)
Bus transit property and equipment	(74,116)	(6,330)	83	(14)	(80,377)
Ferry transit property and equipment	(59,017)	(4,280)	11	(14)	(63,300)
Less accumulated depreciation	<u>(239,264)</u>	<u>(24,925)</u>	<u>665</u>	<u>-</u>	<u>(263,524)</u>
Total capital assets, being depreciated, net	<u>236,601</u>	<u>171,867</u>	<u>(41)</u>	<u>-</u>	<u>408,427</u>
Total capital assets, net	<u>\$ 478,642</u>	<u>\$ 232,035</u>	<u>\$ (196,833)</u>	<u>\$ -</u>	<u>\$ 513,844</u>

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

Construction in progress consists of the following projects at June 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Bridge Seismic Design Review III	\$ 7,266	\$ 5,722
Bridge Seismic Phase IIIA	57,748	34,572
Bridge science education	1,204	574
Bridge main cable restoration	892	819
Bridge toll plaza transfer point/pavement	-	2,271
Bridge all electronic toll conversion	627	-
Bridge movable median barrier	1,831	1,416
Bridge south approach improvement	614	517
Bridge suicide deterrent study	1,973	1,968
District asset and fluid management systems	232	3,589
Ferry purchase and refurbishment of two vessels	18,017	11,693
Ferry Larkspur terminal channel dredging	6,733	702
Ferry major component rehabilitation	798	12
Ferry repowering of two vessels	6,520	5,083
Ferry bathroom and access improvement	-	524
Ferry utility refurbishment	1,322	230
Ferry gangway design	1,308	659
Bus replacement	-	17,086
Bus data center	-	2,259
Bus roof replacement	793	840
Bus wash rack	2,360	320
Bus communication and information system	7,697	3,508
Bus administration building HVAC replacement	-	927
Other	3,087	3,476
Total construction in progress	<u>\$ 121,022</u>	<u>\$ 98,767</u>

At June 30, 2011 and 2010, the District had commitments of approximately \$60,919,000 and \$84,633,000 respectively, for bridge-related projects and approximately \$23,729,000 and \$29,956,000 for other projects.

(5) COMMERCIAL PAPER NOTES PAYABLE

On July 12, 2000, the District issued commercial paper notes Series A and Series B in an amount of \$30,500,000 for each series to provide funds for the Golden Gate Bridge seismic retrofit project and the renovation of main cables of the Bridge. The commercial paper notes are secured by a pledge of the District's revenues and additionally secured by a line of credit. Under this program, the District is able to issue commercial paper notes at prevailing interest rates for periods of maturity not to exceed 270 days. There has been no change in the debt balance since inception of the program. At June 30, 2011, \$61,000,000 in commercial paper notes was outstanding and maturing within 20 to 127 days, with interest ranging from 0.12% to 0.25%.

(6) CAPITAL GRANTS PASSED-THROUGH TO MTC

For the years ended June 30, 2011 and 2010 the District passed through its Federal capital assistance allocation to the Metropolitan Transportation Commission (MTC) \$16,140,000 (2010, \$9,338,000) and Marin Transit \$117,000 (2010, \$1,382,000). These amounts were not recorded in the financial statements because the District served as only a cash conduit to MTC and Marin Transit.

(7) OPERATING ASSISTANCE

The District receives operating assistance from various federal, state and local sources. Transportation Development Act funds are received from the State through Marin and Sonoma Counties to meet, in part, the District's operating requirements based on annual claims filed by the District and approved by MTC. Federal funds are distributed to the District by the Federal Transit Administration after approval by MTC. The District also receives Marin Transit local funds and other amounts of assistance from other State agencies.

Operating assistance is summarized as follows for the years ended June 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Transportation Development Act	\$ 12,874	\$ 12,368
less Marin Transit portion	(3,293)	(3,236)
Federal Transit Administration	4,514	50
Department of Homeland Security	203	-
State Transit Assistance	5,942	438
less Marin Transit portion	(1,091)	(149)
Regional Measure 2	2,493	2,493
CalTrans	720	437
Other	252	546
Total operating assistance	<u>\$ 22,614</u>	<u>\$ 12,947</u>

(8) PENSION PLANS

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT FUND

Plan Description – All permanent District employees (except bus and ferry operators and deckhands) are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System (CalPERS). The Fund is an agent multi-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on employees' age, years of service, and the highest year's compensation. Employees vest after five years of service and may receive retirement benefits commencing at age 50. These benefit provisions and all other requirements are established by state statute. A stand-alone report for the District's plan is not available; however, CalPERS' annual financial report can be found on their website www.calpers.ca.gov.

Funding Policy – In May 2007, the District amended the plan from 2% of highest compensation at 55 to 2.5% at 55. As a result, active plan members in CalPERS are now required to contribute 8.0% of their annual covered salary. In addition, the District is required to make contributions at an actuarially determined rate. Based on the actuarial valuation, the contribution rate was 16.372%, 16.188%, and

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

16.656%, for fiscal years 2011, 2010, and 2009, respectively. The contribution requirements of plan members and the District are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost – For fiscal years ended June 30, 2011, 2010, and 2009, the District’s annual pension costs for CalPERS was \$8,927,000, \$8,937,000, and \$9,038,000, respectively and equaled 100% of the employer-required contributions. The required contribution for the year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuations, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 3-year period. CalPERS unfunded actuarial accrued liability is being amortized as a percentage of projected payroll on a closed period basis. The amortization period as of June 30, 2008 is 20 years.

Funding Status and Progress – As of June 30, 2010, the recent actuarial valuation date, the plan was 82% funded. The actuarial accrued liability was \$302,384,000 and the actuarial value of assets was \$247,917,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$54,467,000. The covered payroll amount was \$37,174,000 which resulted in a 146.5% UAAL percentage of covered payroll. The schedule of funding progress is presented in the required supplementary information following the notes to the financial statements. The following depicts the funding progress for the two most recent actuarial valuation dates:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
6/30/09	\$ 238,047	\$ 295,119	\$ (57,072)	80.7%	\$ 36,288	(157.3%)
6/30/10	247,917	302,384	(54,467)	82.0%	37,174	(146.5%)

GOLDEN GATE TRANSIT - AMALGAMATED RETIREMENT PLAN

The District’s Bus Operators participate in the Golden Gate Transit - Amalgamated Retirement Plan (the Plan). The Plan is a union/management jointly administered single employer governmental pension plan. The District’s contributions to the Plan are based on collective bargaining agreements negotiated every three years with union representatives. The Plan provides retirement, death and disability benefits based on employees’ age, years of service and average compensation. Employees may receive normal retirement benefits based on a pre-determined formula.

Actual pension cost for the Plan was \$3,510,000, \$3,430,000, and \$3,242,000 for the years ended June 30, 2011, 2010, and 2009, respectively and equaled 100% of the employer-required contributions.

OTHER RETIREMENT PLANS

The District’s ferry operators and deckhands participate in the Inlandboatmen’s Union of the Pacific National Pension Plan (Inlandboatmen’s) or the MEBA Towboat Operators Pension Trust (MEBA). Inlandboatmen’s and MEBA are union-administered cost-sharing multiple-employer defined contribution pension plans in which the District is a participant.

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

Annual pension cost for the Inlandboatmen's plan was \$356,000, \$293,300, and \$312,000 for the years ended June 30, 2011, 2010, and 2009, respectively. The District contributed to Inlandboatmen's 14.6%, 15.1%, and 12.6% of payroll for covered employees for the years ended June 30, 2011, 2010, and 2009, respectively and equaled 100% of the employer-required contributions. The District's covered payroll for employees participating in this plan was \$2,238,000, \$2,000,000, and \$2,077,000 for the years ended June 30, 2011, 2010, and 2009, respectively.

Annual pension cost for the MEBA plan was \$116,000, \$117,000, and \$113,000 for the years ended June 30, 2011, 2010, and 2009, respectively. The District contributed to MEBA 8.3%, 8.3%, and 9.3% of payroll for covered employees for the years ended June 30, 2011, 2010, and 2009, respectively and equaled 100% of the employer-required contributions. The District's covered payroll for employees participating in this plan was \$1,522,000, \$1,413,000, and \$1,367,000 for the years ended June 30, 2011, 2010, and 2009, respectively.

(9) POSTEMPLOYMENT HEALTH CARE PLAN AND OPEB OBLIGATION

Plan Description – In August 2007, the District's Board of Directors adopted the Golden Gate Bridge Highway and Transportation District OPEB Trust (Trust) and created the Golden Gate Bridge, Highway and Transportation OPEB Retirement Investment Trust Board to oversee the assets of the Trust. The Trust is irrevocable and is exempt from federal and state income taxes under Internal Revenue Code Section 115. The sole purpose of the Trust is to provide funds to pay postemployment benefits to qualified retirees and their surviving spouse/domestic partner. Benefit allowance provisions are established through employment agreements and memoranda of understanding (MOUs) between the District and its employees. As a separate entity from the District, the Trust's assets are not available to any District's creditors.

For employees (other than Bus Operators) hired on or after August 9, 1991, the benefits are provided to retiree and dependent coverage based on age plus years of services as follow: 1) the District does not contribute toward the cost of postemployment health benefits for retirees whose combination of age and number of years of service amounts to less than 70 points; 2) the retiree contributes the normal contribution paid by all retirees plus 30% of the COBRA rates for the coverage they select if their combination of age and number of years of service falls within 70-74 points; 3) the retiree contributes the normal contribution paid by all retirees plus 20% of the COBRA rates for the coverage if their combination of age and number of years of service falls within 75-79 points; and 4) the retiree contributes the normal contribution paid by all retirees if their combination of age and number of years of service is equal to or over 80 points.

The benefits are also provided to all employees, (other than Bus Operators) hired between July 1, 1983 through August 8, 1991, who retire from the District on or after attaining age 55 with at least 10 years of service. For those employees age 55 with at least 15 years of service, survivor and dependent care benefits are also received. If the employee began employment at the District prior to January 1, 1983, the benefits are provided on or after attaining age 50 with at least 5 years of service. Currently 427 retirees meet the eligibility requirements.

The Bus Operator retiree medical benefits plan is governed by separate provisions in the MOU between the District and the Amalgamated Transit Union and the Union pension plan document. Currently, 305 retirees meet the eligibility requirements for Bus Operator retiree.

For Bus Operator employees with a seniority date of March 1, 2008, or earlier, the benefits are provided to retiree and dependent coverage upon attainment of age 65; or attainment of age 55 with 15

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

years of service; or accumulation of 20 years of service and 80 points (age plus years of service; or attainment of age 50 and 25 years of service).

For Bus Operator employees with a seniority date of March 1, 2008, or later, the same benefits are provided as above, except for those who retire at age 65 with less than 10 years of full-time seniority. These employees will be able to purchase health care benefits coverage for themselves and eligible dependents at a percentage of the COBRA rates based upon the following sliding scale:

- Less than 5 years of full-time seniority: 100% of COBRA.
- 5 years of full-time seniority: 50% of COBRA.
- 6 years of full-time seniority: 40% of COBRA.
- 7 years of full-time seniority: 30% of COBRA.
- 8 years of full-time seniority: 20% of COBRA.
- 9 years of full-time seniority: 10% of COBRA.

Funding Policy – The District’s contribution to the plan for the year ended June 30, 2011, 2010 and 2009 was based on the actuarial valuation as of July 1, 2010, 2009 and 2008. These valuations provide an estimate of the District’s unfunded liability and the annual required contribution (ARC) to be used by the District to fully fund the Trust. It is the District’s intent to fully fund each year’s ARC.

Funding Status and Progress – As of July 1, 2009, the plan was 5.4% funded. The actuarial accrued liability was \$182,930,000 and the actuarial value of assets was \$9,819,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$173,110,000. The covered payroll amount was \$51,415 which resulted in a 336.7% UAAL percentage of covered payroll. As of July 1, 2010 the recent actuarial valuation date, the plan was 7.9% funded. The actuarial accrued liability was \$191,719,000 and the actuarial value of assets was \$15,527,000 which resulted in an unfunded actuarial accrued liability (UAAL) of \$176,461,000. The covered payroll amount was \$53,086 which resulted in a 332.4% UAAL percentage of covered payroll. The schedule of funding progress is presented in the required supplementary information following the notes to the financial statements.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the past two years, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the plan:

	2011	2010
Annual required contribution	\$ 14,851,000	\$ 14,317,000
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	14,851,000	14,317,000
Contributions made	(14,851,000)	(14,317,000)
Increase in net OPEB obligation	-	-
Net OPEB obligation, beginning of year	-	-
Net OPEB obligation, end of year	\$ -	\$ -

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Year Ended June 30	Annual Required Contribution	Amount Contributed	Percentage Contributed	Net OPEB Obligation
2011	\$ 14,851,000	\$ 14,851,000	100%	\$ -
2010	14,317,000	14,317,000	100%	-
2009	13,948,000	13,948,000	100%	-

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and its plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and its plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal (EAN) cost method was used in the July 1, 2009, actuarial valuation. Actuarial assumptions used included 7.75% percent investment rate of return on Trust investments, health-care cost trend rates ranging from an initial rate range of 9.5% to 4.5% reduced by decrements to an ultimate rate of 4.5% percent after eight years. The level percent of payroll is used to calculate the Unfunded Actuarial Accrued Liability (UAAL) amortization. The remaining amortization period at July 1, 2009 was 28 years.

(10) SELF-INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and patrons; natural disasters; employee, retiree and dependent health benefits. The District is self-insured for its health benefits, general liability, workers' compensation, Bridge physical use and occupancy, auto liability and public transportation liabilities. The District has set aside assets for claim settlements associated with the above risks of loss up to certain limits. In April 2006, the District did not renew its Bridge Physical Use and Occupancy policy and became self-insured. As a result, the District has designated \$7.1 million in net assets as of June 30, 2011 for Bridge self-insurance. The District also adjusted the Property (earthquake/flood) and Marine coverage to better represent the potential liability.

Self-insurance and limits are as follows:

<u>Type of Coverage</u>	<u>Self-Insurance</u>	<u>Excess Coverage</u>
General/Vehicle Liability	\$2,000,000 per occurrence	\$110,000,000
Workers' Compensation	\$1,000,000 per claim	\$25,000,000 (statutory limits)
Health Benefits	\$1,000,000 per individual	\$175,000 stop loss; \$1,000,000 lifetime
Property (earthquake/fire)	\$250,000 (5% per structure)	\$20,000,000 earthquake; \$125,000,000 fire
Ferry Hull, Machinery	\$350,000 annual aggregate	\$1,000,000 per occurrence
Marine	\$100,000 annual aggregate	\$100,000,000 per occurrence
Crime and Dishonesty	\$25,000 per occurrence	\$1,000,000 faithful
	\$5,000 per occurrence	\$500,000 forgery/alteration
	\$5,000 all other	\$500,000 theft inside/toll
		\$15,000 all other locations
		\$1,000,000 computer fraud
Public Officials Liability	\$100,000 each wrongful act	\$2,000,000 per occurrence/annual aggregate
	\$100,000 each employment practice	

All property is insured at full replacement value. To date, no settlement amounts have exceeded commercial insurance coverage for the last three years.

The District's estimated self-insurance liability is based on requirements of GASB Statements No. 10 and 30. These statements require a liability for claims to be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The actuarially determined liability includes allocated expenses and a provision for incurred but not reported claims.

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2011 AND 2010 (Continued)

Changes in the balances of claims liabilities for the years ended June 30, 2011 and 2010 are as follows (in thousands):

	Balance July 1, 2010	Incurred Claims and Changes in Estimates	Claim Payments and Related Costs	Balance June 30, 2011
Workers' compensation liability	\$ 6,138	\$ 4,373	\$ (3,005)	\$ 7,506
General and property insurance liability:	5,657	-	(194)	5,463
Pollution remediation liability	15,043	-	-	15,043
Subtotal: Self-insurance liability	26,838	4,373	(3,199)	28,012
Other medical claims liability	885	17,311	(17,247)	949
Combined self-insurance and other medical liability	\$ 27,723	\$ 21,684	\$ (20,446)	\$ 28,961

	Balance July 1, 2009	Incurred Claims and Changes in Estimates	Claim Payments and Related Costs	Balance June 30, 2010
Workers' compensation liability	\$ 6,780	\$ 1,756	\$ (2,398)	\$ 6,138
General and property insurance liability:	9,054	(2,994)	(403)	5,657
Pollution remediation liability	15,043	-	-	15,043
Subtotal: Self-insurance liability	30,877	(1,238)	(2,801)	26,838
Other medical claims liability	761	15,213	(15,089)	885
Combined self-insurance and other medical liability	\$ 31,638	\$ 13,975	\$ (17,890)	\$ 27,723

(11) DESIGNATION OF DISTRICT FUNDS

The Board of Directors has designated available funds for seismic retrofit of the Bridge, other Bridge maintenance and transit capital projects. In addition, the Board has restricted funds due to the legal requirements of the commercial paper program, possible operational emergencies, and self-insured losses.

In November 2008 The Board of Directors committed \$75 million for the reconstruction of Doyle Drive. Caltrans, in coordination with the San Francisco County Transportation Authority, is the public agency responsible for the reconstruction of Doyle Drive which is the southern approach to the Golden Gate Bridge. The District is not in charge of this major construction project and is a partner agency in the funding of the reconstruction. The contribution must be paid prior to the completion of construction estimated to be 2014.

(12) RELATED PARTY TRANSACTION

In 2000 the District entered into a promissory note with an Officer of the District for funds used for personal housing. The principal and interest are payable in 360 consecutive monthly installments. The interest rate is equal to the District's annual average investment yield on its total portfolio. The entire unpaid principal sum and all accrued, unpaid interest shall be due and payable September 2013.

In April 2010 and 2009, the District modified the housing note of the Officer by forgiving \$10,000 of the loan principal, each year. As of June 30, 2011 and 2010, the total outstanding balance was \$574,000 and \$590,000 respectively.

(13) ALLOCATION OF DISTRICT DIVISION EXPENSE

For the years ended June 30, 2011 and 2010, District Division expense has been allocated to the general and administrative expenses of the other divisions by resolution of the Board of Directors as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Bridge Division (including Visitor Services)	\$ 9,115	\$ 10,062
Bus Division	10,533	8,706
Ferry Division	5,080	4,860
Total	<u>\$ 24,728</u>	<u>\$ 23,628</u>

14) ENVIRONMENTAL REMEDIATION

During 1992, the District discovered lead contamination in the soil beneath the north and south approaches to the Golden Gate Bridge. The District entered into a Voluntary Cleanup Agreement (VCA) with the State of California Department of Toxic Substances Control to implement a Remedial Action Plan (RAP) for the first phase of a two-phased cleanup program and a Remedial Investigation/Feasibility Study (RI/FS) and a RAP for the second phase. The District has completed the Phase I cleanup under the VCA and has expensed approximately \$6.5 million for that work. The VCA requires that the District complete an RI/FS and RAP of the Phase II areas; the District has recorded an estimate of potential costs to clean up the Phase II areas over the next three years.

The estimate of the lead contamination remediation liability amounted to \$13.8 million as of July 1, 2008. This amount was determined upon the expected cash flow technique. The liability can change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

The District is also involved in two additional environmental remediation activities for underground storage tanks located at the Santa Rosa Bus Facility and the Novato Bus Facility. The combined liability for remediation efforts amounted to \$1.0 million as of July 1, 2008. This amount was also determined upon the expected cash flow technique, and is subject to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

The liability amounts recognized, for both the Golden Gate Bridge remediation and the storage tanks remediation, on the financial statements did not change between 2010 and 2011.

15) RESTATEMENTS TO THE FINANCIAL STATEMENT

The Golden Gate Bridge, Highway and Transportation District Other Post Employment Benefits Trust (the Trust) was created to provide for the funding of retiree health benefits and other postemployment benefits for the District's eligible retirees. The District's Board of Directors also establishes the OPEB Retirement Investment Trust Board (the "Trust Board"). Due to the close relationship between the District and the Trust, the District determined that the financial statements of the Trust should be included in the financial entity of the District.

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

**SCHEDULE OF FUNDING PROGRESS (UNAUDITED),
JUNE 30, 2011 AND 2010 (In thousands)**

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT FUND

Funding progress information for the most recent valuation dates is illustrated as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
6/30/08	\$ 229,113	\$ 263,426	\$ (34,313)	87.0%	\$ 35,904	(95.6%)
6/30/09	238,047	295,119	(57,072)	80.9%	36,288	(157.3%)
6/30/10	247,917	302,384	(54,467)	82.0%	37,174	(146.5%)

OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS

Funding progress information for the most recent valuation dates is illustrated as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
7/1/08	\$ 5,770	\$ 160,072	\$ (154,302)	3.6%	\$ 57,571	(268.0%)
7/1/09	9,819	182,930	(173,110)	5.4%	51,415	(336.7%)
7/1/10	15,257	191,719	(176,461)	7.9%	53,086	(332.4%)

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY DIVISION (NON-GAAP BASIS), YEARS ENDED JUNE 30, 2011 AND 2010 (In thousands)

	Total		Bridge Division (including Visitor Services)		Bus Division		Ferry Division	
	2011	2010	2011	2010	2011	2010	2011	2010
Operating Revenues								
Bridge tolls	\$ 100,776	\$ 100,569	\$ 100,776	\$ 100,569	\$ -	\$ -	\$ -	\$ -
Transit fares	23,939	22,447	-	-	11,960	11,750	11,979	10,697
Marin Transit revenues	15,511	15,638	-	-	15,511	15,638	-	-
Visitor services revenues	3,352	3,082	3,352	3,082	-	-	-	-
Other operating revenues	2,132	1,734	476	36	1,236	1,253	420	445
Total operating revenues	<u>145,710</u>	<u>143,470</u>	<u>104,604</u>	<u>103,687</u>	<u>28,707</u>	<u>28,641</u>	<u>12,399</u>	<u>11,142</u>
Operations	82,676	78,107	17,193	16,506	50,796	48,974	14,687	12,627
Maintenance	35,020	32,907	18,277	17,589	12,788	12,303	3,955	3,015
General and administrative	32,001	28,373	10,790	10,340	14,220	12,167	6,991	5,866
Depreciation	21,081	24,925	10,395	13,966	7,560	6,559	3,126	4,400
Total operating expenses	<u>170,778</u>	<u>164,312</u>	<u>56,655</u>	<u>58,401</u>	<u>85,364</u>	<u>80,003</u>	<u>28,759</u>	<u>25,908</u>
Operating Income (Loss)	<u>(25,068)</u>	<u>(20,842)</u>	<u>47,949</u>	<u>45,286</u>	<u>(56,657)</u>	<u>(51,362)</u>	<u>(16,360)</u>	<u>(14,766)</u>
Nonoperating Revenues (Expenses):								
Operating assistance:								
State operating assistance	14,999	9,858	720	437	11,910	7,994	2,369	1,427
Federal operating assistance	4,717	50	-	-	4,514	38	203	12
Local operating assistance	2,898	3,039	-	-	2,888	2,951	10	88
Total operating assistance	<u>22,614</u>	<u>12,947</u>	<u>720</u>	<u>437</u>	<u>19,312</u>	<u>10,983</u>	<u>2,582</u>	<u>1,527</u>
Investment income	2,789	5,634	2,789	5,634	-	-	-	-
Interest expense	(183)	(179)	(183)	(179)	-	-	-	-
Gain (Loss) on disposal of assets	37	(28)	(4)	(10)	23	5	8	(23)
Contribution to capital	(13,000)	(12,000)	(9,000)	(10,000)	(2,000)	(1,000)	(2,000)	(1,000)
Bridge self insurance	(1,300)	(1,300)	(1,300)	(1,300)	-	-	-	-
Total nonoperating revenues (expenses)	<u>10,957</u>	<u>5,074</u>	<u>(6,978)</u>	<u>(5,418)</u>	<u>17,335</u>	<u>9,988</u>	<u>600</u>	<u>504</u>
Net Income (Loss)	<u>(14,111)</u>	<u>(15,768)</u>	<u>40,971</u>	<u>39,868</u>	<u>(39,322)</u>	<u>(41,374)</u>	<u>(15,760)</u>	<u>(14,262)</u>
Depreciation and Gain/Loss on Capital Assets								
Acquired with Capital Grants	13,897	17,483	5,581	8,886	6,020	5,279	2,296	3,318
Excess Revenues (Loss)	<u>\$ (214)</u>	<u>\$ 1,715</u>	<u>\$ 46,552</u>	<u>\$ 48,754</u>	<u>\$ (33,302)</u>	<u>\$ (36,095)</u>	<u>\$ (13,464)</u>	<u>\$ (10,944)</u>

**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY DIVISION
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

(1) RECONCILIATION OF THE SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY DIVISION (NON-GAAP BASIS) TO THE BASIC FINANCIAL STATEMENTS

As discussed in Note 2, the accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with GASB pronouncements. The following summary reflects the differences between the Supplemental Schedule of Revenues and Expenses and the GAAP basic financial statement for the years ended June 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Contribution to capital reserve and Bridge self-insurance considered as an expense on the financial statements	\$ 14,300	\$ 13,300
Depreciation and gain/loss on capital assets acquired with capital grants	(13,897)	(17,483)
Capital contribution reflected on Statement of Revenues, Expenses and Changes in Net Assets	50,414	55,372
Total differences	50,817	51,189
Supplemental excess revenue (loss)	(214)	1,715
Net increase in net assets	<u>\$ 50,603</u>	<u>\$ 52,904</u>

Statistical Section





Statistical Section

This section of the comprehensive annual financial report of the District presents detailed information about the District's financial results, major revenue sources, outstanding debt obligations, demographic statistics, and operating activities to help the reader understand the District's overall financial condition.

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FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the District's financial performance has changed over time.

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Source: Unless otherwise noted, the information in these schedules is unaudited.

TABLE 1: REVENUES BY SOURCE, LAST TEN YEARS (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
OPERATING REVENUES										
Bridge tolls	\$ 59,289	\$ 79,427	\$ 84,420	\$ 84,213	\$ 84,747	\$ 85,043	\$ 85,416	\$ 97,121	\$ 100,569	\$ 100,776
Bus Transit fares	14,751	14,616	13,750	14,514	12,049	11,781	11,589	11,804	11,750	11,960
Bus concessions with Marin Transit ¹	-	-	-	-	9,987	14,127	13,898	14,790	15,638	15,511
Ferry Transit fares	5,235	5,343	6,902	7,570	8,342	9,165	9,864	10,067	10,697	11,979
Visitor concession services	2,487	2,657	2,768	3,017	3,059	3,154	3,268	3,142	3,082	3,352
Other	2,696	2,738	4,315	2,839	3,724	3,738	2,287	2,811	1,734	2,132
OPERATING REVENUES	<u>\$ 84,458</u>	<u>\$104,781</u>	<u>\$112,155</u>	<u>\$112,153</u>	<u>\$121,908</u>	<u>\$127,008</u>	<u>\$126,322</u>	<u>\$139,735</u>	<u>\$143,470</u>	<u>\$145,710</u>
State operating grants	18,947	14,113	15,854	17,956	14,398	15,646	16,234	13,587	9,858	14,999
Federal operating grants	282	665	3,066	4,200	3,811	707	482	403	50	4,717
Local operating grants ²	(78)	268	217	3,781	2,593	2,793	3,018	2,935	3,039	2,898
Investment income	4,388	2,591	818	2,635	4,236	7,900	8,868	8,774	5,634	2,789
Capital contributions	29,861	50,098	75,140	34,132	23,590	34,141	13,536	28,287	55,372	50,414
TOTAL REVENUES	<u>\$ 137,858</u>	<u>\$ 172,516</u>	<u>\$ 207,250</u>	<u>\$ 174,857</u>	<u>\$ 170,536</u>	<u>\$ 188,195</u>	<u>\$ 168,460</u>	<u>\$ 193,721</u>	<u>\$ 217,423</u>	<u>\$ 221,527</u>

1. Beginning in 2006, bus services contracted with Marin Transit were separately reported. Prior to this, Marin Transit revenues were included in transit fares.
2. Negative figures reflect impact of adjustments due to prior year refinement of grantor information.

Data Source: District Audited Financial Statements

TABLE 2: EXPENSES BY FUNCTION, LAST TEN YEARS (IN THOUSANDS)

Operating Expenses:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bridge										
Operations	\$ 14,465	\$ 15,479	\$ 12,724	\$ 14,176	\$ 14,684	\$ 14,142	\$ 15,436	\$ 15,260	\$ 16,506	\$ 17,193
Maintenance	10,809	12,088	13,003	13,853	14,005	14,632	16,221	15,301	17,589	18,277
General & Administrative	8,114	9,877	13,924	11,936	12,941	11,454	12,046	13,451	10,340	10,790
Depreciation	3,981	5,681	5,843	6,413	7,657	5,536	6,073	6,937	13,966	10,395
Bridge	\$ 37,369	\$ 43,125	\$ 45,494	\$ 46,378	\$ 49,287	\$ 45,764	\$ 49,776	\$ 50,949	\$ 58,401	\$ 56,655
Bus										
Operations	\$ 38,316	\$ 42,779	\$ 40,055	\$ 36,957	\$ 38,131	\$ 40,149	\$ 46,815	\$ 48,343	\$ 48,974	\$ 50,796
Maintenance	11,026	11,314	9,860	9,947	10,053	9,918	11,213	12,702	12,303	12,788
General & Administrative	10,005	11,780	10,298	11,621	12,049	11,677	12,101	12,265	12,167	14,220
Depreciation	7,438	6,241	5,947	5,633	7,807	7,493	7,432	7,557	6,559	7,560
Bus	\$ 66,785	\$ 72,114	\$ 66,160	\$ 64,158	\$ 68,040	\$ 69,237	\$ 77,561	\$ 80,867	\$ 80,003	\$ 85,364
Ferry										
Operations	\$ 10,304	\$ 10,976	\$ 10,062	\$ 10,704	\$ 10,333	\$ 11,033	\$ 12,899	\$ 12,900	\$ 12,627	\$ 14,687
Maintenance	2,917	3,070	3,006	2,904	2,511	2,582	3,557	3,393	3,015	3,955
General & Administrative	3,864	3,816	3,912	5,368	5,697	5,450	6,486	8,290	5,866	6,991
Depreciation	2,295	3,242	2,500	6,209	4,709	3,194	4,142	4,196	4,400	3,126
Ferry	\$ 19,380	\$ 21,104	\$ 19,480	\$ 25,185	\$ 23,250	\$ 22,259	\$ 27,084	\$ 28,779	\$ 25,908	\$ 28,759
Rail¹										
Operations	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance	154	165	47	12	10	-	-	-	-	-
General & Administrative	-	-	-	226	196	-	-	-	-	-
Depreciation	33	28	29	30	27	-	-	-	-	-
Rail	\$ 187	\$ 193	\$ 76	\$ 270	\$ 233	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 123,721	\$ 136,536	\$ 131,210	\$ 135,991	\$ 140,810	\$ 137,260	\$ 154,421	\$ 160,595	\$ 164,312	\$ 170,778
Non Operating Expenses										
Interest ²	-	757	572	1,058	1,781	2,162	1,726	751	179	183
Other ³	-	-	-	-	1,952	(149)	(3,407)	(96)	28	(37)
Special Item - GASB No. 49 ⁴	-	-	-	-	-	-	14,850	-	-	-
TOTAL EXPENSES	\$ 123,721	\$ 137,293	\$ 131,782	\$ 137,049	\$ 144,543	\$ 139,273	\$ 167,590	\$ 161,250	\$ 164,519	\$ 170,924

1. The Rail Division was terminated in March 2006, when the District transferred the assets of this division to Sonoma-Marin Area Rail Transit (SMART).
2. Prior to 2003, interest costs incurred that related to the Bridge Seismic Retrofit Project had been capitalized. After this period, interest costs have been expensed.
3. Beginning in 2006, gain or loss on the disposal of capital assets was separately reflected. Prior to this, gain or loss was included as an offset to depreciation expense.
4. The special item in Fiscal Year 2007/2008 represents the impact of the restatement of net assets as of July 1, 2008, related to the implementation of GASB No. 49 (Pollution Remediation Obligations).

Data Source: District Audited Financial Statements - Supplemental Schedule of Revenues and Expenses by Division (Non-GAAP Basis)

TABLE 3: CHANGES IN NET ASSETS, LAST TEN YEARS (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005¹</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating revenues	\$ 84,458	\$104,781	\$112,155	\$117,713	\$121,908	\$127,008	\$126,322	\$139,735	\$143,470	\$145,710
Operating expenses	(109,974)	(121,344)	(116,891)	(117,706)	(120,610)	(121,037)	(136,774)	(141,905)	(139,387)	(149,697)
Income before depreciation and other nonoperating revenues and expenses	(25,516)	(16,563)	(4,736)	7	1,298	5,971	(10,452)	(2,170)	4,083	(3,987)
Depreciation	(13,747)	(15,192)	(14,319)	(18,285)	(20,200)	(16,223)	(17,647)	(18,690)	(24,925)	(21,081)
Operating loss	(39,263)	(31,755)	(19,055)	(18,278)	(18,902)	(10,252)	(28,099)	(20,860)	(20,842)	(25,068)
Other nonoperating revenues and expenses, net	23,539	16,880	19,383	21,954	21,305	25,033	30,283	25,044	18,374	25,257
Income before capital contributions and special item	(15,724)	(14,875)	328	3,676	2,403	14,781	2,184	4,184	(2,468)	189
Capital contributions	29,861	50,098	75,140	34,132	23,590	34,141	13,536	28,287	55,372	50,414
Special item	-	-	-	-	(11,403) ²	-	(14,850) ³	-	-	-
CHANGES IN NET ASSETS	\$ 14,137	\$ 35,223	\$ 75,468	\$ 37,808	\$ 14,590	\$ 48,922	\$ 870	\$ 32,471	\$ 52,904	\$ 50,603

1. To facilitate comparative information, fiscal years ended June 30, 2006 and June 30, 2005 have been reclassified to reflect the terms of the local service contract with Marin Transit.
2. The special item in Fiscal Year 2005/2006 represents the transfer of Rail Division assets to Sonoma-Marín Area Rail Transit (SMART).
3. The special item in Fiscal Year 2007/2008 represents the impact of the restatement of net assets as of July 1, 2008, related to the implementation of GASB No. 49 (Pollution Remediation Obligations).

Data Source: District Audited Financial Statements

TABLE 4: NET ASSETS, LAST TEN YEARS (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ASSETS										
Current and other assets	\$ 113,371	\$ 110,957	\$ 123,851	\$ 136,042	\$ 161,374	\$ 180,068	\$ 190,901	\$ 206,238	\$ 238,007	\$ 240,088
Capital assets	312,824	356,106	421,443	444,145	432,701	459,372	461,363	478,642	513,844	549,160
Total Assets	<u>426,195</u>	<u>467,063</u>	<u>545,294</u>	<u>580,187</u>	<u>594,075</u>	<u>639,440</u>	<u>652,264</u>	<u>684,880</u>	<u>751,851</u>	<u>789,248</u>
LIABILITIES										
Current liabilities	26,906	32,639	34,369	31,639	31,634	29,046	27,461	29,167	40,824	26,815
Debt outstanding	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000
Other noncurrent liabilities	18,242	18,154	19,187	19,002	18,305	17,336	30,875	29,314	31,724	32,527
Total Liabilities	<u>106,148</u>	<u>111,793</u>	<u>114,556</u>	<u>111,641</u>	<u>110,939</u>	<u>107,382</u>	<u>119,336</u>	<u>119,481</u>	<u>133,548</u>	<u>120,342</u>
NET ASSETS										
Invested in capital assets, net of debt	251,824	295,106	360,443	383,145	371,701	398,372	400,362	417,641	452,844	488,159
Restricted:										
Debt service requirements	13,508	13,624	13,730	13,990	14,082	12,975	12,791	12,791	12,791	12,791
Unrestricted:										
Bridge grant projects	-	-	-	971	715	2,262	8,352	5,922	4,636	3,996
Transit grant projects	-	-	-	905	1,707	66	5,546	4,050	8,608	1,850
Unrestricted reserves	54,715	46,540	56,565	69,535	94,931	118,383	105,877	124,995	139,424	162,110
TOTAL NET ASSETS	<u>\$ 320,047</u>	<u>\$ 355,270</u>	<u>\$ 430,738</u>	<u>\$ 468,546</u>	<u>\$ 483,136</u>	<u>\$ 532,058</u>	<u>\$ 532,928</u>	<u>\$ 565,399</u>	<u>\$ 618,303</u>	<u>\$ 668,906</u>

Data Source: District Audited Financial Statements

TABLE 5: TRAFFIC/PATRON COUNT AND TOLL/FARE PER VEHICLE/PATRON, LAST TEN YEARS (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
TRAFFIC/PATRON COUNT:										
Bridge Traffic (Southbound) ¹	20,347	19,429	19,440	19,399	19,477	19,758	19,658	19,066	19,295	19,084
Bus Passengers - Regional	8,938	8,473	7,941	7,545	4,936	4,000	4,114	3,964	3,392	3,410
Bus Passengers - Marin Local	-	-	-	-	2,497	3,214	3,259	3,202	3,122	3,158
Ferry Passengers	1,652	1,575	1,661	1,752	1,870	2,025	1,980	1,949	1,931	2,031
Club Bus Passengers ²	124	109	96	75	63	58	48	50	49	40
TOLL/FARE PER VEHICLE/PATRON:										
Average Toll	\$ 2.91	\$ 4.09	\$ 4.34	\$ 4.34	\$ 4.35	\$ 4.30	\$ 4.35	\$ 5.09	\$ 5.21	\$ 5.28
Average Bus Fare ³	\$ 1.65	\$ 1.73	\$ 1.73	\$ 1.90	\$ 1.95	\$ 2.05	\$ 2.04	\$ 2.10	\$ 2.27	\$ 2.29
Average Ferry Fare	\$ 3.17	\$ 3.39	\$ 4.16	\$ 4.32	\$ 4.46	\$ 4.53	\$ 4.98	\$ 5.17	\$ 5.54	\$ 5.90

1. The District only charges tolls for one-way (Southbound) traffic direction.

2. The District contracts a limited program of service routes called Club Bus with Coach USA.

3. Beginning in Fiscal Year 2005/2006, bus concessions with Marin Transit were separately reported. Prior to this, concession revenues were included in transit fares. For purposes of this table, the overall average bus fare is inclusive of the Marin Transit routes.

Data Source: District Annual Reports and/or Comprehensive Annual Financial Reports

TABLE 6: CATEGORIES OF TRAFFIC (SOUTHBOUND), LAST TEN YEARS (IN THOUSANDS)

CATEGORY	2002		2003		2004		2005		2006	
	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%
Two-Axle Vehicles - Cash	12,381	60.9%	11,425	58.8%	9,853	50.7%	9,549	49.2%	9,402	48.3%
Two-Axle Vehicles - Electronic/Tickets	7,222	35.5%	7,229	37.2%	8,827	45.4%	9,102	46.9%	9,316	47.8%
Other Revenues	125	0.6%	138	0.7%	136	0.7%	141	0.8%	138	0.7%
Carpools	396	1.9%	407	2.1%	421	2.2%	428	2.2%	428	2.2%
Non Revenues	223	1.1%	230	1.2%	203	1.0%	179	0.9%	193	1.0%
TOTAL VEHICLES	20,347	100.0%	19,429	100.0%	19,440	100.0%	19,399	100.0%	19,477	100.0%

CATEGORY	2007		2008		2009		2010		2011	
	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%
Two-Axle Vehicles - Cash	9,226	46.7%	7,846	39.9%	7,107	37.3%	6,890	35.7%	6,244	32.7%
Two-Axle Vehicles - Electronic/Tickets	9,785	49.5%	11,105	56.4%	11,271	59.1%	11,736	60.8%	12,448	65.2%
Other Revenues	141	0.7%	128	0.7%	103	0.5%	101	0.5%	99	0.5%
Carpools	422	2.2%	428	2.2%	439	2.3%	421	2.2%	144	0.8%
Non Revenues	184	0.9%	150	0.8%	146	0.8%	148	0.8%	149	0.8%
TOTAL VEHICLES¹	19,758	100.0%	19,657	100.0%	19,066	100.0%	19,295	100.0%	19,084	100.0%

1. The District charges tolls only in the southbound direction; therefore, the category for Total Vehicles includes only the southbound traffic.

Data Source: Finance-Auditing Committee Board Reports

TABLE 7: OPERATING INDICATORS BY TRANSIT MODE, LAST TEN YEARS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
AVERAGE PASSENGER FARES										
Bus	\$1.65	\$1.73	\$1.73	\$1.90	\$1.95	\$2.05	\$2.04	\$2.10	\$2.27	\$2.29
Ferry	\$3.17	\$3.39	\$4.16	\$4.32	\$4.46	\$4.53	\$4.98	\$5.17	\$5.54	\$5.90
PASSENGER COUNT*										
Bus	8,938	8,473	7,941	7,545	7,433	7,214	7,373	7,166	6,514	6,568
Ferry	1,652	1,575	1,661	1,752	1,870	2,025	1,980	1,949	1,931	2,031
OPERATING COSTS* (excluding depreciation)										
Bus	\$57,740	\$63,744	\$58,533	\$56,522	\$58,184	\$59,073	\$61,443	\$64,348	\$64,516	\$68,124
Ferry	\$16,848	\$17,685	\$16,926	\$18,948	\$18,510	\$19,030	\$21,851	\$23,403	\$20,332	\$24,282
PASSENGER MILES*										
Bus	105,768	101,384	89,699	66,571	72,627	66,062	61,348	61,141	61,773	81,690
Ferry	19,408	18,542	18,815	19,682	20,847	22,272	22,036	21,535	21,209	22,541
REVENUE VEHICLE MILES*										
Bus	7,891	7,540	5,913	5,116	5,079	5,110	5,284	5,385	5,447	5,182
Ferry	188	189	184	184	184	187	188	187	187	185
NUMBER OF ACTIVE BUSES/VESSELS										
Bus	278	278	208	222	207	201	198	201	201	201
Ferry	5	5	5	5	5	5	5	5	5	6

*These figures are in thousands.

Data Source: Passenger Count per Table 5; all other information is from the National Transit Database Report, Direct Operations only.

TABLE 8: COMMERCIAL PAPER DEBT PAYMENT COVERAGE COVENANT, LAST TEN YEARS (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total revenues (less capital contribution)	\$ 107,998	\$ 122,578	\$ 132,183	\$ 140,725	\$ 146,946	\$ 154,054	\$ 154,924	\$ 165,434	\$ 162,139	\$ 168,280
Less:										
Total operating expenses (less depreciation)	<u>(109,968)</u>	<u>(120,373)</u>	<u>(119,207)</u>	<u>(117,704)</u>	<u>(120,610)</u>	<u>(121,037)</u>	<u>(136,774)</u>	<u>(141,905)</u>	<u>(139,387)</u>	<u>(144,500)</u>
Total Net Revenues	<u>(1,970)</u>	<u>2,205</u>	<u>12,976</u>	<u>23,021</u>	<u>26,336</u>	<u>33,017</u>	<u>18,150</u>	<u>23,529</u>	<u>22,752</u>	<u>23,780</u>
Plus:										
Operating reserve fund	7,320	7,320	7,320	7,320	7,320	7,320	7,320	7,320	7,320	7,320
Total net revenues and operating reserve fund	<u>5,350</u>	<u>9,525</u>	<u>20,296</u>	<u>30,341</u>	<u>33,656</u>	<u>40,337</u>	<u>25,470</u>	<u>30,849</u>	<u>30,072</u>	<u>31,100</u>
Actual Commercial Paper debt service	<u>\$ 1,300</u>	<u>\$ 757</u>	<u>\$ 572</u>	<u>\$ 1,058</u>	<u>\$ 1,781</u>	<u>\$ 2,162</u>	<u>\$ 1,726</u>	<u>\$ 751</u>	<u>\$ 179</u>	<u>\$ 209</u>
Coverage (with operating reserve)	4.1	12.6	35.5	28.7	18.9	18.7	14.8	41.1	168.0	298.0
Coverage (without operating reserve)	(1.5)	2.9	22.7	21.8	14.8	15.3	10.5	31.3	127.1	114.1

On July 12, 2000, the District issued commercial paper notes in Series A and Series B in an amount of \$30.5 million for each series to provide funds for the Golden Gate Bridge seismic retrofit project and the renovation of main cables of the Bridge. The commercial paper covenant requires the District to establish a budget that produces sufficient revenues to pay twice as much debt service as projected. Debt service requirement includes \$7.3 million Operating Reserve Fund, as required by the covenant. This table reflects the actual coverage since inception of the commercial paper program.

Data Source: District Adopted Budget for fiscal years prior to Fiscal Year 2010/2011. District Audited Financial Statements are used for Fiscal Year 2010/2011.

TABLE 9: RATIO OF OUTSTANDING DEBT AND DEBT SERVICE, LAST TEN YEARS (IN THOUSANDS)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
COMMERCIAL PAPER DEBT:	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000
Percentage of Personal Income (Three County Region) ¹	0.0817%	0.0819%	0.0765%	0.0699%	0.0630%	0.0598%	0.0587%	0.0605%	0.0605%	0.0605%
Per Capita (Three County Region)	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04
Total Outstanding Debt										
Per Traffic/Passenger Count	\$ 2.06	\$ 2.09	\$ 2.12	\$ 2.11	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.16	\$ 2.20	\$ 2.20
DEBT SERVICE:	\$ 757	\$ 572	\$ 1,058	\$ 1,781	\$ 2,162	\$ 1,726	\$ 1,726	\$ 751	\$ 179	\$ 209
Percentage of Personal Income (Three County Region)	0.0017%	0.0010%	0.0007%	0.0012%	0.0019%	0.0022%	0.0017%	0.0007%	0.0007%	0.0007%
Per Capita (Three County Region)	\$0.00086	\$0.00050	\$0.00038	\$0.00069	\$0.00116	\$0.00140	\$0.00110	\$0.00049	\$0.00012	\$0.00012
Total Outstanding Debt										
Per Traffic/Passenger Count ²	\$ 0.024	\$ 0.019	\$ 0.036	\$ 0.062	\$ 0.075	\$ 0.059	\$ 0.059	\$ 0.027	\$ 0.006	\$ 0.008

1. Due to unavailable statistical information, the displayed figures for Fiscal Years 2009/2010 and 2010/2011 are the same as Fiscal Year 2008/2009.

2. Information of traffic/passenger count is as follows (thousands):

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Traffic Vehicle Count	20,347	19,428	19,441	19,398	19,476	19,758	19,658	19,066	19,295	19,084
Number of Transit Passengers	10,714	10,157	9,698	9,372	9,366	9,297	9,401	9,165	8,494	8,639
Total Traffic/Passenger Count	<u>31,061</u>	<u>29,585</u>	<u>29,139</u>	<u>28,770</u>	<u>28,842</u>	<u>29,055</u>	<u>29,059</u>	<u>28,231</u>	<u>27,789</u>	<u>27,723</u>

Data Source: District Annual Reports and/or Comprehensive Annual Financial Reports

TABLE 10: DEMOGRAPHIC AND ECONOMIC INFORMATION, LAST TEN YEARS

Marin County						
	Population¹	Personal Income (In Thousands)²	Per Capita Personal Income³	Median Age⁴	Average Unemployment Rate⁵	
2002	246,220	\$ 16,663,401	\$ 67,677	*	4.9%	
2003	244,975	16,887,249	68,935	*	4.9%	
2004	243,541	18,594,679	76,351	*	4.4%	
2005	243,860	19,919,117	81,683	43.6	3.9%	
2006	244,114	21,793,982	89,278	43.6	3.5%	
2007	245,841	22,574,434	91,825	44.2	3.6%	
2008	248,028	23,161,297	93,382	44.7	4.7%	
2009	250,521	22,351,575	89,220	44.4	7.7%	
2010	252,576	*	*	44.5	8.3%	
2011	*	*	*	*	8.1%	

City/County of San Francisco⁶						
	Population	Personal Income (In Thousands)	Per Capita Personal Income	Median Age	Average Unemployment Rate	
2002	778,773	\$ 42,607,364	\$ 54,711	38.3	6.5%	
2003	774,359	42,189,447	54,483	38.3	7.0%	
2004	772,417	44,835,371	58,046	39.2	6.3%	
2005	776,614	49,100,105	63,223	39.4	5.4%	
2006	786,367	53,917,048	68,565	39.4	4.6%	
2007	799,185	57,416,990	71,844	40.0	4.1%	
2008	808,976	58,751,518	72,625	40.4	4.6%	
2009	815,358	57,355,348	70,344	38.5	7.4%	
2010	821,790	58,733,861	71,519	39.5	9.5%	
2011	*	*	*	*	9.0%	

Sonoma County						
	Population¹	Personal Income (In Thousands)²	Per Capita Personal Income³	Median Age⁴	Average Unemployment Rate⁵	
2002	463,496	\$ 17,600,834	\$ 37,974	38.4	5.1%	
2003	463,744	17,983,462	38,779	37.9	5.5%	
2004	463,045	18,714,860	40,417	*	5.0%	
2005	461,126	19,537,163	42,368	38.9	4.7%	
2006	459,442	21,132,588	45,996	38.5	4.2%	
2007	460,985	22,062,212	47,859	39.8	4.5%	
2008	465,847	22,077,590	47,392	39.3	5.7%	
2009	471,349	21,142,471	44,855	39.4	9.7%	
2010	476,257	*	*	39.9	10.5%	
2011	*	*	*	*	10.1%	

1. U.S. Census Bureau

2. U.S. Department of Commerce, Bureau of Economic Analysis

3. Derived, using U.S. Census Bureau and U.S. Department of Commerce data

4. U.S. Census Bureau, American Community Survey

5. California Employment Development Department

6. City and County of San Francisco, June 30, 2010 CAFR, except for unemployment rates for 2010 and 2011, which are provided by California Employment Development

*Information not available

TABLE 11: PRINCIPAL EMPLOYERS, CURRENT AND PREVIOUS PERIOD COMPARISON**Marin County**

Principal Employers¹	Type of Entity	Employees in 2008	Rank	% of Total County Employment	Employees in 2005	Rank	% of Total County Employment
County of Marin	Government	3,031	1	2.43%	1,993	1	1.61%
State of California	Government	1,999	2	1.60%	1,638	4	1.32%
Marin General Hospital	Hospital	1,450	3	1.16%	1,350	5	1.09%
Kaiser Permanente	Hospital	1,398	4	1.12%	1,725	3	1.39%
Autodesk, Inc.	Software	1,141	5	0.91%	831	8	0.67%
Fireman's Fund	Insurance	1,018	6	0.82%	1,300	6	1.05%
Safeway	Grocery	930	7	0.75%	881	7	0.71%
Dominican University	School	884	8	0.71%	-	-	-
Novato Unified School District	School	875	9	0.70%	825	9	0.67%
Golden Gate Bridge District	Government	838	10	0.67%	824	10	0.67%
Lucasfilm Companies	Movie Production	-	-	0.00%	1,800	2	1.46%
Total		13,564		10.87%	13,167		10.64%

City/County of San Francisco

Principal Employers²	Type of Entity	Employees in 2009	Rank	% of Total County Employment	Employees in 2001	Rank	% of Total County Employment
City and County of San Francisco	Government	26,554	1	5.06%	29,610	1	5.85%
UC, San Francisco	School	24,759	2	4.72%	13,835	2	2.95%
Wells Fargo & Co.	Banking	9,214	3	1.76%	6,366	5	1.36%
California Pacific Medical Center	Hospital	6,800	4	1.30%	-	-	-
State of California	Government	5,629	5	1.07%	11,296	3	2.41%
Charles Schwab & Co., Inc	Investment	5,555	6	1.06%	9,873	4	2.10%
SF Unified School District	School	5,313	7	1.01%	5,579	6	1.19%
United States Postal Service	Government	4,697	8	0.90%	4,500	10	0.96%
PG&E Corporation	Utility	4,394	9	0.84%	5,000	8	1.07%
Gap, Inc.	Retail	3,804	10	0.73%	-	-	-
AT&T	Telecommunications	-	-	-	5,200	7	1.11%
Pacific Bell/SBC Communications	Telecommunications	-	-	0.00%	4,600	9	0.98%
Total		96,719		18.45%	95,859		19.98%

Note: Information for nine years ago is not available; information for an available prior period is provided as an alternative.

1. Data Source: San Rafael Chamber of Commerce

2. Data Source: City and County of San Francisco, June 30, 2010 CAFR

Sonoma County

Principal Employers³	Type of Entity	Employees in 2011	Rank	% of Total County Employment	Employees in 2005	Rank	% of Total County Employment
Local Government - Various	Government	20,288	1	11.82%	22,341	1	11.97%
State of California	Government	4,673	2	2.72%	5,569	2	2.98%
Kaiser Permanente	Hospital	2,686	3	1.57%	1,423	8	0.76%
St. Joseph Health Care System	Medical	2,310	4	1.35%	2,370	5	1.27%
U.S. Federal Government	Government	1,775	5	1.03%	1,691	7	0.91%
Safeway, Inc.	Grocery	1,200	6	0.70%	-	-	-
Sutter Medical Center	Hospital	1,197	7	0.70%	-	-	-
Agilent Technologies	Telecommunications	1,100	8	0.64%	2,500	4	1.34%
Amy's Kitchen	Food Processing	900	9	0.52%	-	-	-
Medtronic Cardio Vascular	Medical	800	10	0.47%	-	-	-
Santa Rosa Junior College	School	-	-	-	3,115	3	1.67%
Sonoma State University	School	-	-	-	1,799	6	0.96%
Optical Coating Laboratory	Manufacturing	-	-	-	1,300	9	0.70%
JDS Uniphase Corporation	Manufacturing	-	-	-	1,200	10	0.64%
Total		36,929		21.52%	43,308		23.21%

Note: Information for nine years ago is not available; information for an available prior period is provided as an alternative.

3. Data Source: Local Economic Report of Sonoma County, Spring 2011 and Spring 2005, as published by Sonoma County Economic Development Board.

TABLE 12: CAPITAL ASSETS BY DIVISION, LAST TEN YEARS (IN THOUSANDS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
Traffic:										
Bridge structure	1	1	1	1	1	1	1	1	1	1
Visitor Services building	1	1	1	1	1	1	1	1	1	1
Maintenance buildings	1	1	1	1	1	1	1	1	1	1
Service vehicles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50	50
Total capital expenditures for Bridge, related buildings and equipment (not being depreciated) ¹	\$ 163,476	\$ 248,211	\$ 249,255	\$ 256,954	\$ 253,770	\$ 259,055	\$ 269,069	\$ 269,429	\$ 454,800	\$ 458,365
Bus Transit:										
Number of active buses	578	578	208	222	207	201	198	201	201	201
Service vehicles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	31	27
Operating yards	3	3	3	3	3	3	3	3	3	3
Total capital expenditures for Bus Transit property and equipment (not being depreciated)	\$ 108,682	\$ 109,439	\$ 123,922	\$ 126,215	\$ 114,587	\$ 110,159	\$ 117,026	\$ 114,400	\$ 119,273	\$ 137,828
Ferry Transit:										
Number of active ferry vessels	5	5	5	5	5	5	5	5	5	6
Passenger stations	2	2	2	2	2	2	2	2	2	2
Service vehicles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	10
Service crafts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	2
Operating yards	1	1	1	1	1	1	1	1	1	1
Total capital expenditures for Ferry Transit property and equipment (not being depreciated)	\$ 78,911	\$ 76,520	\$ 77,295	\$ 77,886	\$ 79,723	\$ 83,639	\$ 93,572	\$ 92,036	\$ 97,878	\$ 94,171

N/A – Information Not Available

1. Reflects Bridge Seismic Retrofit Construction for South Viaduct (Phase II)

Data Source: District Records, Annual Reports and Comprehensive Annual Financial Reports

TABLE 13: MISCELLANEOUS OPERATING INFORMATION, LAST TEN YEARS (UPDATED AS OF JUNE 30, 2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Golden Gate Bridge Division										
Annual traffic volume (Southbound only)*	20,347	19,429	19,440	19,399	19,477	19,758	19,657	19,066	19,295	19,084
Bridge employees - Operations	98	98	99	85	87	101	101	101	101	99
Bridge employees - Maintenance & Admin.	145	155	141	127	127	108	108	108	108	108
Bridge employees - Total	243	253	240	212	214	209	209	209	209	207
Golden Gate Transit Division										
Number of active buses	578	578	208	222	207	201	198	201	201	201
Annual revenue vehicle miles*	7,891	7,540	5,913	5,116	5,079	5,110	5,284	5,385	5,447	5,182
Annual revenue vehicle hours*	437	429	381	341	338	337	341	349	343	333
Bus employees - Bus Operators	393	361	280	280	280	280	280	280	280	280
Bus Employees - Maintenance & Admin.	171	171	122	116	113	113	118	120	120	120
Bus employees - Total	564	532	402	396	393	393	398	400	400	400
Golden Gate Ferry Division										
Number of active vessels in fleet	5	5	5	5	5	5	5	5	5	6
Annual revenue vessel miles*	188	189	184	184	184	187	188	187	187	185
Annual revenue vessel hours*	14	15	14	14	14	14	14	14	14	14
Ferry employees - Operations	80	80	75	64	58	62	63	63	63	63
Ferry Employees - Maintenance & Admin.	22	24	25	18	16	16	16	16	16	16
Ferry employees - Total	102	104	100	82	74	78	79	79	79	79
Golden Gate Bridge Administrative Staff (including Finance, Information Systems, Human Resources, Planning, etc.)										
Total number of Districtwide employees	1,031	1,026	854	833	825	828	837	839	839	831
Service Area Provided by Golden Gate Transit										
Square Miles	256	256	256	256	256	325	325	160	160	160
Population	619	619	619	619	619	590	590	815	815	869

Organization: Political subdivision of the State of California
 Governing body: 19-member Board of Directors, with appointed General Manager/CEO
 *Information is to the nearest 1000
 N/A - Information not available

Data Source: District Adopted Budget, tables within this CAFR, and the National Transit Database Rep



Single Audit Section







INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

The Board of Directors of the
Golden Gate Bridge,
Highway and Transportation District
San Francisco, California

We have audited the financial statements of the Golden Gate Bridge, Highway and Transportation District (the District) as of and for the year ended June 30, 2011, and have issued our report thereon, dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in a separate letter that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, federal granting agencies and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 18, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE TRANSPORTATION DEVELOPMENT ACT

The Board of Directors of the
Golden Gate Bridge,
Highway and Transportation District
San Francisco, California

We have audited the financial statements of the Golden Gate Bridge, Highway and Transportation District (the District) as of and for the year ended June 30, 2011, and have issued our report thereon, dated November 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants is the responsibility of the management of the District. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of the Transportation Development Act, as amended and allocation instructions and resolutions of the Metropolitan Transportation Commission as required by Section 6667 of Title 21 of the California Code of Regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The result of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* and the standards referred to in the second and third paragraphs.

This report is intended solely for the information and use of the Board of Directors and management of the District and for filing with the Metropolitan Transportation Commission and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 18, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors of the
Golden Gate Bridge,
Highway and Transportation District
San Francisco, California

Compliance

We have audited the compliance of the Golden Gate Bridge, Highway and Transportation District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each its major Federal programs for the year ended June 30, 2011. The Golden Gate Bridge, Highway and Transportation District's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Golden Gate Bridge, Highway and Transportation District's management. Our responsibility is to express an opinion on Golden Gate Bridge, Highway and Transportation District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Golden Gate Bridge, Highway and Transportation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Golden Gate Bridge, Highway and Transportation District's compliance with those requirements.

In our opinion, the Golden Gate Bridge, Highway and Transportation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for purposes of expressing an opinion on the effectiveness of the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 18, 2011

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Program Description	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction:*		
CA-04-6003 Program supplement #002-M Seismic Retrofit Project (Phase III Design)	20.205	\$ 1,545,001
CA-04-6003 Program supplement #004-M Seismic Retrofit Project (Phase IIIA)	20.205	23,175,997
CA-04-6003R Program supplement #008-N Moveable Barrier	20.205	315,053
CA-04-6003R Program supplement #009-N SR Transit Center & LFT in Marin County	20.205	18,044
CA-70-X005 FY08 Larkspur Terminal Improvements (Flex) UPA	20.205	(5,727)
Subtotal		25,048,368
Federal Transit Cluster:		
Federal Transit Capital Investment Grants:		
CA-03-0719 FY2005 FG MOD	20.500	89,329
CA-05-0222 FY2007 FG MOD	20.500	127,461
CA-05-0231 FY2009 FG MOD	20.500	(10,973)
Subtotal		205,817
Federal Transit Formula Grants:		
Direct Programs:		
CA-90-Y092 Larkspur Park & Ride Pavement Rehabilitation	20.507	2,097
CA-90-Y120 FY2002 Capital	20.507	352,031
CA-90-Y213 FY2003 Capital	20.507	5,099,792
CA-90-Y241 FY2004 Capital	20.507	834,046
CA-90-Y353 FY2005 Capital	20.507	2,217,826
CA-90-Y401 FY2006 Capital	20.507	8,688,038
CA-90-Y517 FY2007 Capital	20.507	205,890
CA-90-Y600 FY2008 Capital	20.507	(104,956)
CA-90-Y654 FY2009 Capital	20.507	926,741
CA-90-Y800 FY2010 Capital	20.507	2,239,877
CA-95-X024 FY2007 Capital	20.507	5,662,964
CA-95-X058 FY2008 Capital	20.507	1,943,017
CA-95-X166 Preventative Maintenance (Flex STP)	20.507	4,514,025
CA-66-X019 FY2009 Sausalito Ferry Improvement (ARRA)	20.507	364,763
CA-96-X028 Rehab Ferry/Purchase Equipment (ARRA)	20.507	6,830,526
Subtotal		39,776,677
Subtotal - Federal Transit Cluster		39,982,494
Total from U.S. Department of Transportation		65,030,862
U.S. DEPARTMENT OF HOMELAND SECURITY, TRANSPORTATION SECURITY ADMIN.		
Transit Security Grant Program (TSGP)	97.075	605,212
National Science Foundation		
GGB Informal Science Education	47.076	573,514
TOTAL FEDERAL AWARDS		\$ 66,209,588

*Program funds passed through to the District by the California Department of Transportation.

See accompanying notes to the schedule of expenditures of federal awards.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Golden Gate Bridge, Highway and Transportation District (the District). The District's reporting entity is defined in Note 1 of the District's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the District are included in the accompanying schedule.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the District's financial statements.

Relationship to the Basic Financial Statements

Federal financial assistance is reported in the District's financial statements as Federal Operating Assistance and Capital Contributions.

Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the Federal Financial reports.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT**

SUMMARY OF AUDITORS RESULTS
YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$1,986,288</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

SUMMARY OF PRIOR YEAR'S FINDINGS

Financial statements	<u>None</u>
Federal awards	<u>None</u>



www.goldengate.org

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