

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS
ENDED JUNE 30, 2016 AND 2015
SAN FRANCISCO, CA



GOLDEN GATE BRIDGE HIGHWAY AND TRANSPORTATION DISTRICT

Golden Gate Bridge, Highway and Transportation District

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2016 and 2015



SAN FRANCISCO, CALIFORNIA

www.goldengate.org

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, 2016 and 2015

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Introductory Section



November 18, 2016

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, 2016. 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 20 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, 2016, 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 "unmodified" or "clean" opinion. Financial statements and the auditor's opinion can be found in the Financial Section of this report which commences on page 17.

The District is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 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 88.

Profile of the Agency

On December 4, 1928, the District was incorporated as a special district of the State of California as the entity established to design, construct, finance, and operate the Golden Gate Bridge. The District was created 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 counties of Marin, Sonoma, Del Norte, the City and County of San Francisco, and portions of Napa and Mendocino counties.

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.

Since 1970, the District has maintained and operated three service-oriented 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. An administrative division supports operations and includes functions such as finance, information systems, environmental health and safety, human resources, planning, and marketing. The District employs 802 employees, up from 784 in FY 2014/2015.

The District is unique in the San Francisco Bay Area in that its operations and administration 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 government grant programs, investments and capital contributions, along with limited revenue programs such as transit advertising, concessions, and leases. The District’s FY 2015/2016 programs and services were based upon an adopted Operating Budget of \$200.4 million and a Capital Budget of \$46.8 million.

Financial Condition of the District

Local Economy

The San Francisco Bay Area’s economy has now rebounded from the effect of the earlier nationwide recession (2008) and global recession (2009). Despite this improvement, recent changes in demographics and lifestyles are impacting traffic and ridership levels:

- 3.5 million customers rode Golden Gate regional transit buses (down from 3.6 million in FY 2014/2015).
- 2.5 million customers rode Golden Gate ferries (same as in FY 2014/2015).
- 20.6 million vehicles crossed the Bridge southbound (compared to 20.1 million in FY 2014/2015).

The growth in the retirement population in Marin along with increased telecommute patterns have resulted in a small decrease in use of transit services for commute purposes. Commute riders make up the largest portion of the transit ridership. In addition, competing transit alternatives from private carriers have resulted in less ridership. Increased traffic, due to the growing economy and fairly inexpensive gasoline pricing, has also affected the choice of utilizing public transit options. When looking at unemployment figures from the U.S. Bureau of Labor Statistics, California’s unemployment rate for June 2016 was 5.7 percent, a decrease from 6.3 percent in June 2015. However, local unemployment rates are much lower. In Marin and San Francisco counties the unemployment rates have stabilized at 3.5 percent and 3.6 percent respectively, compared to June 2015’s results of 3.4 percent and 3.5 percent respectively.

Long-Term Financial Planning

As noted above, the District has limited funding sources that include tolls, transit fares, government grants, and revenues from advertising, concessions and leases. To develop financial strategies to sustain its services and operations, the Board adopted a Financial Plan for Achieving Long-Term Financial Stability (Plan) in October 2002 which was redone in 2009 and then again in 2014. The Plans encompass and reflect the following:

- 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 redirecting policies.
- The data in the Short Range Transportation Plan (S RTP). The S RTP is updated periodically, with the most recent edition covering the period of 2015–2024. The development of the S RTP is the principal process for creation and modification of the District's transit service goals, objectives, measures, and standards.
- 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 reductions initiatives are identified for consideration, evaluation, and public input, with expense reductions focused on efficiencies in services rather than the elimination of services.

An updated five and ten-year projection (FY 2017/2018 to FY 2026/2027) was recently presented to the Board in September 2016; coupled with the current FY 2016/2017 budget, the five-year projection slightly stabilizes the deficit from the prior year's projection (\$56 million in current projection compared to \$51 million in the previous year's projection). However, by the tenth year, the deficit has grown from \$272 million to \$339 million. This increase is primarily due to increase in salaries, benefits (including pension and workers compensation payouts), and depreciation from recently completed, very expensive capital projects. It should be noted that the five and ten-year projections are for a rolling period; as a result, the deficits are not reflective for the same five years. If the projections were restated for the same five and ten-year periods, the deficit is actually reduced in the first five years by \$40 million to \$16 million; the ten-year projection would be reduced by \$8 million to \$264 million.

The District aggressively pursues programs to contain its costs and increase its revenues. Refer to the Major Initiatives section on page 4 for more information on cost cutting and revenue generating strategies implemented this past year.

Relevant Financial Policies

The annual budget is a culmination of the strategic directions and priorities of the Board 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

Golden Gate Bridge Roadway Modified During CalTrans Doyle Drive Closure

In conjunction with the CalTrans closure of Doyle Drive in July 2015, the District took advantage of lighter traffic and made necessary roadway modifications on both ends of the Bridge. Engineers extended the moveable median barrier about 900 feet south of the Bridge to conform to the new Doyle Drive concrete median barrier and made roadway changes to the southbound approach to make it simpler for drivers to identify the merges. In addition, to manage the traffic and transportation demand, the District operated extra Golden Gate Ferry trips and fewer Golden Gate Transit bus trips.

New Code of Conduct Campaign – *Respect Your Ride*

The District rolled out a colorful new code of conduct campaign to ensure safety for all transit customers and to remind customers of appropriate behavior when riding our buses and ferries. The campaign – given the tag line *Respect Your Ride* – uses humor and playful images to communicate the rights and expectations of passengers and provides an improved means for passengers to communicate with the District in the event of an incident.



Overflow Larkspur Ferry Parking Lot Opens at Former Marin Airporter Site

A new overflow parking lot for Larkspur Ferry customers opened in September 2015, at the former site of the Marin Airporter in Larkspur. This additional parking, in addition to a ferry shuttle from the Ross Valley during commute hours, gives customers an alternative to the main terminal parking lot which often fills up during the busy commute mornings.

District Surveys Regional Bus and Ferry Passengers and Holds Focus Groups

The District conducted a bus and ferry passenger survey and held focus groups in an effort to improve existing regional transit service, increase market share of intercounty travelers in its service area, and monitor the District's compliance with Title VI of the Civil Rights Act of 1964. Information was gathered about travel patterns, perceptions of its service, unmet travel needs, and the demographic characteristics of riders.



New Ferry Shuttle Demonstration Projects Route 31 & 37

Due to customer requests and the popularity of the Ross Valley ferry shuttle, the District introduced two ferry shuttle routes, serving the downtown San Rafael and Terra Linda/Lucas Valley neighborhoods. Both routes served morning and evening commute trips in both directions and were free for ferry customers. However, despite robust marketing campaigns, neither route met District ridership standards and both were discontinued in June 2016.

Improving Golden Gate Bridge Traffic Flow

To better balance traffic capacity and demand, the District made several seasonal evening commute lane configuration changes on the Bridge to ease the burden for northbound and southbound motorists without creating unreasonable delays. In addition, Bridge parking lots were closed over busy holiday weekends to mitigate significant traffic backups caused by large numbers of visitors vying for a limited number of parking spaces.

New Vehicle Counting Technology Installed at the Golden Gate Bridge

Workers installed new vehicle counting technology at the Golden Gate Bridge in January 2016. The new counters provide more accurate northbound and southbound traffic data to assist with managing traffic demands across the Bridge.

M.S. San Francisco Gets Complete Refurbishment

The newly renovated *M.V. San Francisco* sailed under the Golden Gate Bridge in October 2015, after a complete refurbishment in southern California. The vessel was stripped down to its hull and then rebuilt inside and out. It received new seats, paint, carpets, lighting, restrooms, machinery, and more.

Golden Gate Transit Re-starts a Holiday Tradition

There's no place like home for the holidays! Golden Gate Transit brought back the “holiday bus” – complete with snowflakes, twinkling lights, stars, and a Golden Gate Bridge “snow globe!” To get customers in the holiday spirit, we held a photo contest and asked customers to post their photos of the bus on our social media networks.



Golden Gate Transit Restructures Bus Service in the Richmond-San Rafael Bridge Corridor

In December 2015, Golden Gate Transit made several service changes in the East Bay by merging two existing routes (Routes 40 and 42) and introducing a new commute route (Route 580) to communities not previously served by GGT. These changes improved on existing service levels and significantly expanded service. Despite a robust “Enjoy the Ride” marketing campaign, the new commute route did not meet minimum ridership standards and was eliminated in September 2016.

Community Outreach Events Held Throughout the Year

The District continued to build community relations by participating in outreach events to gather public input on proposed service changes and a one-year fare program. Many customers came out to these open houses, trip planning sessions, and public hearings held throughout the District’s service area.

Golden Gate Ferry Hosts Emergency Response Drill on the San Francisco Bay

Golden Gate Ferry planned and coordinated an inter-agency emergency response drill on the San Francisco Bay, in conjunction with the California Maritime Academy, and local law enforcement, fire, and United States Coast Guard partners. The exercise strengthened agency partnerships, which are invaluable in maintaining an effective safety and security posture on the San Francisco Bay.



Drones Not Permitted at the Golden Gate Bridge

There are many beautiful places to fly a drone in San Francisco, but the Golden Gate Bridge is not one of them! Drones – also known as unmanned aerial systems – pose a safety and security risk and are banned from flying over or near the Bridge or other District property. New signage was installed to remind visitors that drones are prohibited.

Golden Gate Ferry Serves Seasonal and Special Events Throughout the Year!

Sports fans, rock ‘n’ rollers, parade-goers, and runners, among many others, left their cars behind and rode Golden Gate Ferry’s special services to many of San Francisco’s events this year, including all San Francisco Giants home games, events at AT&T Park, and Super Bowl 50 events.

***M.V. Mendocino* Returns After Mid-Life Refurbishment**

The customer favorite, *M.V. Mendocino*, returned to Larkspur Ferry service following a year-long, \$6 million renovation that included extending the vessel’s hull, installing new water jets, and replacing the ceilings, flooring, paneling, and seating.



Artist rendering of proposed suicide deterrent design.

Construction Bids Received for a Suicide Deterrent on the Golden Gate Bridge

After planning and design phases, the District issued a request for proposals (RFP) from qualified bidders to construct a suicide deterrent on the Golden Gate Bridge. The District has received higher than expected bids for construction and is working with its funding partners to develop a revised funding plan.

Golden Gate Transit Makes Regional Bus Service Improvements

Several regional bus service enhancements were made this year that benefit riders, improve on-time performance, and improve the effective use of available resources. Changes include new Route 30 with all-day, every-day service between San Francisco, downtown Sausalito, and the San Rafael Transit Center, and separate Saturday and Sunday timetables to accommodate different traffic patterns on weekends.

Improving the Aging Sausalito Ferry Landing and Dock

The District continues to work with the City of Sausalito on a new Sausalito ferry landing and dock design. The new boarding system will improve operations by providing a wider, modern facility with improved slopes on the gangway and float platforms for easier boarding and unloading of all passengers, including bicyclists and disabled users, during all tide conditions.

New, Easy Online Ticketing System Available for Sausalito Ferry Customers

Golden Gate Ferry introduced a new online ticketing system for Sausalito Ferry customers. Riders can now purchase tickets from a laptop or mobile device easily and securely. The new system eliminates long lines at ticket vending machines and greatly speeds up the boarding process.

Customer Service Center Helps Even More Customers!

The District's Customer Service Center is now contracted by Marin Transit to provide trip planning, lost and found, ticket/pass sales, and general transit assistance to all local Marin County transit customers, including West Marin Stage, community shuttle, and supplemental bus riders. Assistance is available over the phone, via email, or at the walk-up counter during the center's weekday hours of operation.

District to Take Over Commute Ferry Service in Tiburon

Approached by Blue & Gold Fleet to take over its morning and evening commute ferry service between Tiburon and San Francisco, the District studied the feasibility of assuming this commuter ferry route. Given the public interest to continue ferry service and reduce automobile commute traffic on the Golden Gate Bridge, the District is moving forward to take over this service, which is expected to start in late 2016.

Website Redesign Underway

An entire website redesign project is underway. Divided into a functional prototype design phase (which was completed in June 2016) and site implementation phase, the new website will be a modern, visually-appealing, easy-to-navigate, and responsive site that will serve commuting locals and sightseeing tourists alike.



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, 2015. This is the ninth consecutive year 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, 2015. This is the tenth consecutive year the District has received this award.

Grateful acknowledgement is made to the entire staff of the Finance Department and the Marketing Department 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Golden Gate Bridge
Highway and Transportation District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive.

Executive Director/CEO

District Board of Directors and Executive Management Team

as of June 30, 2016

Board of Directors

President

Dick Grosboll, City & County of San Francisco

First Vice President

J. Dietrich Stroeh, Marin County

Second Vice President

Sabrina Hernández, City & County of San Francisco

City & County of San Francisco

London Breed

Elbert (Bert) Hill

John J. Moylan

Aaron Peskin

Michael Theriault

Scott Wiener

Norman Yee

Marin County

Judy Arnold

Alice Fredericks

Kathrin Sears

Sonoma County

Gina Belforte

David A. Rabbitt

Brian M. Sobel

Napa County

Barbara L. Pahre

Mendocino County

James C. Eddie

Del Norte County

Gerald D. Cochran

Officers of the Board

General Manager/CEO

Denis J. Mulligan

Auditor-Controller/CFO

Joseph M. Wire

Attorney

Kimon Manolius

District Engineer

Ewa Z. Bauer

Secretary of the District

Amorette M. Ko-Wong

Deputy General Managers

Administration & Development

Kellee Hopper

Bridge Division

Kary H. Witt

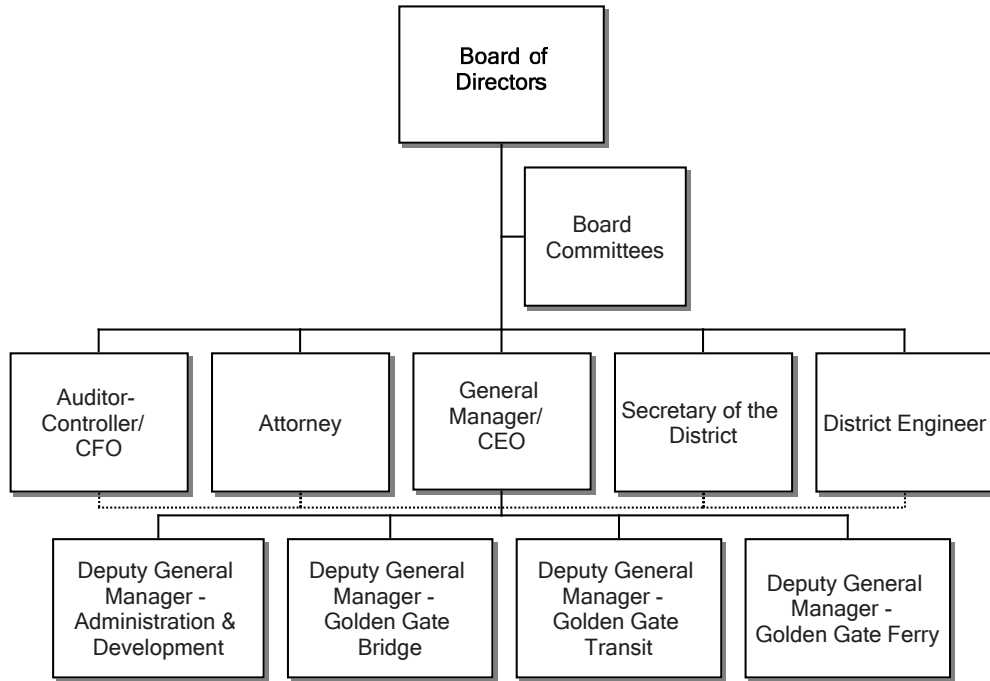
Bus Division

Teri W. Mantony

Ferry Division

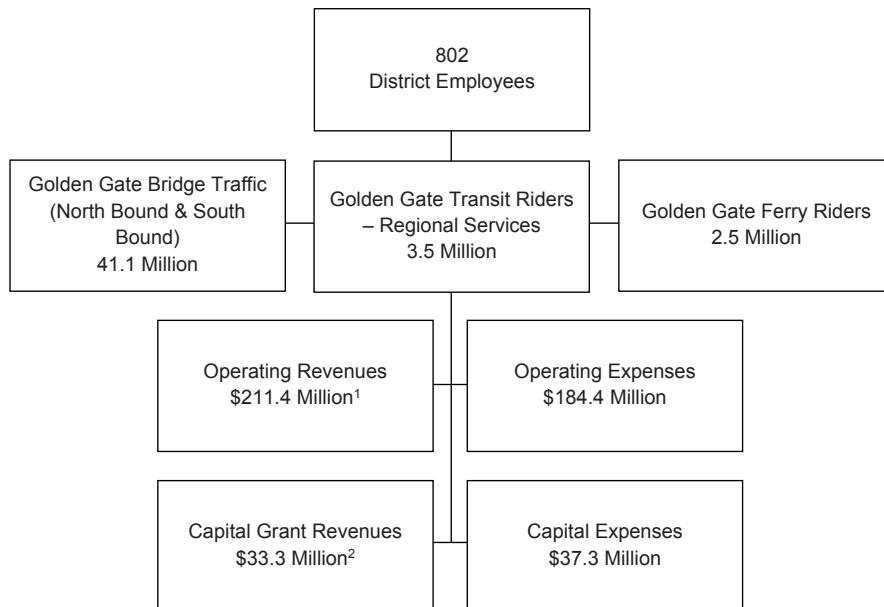
James P. Swindler

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 \$20.3 million in operating revenues to fund future capital projects; any excess of expenses over revenues is funded from accumulated Unrestricted Net Assets.
2. The capital funding shortfall is funded by revenues designated for the capital projects by the Board of Directors in past years.

Transit Service Area Map



Employees of the Month



July 2015
Melissa Brown
Business Systems Information
Engineer



August 2015
Patricia Slater
Administrative Assistant



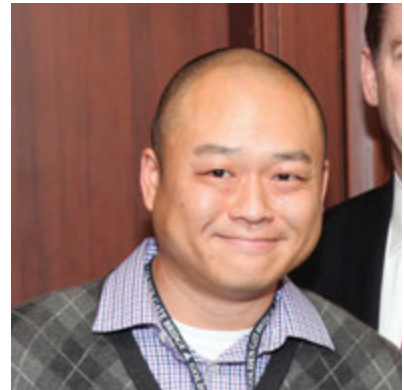
September 2015
Douglas Michener
Dispatcher



October 2015
Roger Lindsey
Lead House/Sign Painter



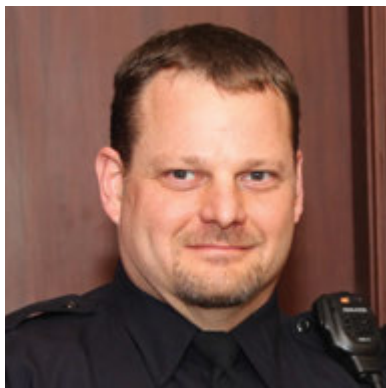
November 2015
Norma Jellison
Property & Real Estate Development
Manager



December 2015
Marcus Lo
Systems Administrator PC Support



January 2016
Vincent Moy
Senior Buyer



February 2016
Michael Kallson
Bridge Sergeant



March 2016
Jeffrey Louthan
Bus Servicer

Employees of the Month (Continued)



April 2016
Bart Hackworth
Captain



May 2016
Michael Lesesne
Bus Operator



June 2016
Malani Brown
Project Manager

Financial Section





INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and Other Postemployment Benefits Trust Fund of the Golden Gate Bridge, Highway & Transportation District (District), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the Enterprise Fund and Other Postemployment Benefits Trust Fund of the District as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District adopted the following new accounting pronouncements: GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the statistical section, the supplemental schedule of revenues and expenses by division and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and supplemental schedule of revenues and expenses by division are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information

has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supplemental schedule of revenues and expenses by division are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavreck, Trine, Day & Co. LLP

Palo Alto, California
November 4, 2016

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016 and 2015.

Following this MD&A are the basic financial statements of the District together with the notes thereto that 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 located in the front of this report and the basic financial statements following this section.

DISTRICT ORGANIZATION AND BUSINESS

The District was formed under authority of the Golden Gate Bridge and Highway Act of 1923, and incorporated on December 4, 1928, to include within its boundaries the City and County of San Francisco, the counties of Marin, Sonoma, Del Norte, most of Napa county, and part of Mendocino counties. The District is governed by a 19-member Board of Directors that is appointed by the elected representatives of their constituent counties. Today, the District, based in San Francisco, operates the Golden Gate Bridge (Bridge), the regional Golden Gate Transit (GGT) bus service connecting Sonoma, Marin, San Francisco, and Contra Costa counties, and the Golden Gate Ferry (GGF) system, which links Marin and San Francisco counties. An administrative division supports these operating divisions. To fund its public transportation services, the District relies primarily on toll and transit fares. 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 other local governments. The General Manager oversees the operations of all divisions according to the policy and direction of the Board of Directors (Board).

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

| | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|
| Total southbound vehicle crossings | 20,557 | 20,086 | 20,014 |
| % increase/(decrease) | 2.3% | 0.4% | 3.3% |
| Bus patronage - regional service | 3,499 | 3,613 | 3,693 |
| % increase/(decrease) | (3.2%) | (2.2%) | 2.1% |
| Bus patronage - local service under agreement with Marin Transit | 2,133 | 2,441 | 2,692 |
| % increase/(decrease) | (12.6%) | (9.3%) | (10.6%) |
| Ferry patronage | 2,545 | 2,540 | 2,471 |
| % increase/(decrease) | 0.2% | 2.8% | 6.2% |

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 bus and ferry transit services. Presently, GGT and GGF operations are funded approximately 49% by Bridge tolls and 26% by transit fares. In addition, operating grants, along with state and local funds received from Marin and Sonoma counties for the provision

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

of transit services supported funding in the amount of 14%. See table "How the District was Funded in Fiscal Year 2016" shown on page 27 at the end of the Revenues section, for further funding details.

FINANCIAL POSITION SUMMARY

Total net position, especially unrestricted net position, serves over time as a useful indicator of the District's financial position. The District's assets and deferred outflows exceeded liabilities and deferred inflows by \$641.7 million at June 30, 2016, a \$38.5 million decrease from June 30, 2015. The decrease primarily is attributable to a one-time capital contribution of \$75.0 million to San Francisco County Transportation Authority for improvements related to Presidio Parkway (Doyle Drive commitment).

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

| | 2016 | 2015 | 2014 |
|--|--------------------------|--------------------------|--------------------------|
| Assets and Deferred Outflows: | | | |
| Current and other assets | \$ 235,075 | \$ 270,332 | \$ 242,997 |
| Capital and restricted assets | 694,655 | 691,894 | 650,693 |
| Deferred Outflows | 39,168 | 10,830 | - |
| Total assets and deferred outflows | <u>\$ 968,898</u> | <u>\$ 973,056</u> | <u>\$ 893,690</u> |
| Liabilities and Deferred Inflows: | | | |
| Current liabilities | 38,499 | 40,176 | 32,267 |
| Debt outstanding | 61,000 | 61,000 | 61,000 |
| Other noncurrent liabilities | 221,358 | 191,669 | 33,595 |
| Deferred inflows | 6,333 | 19,570 | - |
| Total liabilities and deferred inflows | <u>\$ 320,857</u> | <u>\$ 292,845</u> | <u>\$ 126,862</u> |
| Net Position: | | | |
| Net investment in capital assets | 602,318 | 596,307 | 563,087 |
| Restricted | | | |
| Debt service requirements | 12,791 | 12,791 | 12,791 |
| Doyle Drive commitment | - | 75,000 | |
| Unrestricted (deficit) | 26,599 | (3,887) | 190,950 |
| Total Net Position | <u>\$ 641,708</u> | <u>\$ 680,211</u> | <u>\$ 766,828</u> |

The increase in other noncurrent liabilities is due to the recent GASB 68 requirement that a pension liability be recorded for actuarial unfunded liability associated with the State of California's Public Employees' Retirement System (CalPERS) and Golden Gate Transit-Amalgamated Retirement Plan (GGTAR) employee pension plans covering District employees. GASB 68 requires an agency to report unfunded pension obligations as a liability on its financial statement even if the agency is not legally responsible for the unfunded pension obligation. The District is legally responsible for the ultimate actuarial funding for the benefits provided under CalPERS, currently reflected as a \$100.8 million reduction of the net position shown above. The District is only legally responsible for the contributions agreed to in collective bargaining under the terms of the GGTAR plan document, even though GASB 68 requires recording the current GGTAR plan net pension liability as a net position reduction of \$53.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The largest portion of the District's net position (93.9% at June 30, 2016) 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 customers. 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, because the capital assets themselves are unlikely to be used to liquidate liabilities. Notwithstanding the implementation of the recent GASB 68 pension standards, the District has \$180.9 million in net position available for future capital and operating needs. CalPERS has determined, and the District does and will continue to contribute, a yearly amount that will pay off that portion of the recorded pension liability. Thus the funds shown in the liability reserve for that purpose are available for current capital and operating needs under the GGTAR Plan document. The District is not legally liable for the GGTAR Plan's unfunded liability. While GASB 68 requires the District to record the GGTAR's unfunded liability for financial planning purposes, the District considers those amounts as available for allocation to the District's current capital and operating needs. The District is only legally responsible under the GGTAR plan document to make the contributions agreed to in collective bargaining. The GGTAR Trust Board is responsible for the funding of the long-term liabilities in the plan.

An additional portion of the District's net position (2.0% at June 30, 2016) 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 position. This category decreased by 85.4% from the prior year in which the District had reflected a \$75 million funding commitment to San Francisco County Transportation Authority for the Presidio Parkway reconstruction project. The contribution was made in August of the current year, following completion of the project. The unrestricted net position has increased by \$30.5 million over the prior year due to continuing recoupment of reserves from operations. The prior year's net position had decreased as a result of a restatement of \$145.0 million to address the GASB 68 required reporting of unfunded pension obligations as a liability. According to the GGTAR plan documents, the District is not legally responsible for the unfunded pension obligation for the net position change associated with the GGTAR unfunded net pension liability, which is \$53.5 million.

FISCAL YEAR 2016 FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues, when compared to the prior fiscal year, increased from \$176.3 million to \$188.3 million. This was primarily due to the full year impact of a toll rate increase, in which FasTrak® rates increased from \$6.00 to \$6.25, and Pay-By-Plate rates increased from \$7.00 to \$7.25. By year end, the average toll rate had climbed from \$6.45 to \$6.69. Other contributors included the impact from a five percent transit fare increase, as part of an ongoing transit fare plan program implemented by the District on July 1, 2011. This year represents the fifth and final year of the program.
- Operating expenses before depreciation, increased from \$160.9 million in 2015 to \$175.7 million in 2016, a change of \$14.8 million. Although most costs were contained, the District recognized pension expenses of \$12.4 million in regards to the bus operators' pension plan (GGTAR). The District is not legally responsible for the unfunded pension obligation associated with the GGTAR pension plan but is required to report this information in compliance with GASB 68.
- As a result, operating losses before depreciation and other non-operating revenues and expenses reflected income of \$12.5 million, a decrease of \$2.9 million over last year's income of \$15.4 million. Depreciation increased (\$31.3 million in 2016 compared to \$28.3 million in 2015) due to

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

the impact of depreciation related to newly completed capital improvements (Bridge moveable median barrier, Bus wireless internet access, and San Francisco Ferry Terminal roof refurbishment). As a result, operating loss before non-operating revenues showed a loss of \$18.7 million in 2016 compared to a loss of \$12.8 million in 2015.

- Non-operating net revenues/expenses decreased to a loss of \$53.1 million in 2016 compared to revenues of \$22.5 million in 2015. This decrease was primarily due to the one-time funding amount of \$75.0 million to San Francisco County Transportation Authority for improvements related to Presidio Parkway (Doyle Drive commitment). Capital contributions received in the form of grants from the Federal, State and Local governments decreased from \$48.7 million in 2015 to \$33.3 million in 2016. The District is involved in major projects such as ferry facilities rehabilitation and dredging, rehabilitation of the *M.S. San Francisco*, the seismic retrofit of the Golden Gate Bridge, the installation of Voice over Internet Protocol Phone System (VoIP), core network routers and implementation of disaster recovery and uptime data and application software, the replacement of the District's radio communication system, rehabilitation of the *M.V. Mendocino*, and the suicide deterrent project.

FISCAL YEAR 2015 FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues, when compared to the prior fiscal year, increased from \$160.2 million to \$176.3 million. This was primarily due to the full year impact of a toll rate increase effective April 7, 2014, in which FasTrak® rates increased from \$5.00 to \$6.00, and Pay-By-Plate rates increased from \$6.00 to \$7.00. By year end, the average toll rate had climbed from \$5.63 to \$6.45.
- Operating expenses before depreciation, increased slightly from \$160.7 million in 2014 to \$160.9 million in 2015, a change of \$0.2 million. Benefits were realized in decreased fuel costs along with reduced medical expenses.
- As a result, operating losses before depreciation and other non-operating revenues and expenses reflected income of \$15.4 million, an increase of \$16.0 million over last year's loss of \$0.5 million. Depreciation increased (\$28.3 million in 2015 compared to \$27.1 million in 2014) due to the impact of depreciation related to electronic tolling equipment. Operating loss before non-operating revenues showed a loss of \$12.8 million in 2015 compared to a loss of \$27.7 million in 2014.
- Non-operating net revenues increased to \$22.5 million in 2015 as compared to \$19.3 million in 2014. This increase was primarily due to increased State operating assistance support from the Transportation Development Act. Capital contributions received in the form of grants from the Federal, State, and Local governments increased from \$36.0 million in 2014 to \$48.7 million in 2015. The District is involved in major projects such as the refurbishment of the *M.S. San Francisco*, the construction of the new San Francisco bus facility, the design and installation of the moveable median barrier, the implementation of the Advanced Communication and Information System, the design of gangway and piers at the ferry terminals, and the seismic retrofit of the Golden Gate Bridge.
- In 2015, the District restated its Net Position, as a result of the new reporting requirements in GASB 68 ("Accounting and Financial Reporting for Pensions"). GASB 68 requires agencies to report unfunded pension obligations as a liability on the financial statements even in cases where the agency is not legally responsible for the unfunded pension obligation. Previously, this category was included in a footnote to the financials. At June 30, 2015, the Net Position change

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

related to the pension obligations was \$146.7 million, including the GGTAR net position change of \$41.4 million for which the District is not legally responsible under the GGTAR plan document.

- In August 2015, the District contributed \$75.0 million to San Francisco County Transportation Authority as part of a funding agreement for the Presidio Parkway reconstruction project. This commitment is designated as restricted funding under its net position as of June 30, 2015.

SUMMARY OF CHANGES IN NET POSITION (In thousands)

| | 2016 | 2015 | 2014 |
|---|--------------------|--------------------|------------------|
| Operating revenues | \$ 188,273 | \$ 176,309 | \$ 160,158 |
| Operating expenses | (175,734) | (160,873) | (160,686) |
| Income before depreciation and other non-operating revenue and expenses | 12,539 | 15,436 | (528) |
| Depreciation | (31,264) | (28,253) | (27,149) |
| Operating loss | (18,725) | (12,817) | (27,677) |
| Other non-operating revenue and expenses, net | (53,076) | 22,469 | 19,262 |
| Loss before capital contributions | (71,801) | 9,652 | (8,415) |
| Capital contributions | 33,298 | 48,742 | 36,030 |
| Restatement of beginning Net Position | - | (145,011) | - |
| Increase/(decrease) in Net Position | \$ (38,503) | \$ (86,617) | \$ 27,615 |

The restatement of the beginning Net Position (\$145.0 million) in Fiscal Year 2015 is a result of compliance with GASB 68 ("Accounting and Financial Reporting for Pensions") and reflects pension liability associated with the CalPERS pension liability (\$106.4 million) for which the District is legally responsible to meet the actuarial funding obligations, and the net position change associated with the GGTAR pension liability (\$38.6 million) for which the District is not legally responsible under the terms of the GGTAR plan document.

DISTRICT TOLLS AND FARES

Golden Gate Bridge tolls are set by Board Policy and change when determined necessary by the Board. The changes to the toll rates over the last decade are listed as follows: 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, 2012, 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 addition, tolls for multi-axle vehicles increased as part of a two-stage program; the second increase occurred in July of 2012. Finally, at its meeting in February, 2014, the Board approved an increase in the FasTrak® toll to \$6.00, effective April 7, 2014, along with a \$1.00 increase for Pay-By-Plate (now \$7.00). The Board also approved a five-year toll increase program in which a twenty-five cent increase will occur during each of the four subsequent years. These actions will contribute significantly to the reduction of the five-year deficit.

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 on June 30, 2012. The annual fare increases will assist the District in meeting operating expenses and generating additional revenue through June 30, 2016. The Board will review a new five-year fare increase program in Fiscal Year 2015/2016.

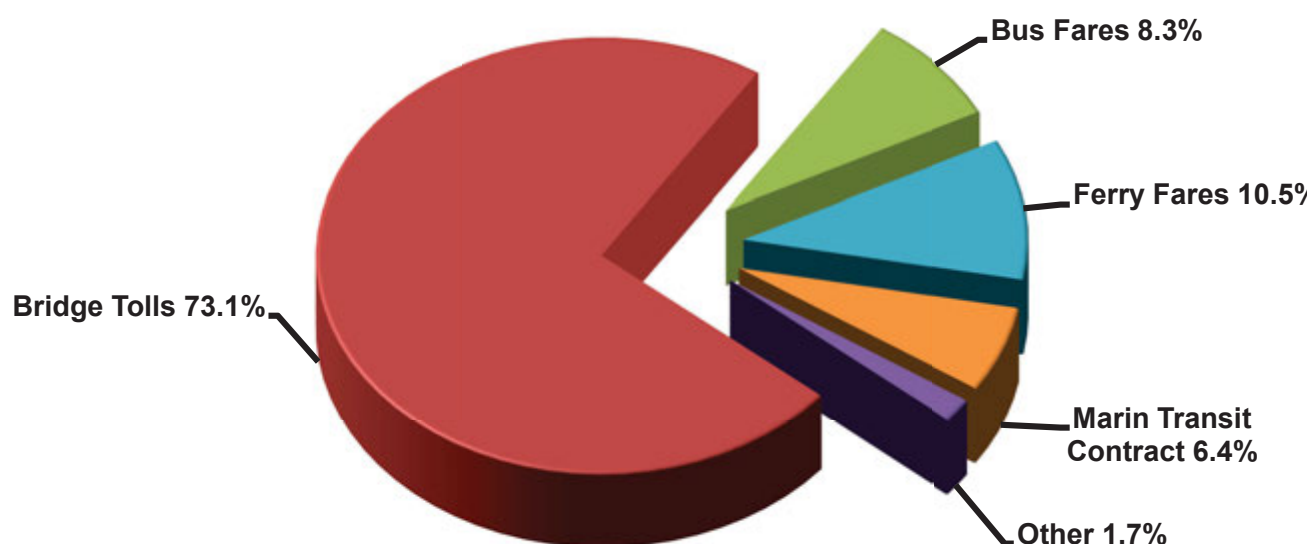
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The following is a summary of tolls and fares:

| | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|
| Average Bridge toll | \$6.69 | \$6.45 | \$5.63 |
| Average bus fare-regional service | \$4.49 | \$4.14 | \$4.01 |
| Average bus fare-local service under agreement with Marin Transit | \$0.92 | \$0.97 | \$0.89 |
| Average ferry fare | \$7.74 | \$7.24 | \$6.95 |

REVENUES

The following chart shows the major sources and the percentage of operating revenues for the year ended June 30, 2016 (tolls, transit fares and other):



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

A summary of revenues for the years ended June 30, 2016 and 2015, and the amount and percentage of change in relation to prior year amounts (in thousands), is as follows:

| | 2016 Amount | Percent of Total | Increase/ (Decrease) From 2015 | Percent Increase/ (Decrease) |
|--------------------------------|------------------------|-----------------------------|---|---|
| Operating Revenues: | | | | |
| Bridge tolls | \$ 137,618 | 56.2% | \$ 8,118 | 6.3% |
| Bus fares | 15,646 | 6.4% | 652 | 4.3% |
| Ferry fares | 19,695 | 8.0% | 1,303 | 7.1% |
| Marin Transit contract | 11,973 | 4.9% | 1,531 | 14.7% |
| Other | 3,341 | 1.4% | 360 | 12.1% |
| Total operating revenues | 188,273 | 76.9% | 11,964 | 6.8% |
| Non-operating Revenues: | | | | |
| Operating assistance | 19,305 | 7.9% | (1,563) | (7.5%) |
| Investment income | 3,822 | 1.6% | 1,414 | 58.7% |
| Total non-operating revenues | 23,127 | 9.5% | (149) | (0.6%) |
| Capital contributions | 33,298 | 13.6% | (15,444) | (31.7%) |
| Total Revenues | \$ 244,698 | 100.0% | \$ (3,629) | (1.5%) |

| | 2015 Amount | Percent of Total | Increase/ (Decrease) From 2014 | Percent Increase/ (Decrease) |
|--------------------------------|------------------------|-----------------------------|---|---|
| Operating Revenues: | | | | |
| Bridge tolls | \$ 129,500 | 52.1% | \$ 16,832 | 14.9% |
| Bus fares | 14,994 | 6.0% | 474 | 3.3% |
| Ferry fares | 18,392 | 7.4% | 1,225 | 7.1% |
| Marin Transit contract | 10,442 | 4.2% | (2,878) | (21.6%) |
| Other | 2,981 | 1.2% | 498 | 20.1% |
| Total operating revenues | 176,309 | 71.0% | 16,151 | 10.1% |
| Non-operating Revenues: | | | | |
| Operating assistance | 20,868 | 8.4% | 2,177 | 11.6% |
| Investment income | 2,408 | 1.0% | (631) | (20.8%) |
| Total non-operating revenues | 23,276 | 9.4% | 1,546 | 7.1% |
| Capital contributions | 48,742 | 19.6% | 12,712 | 35.3% |
| Total Revenues | \$ 248,327 | 100.0% | \$ 30,409 | 14.0% |

The primary reason for the increase in revenues in 2016 was due to a full year's impact of the April 2014 toll increase. In other areas, bus transit revenues increased as a result of the annual 5% increase in regional transit fares. Ferry ridership increased with additional service for Larkspur weekday mornings and additional seasonal service to support growing demands in Sausalito.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

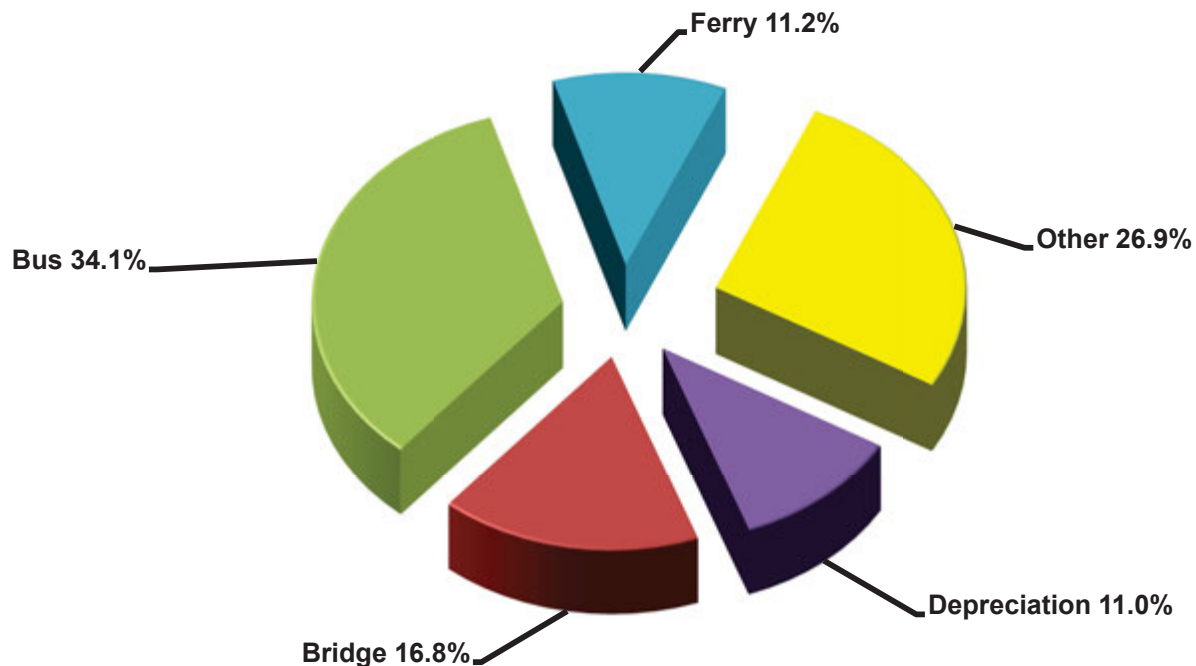
The District funds its operations with Bridge tolls, transit fares, government grants, and other revenues from operations or investments. The operations of the Bridge Division produce a surplus of Bridge toll revenues that are used to subsidize transit operations. In addition, in years where there are not sufficient Bridge toll revenues to fully subsidize transit operations, the District uses reserve funds 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), shows how the divisions were funded in fiscal year 2016. The table includes transfers to designated reserves in the amount of \$20.3 million to be used to fund capital projects and Bridge self-insurance.

HOW THE DISTRICT WAS FUNDED IN FISCAL YEAR 2016 (In thousands)

| Funding category | Bridge Division | | Bus Transit Division | | Ferry Transit Division | | Combined Transit Divisions | | District Total | |
|------------------------|-----------------|-------------|----------------------|------------|------------------------|-------------|----------------------------|-------------|------------------|-------------|
| | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % |
| Bridge tolls | \$62,800 | 93% | \$55,300 | 54% | \$12,800 | 34% | \$68,100 | 49% | \$130,900 | 64% |
| Patron fares | - | 0% | 15,600 | 16% | 19,700 | 53% | 35,300 | 26% | 35,300 | 17% |
| Marin Transit | - | 0% | 12,000 | 12% | - | 0% | 12,000 | 9% | 12,000 | 6% |
| Other revenues | 4,600 | 7% | 800 | 1% | 1,800 | 5% | 2,600 | 2% | 7,200 | 4% |
| Government grants | - | 0% | 16,400 | 16% | 2,900 | 8% | 19,300 | 14% | 19,300 | 9% |
| District toll reserves | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% |
| Total | \$67,400 | 100% | \$100,100 | 99% | \$37,200 | 100% | \$137,300 | 100% | \$204,700 | 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, 2016:



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 Bridge, Bus, and Ferry divisions by 45.3%, 31.3%, and 23.4%, respectively.

A summary of expenses for the years ended June 30, 2016 and 2015, and the amount and percentage of change in relation to prior year amounts (in thousands), is as follows:

| | 2016 Amount | Percent of Total | Increase/ (Decrease) From 2015 | Percent Increase/ (Decrease) |
|---|------------------------|-----------------------------|---|---|
| Operating Expenses: | | | | |
| Bridge | \$ 47,469 | 16.8% | \$ (746) | (1.5%) |
| Bus | 96,634 | 34.1% | 15,241 | 18.7% |
| Ferry | 31,631 | 11.2% | 366 | 1.2% |
| Total operating expenses | 175,734 | 62.1% | 14,861 | 9.2% |
| Non-operating Expenses: | | | | |
| Capital contributions to other agencies | 76,123 | 26.9% | 75,340 | 9,622.0% |
| Interest expense | 81 | 0.0% | 36 | 80.0% |
| Depreciation | 31,264 | 11.0% | 3,011 | 10.7% |
| (Gain)/loss on disposal of assets | (1) | (0.0%) | 20 | (95.2%) |
| Total non-operating expenses | 107,467 | 37.9% | 78,407 | 269.8% |
| Total Expenses | \$ 283,201 | 100.0% | \$ 93,268 | 49.1% |

| | 2015 Amount | Percent of Total | Increase/ (Decrease) From 2014 | Percent Increase/ (Decrease) |
|---|------------------------|-----------------------------|---|---|
| Operating Expenses: | | | | |
| Bridge | \$ 48,215 | 25.4% | \$ - | 0.0% |
| Bus | 81,393 | 42.9% | - | 0.0% |
| Ferry | 31,265 | 16.5% | - | 0.0% |
| Total operating expenses | 160,873 | 84.7% | - | 0.0% |
| Non-operating Expenses: | | | | |
| Capital contributions to other agencies | 783 | 0.4% | (1,554) | (66.5%) |
| Interest expense | 45 | 0.0% | - | 0.0% |
| Depreciation | 28,253 | 14.9% | - | 0.0% |
| (Gain)/loss on disposal of assets | (21) | (0.0%) | - | 0.0% |
| Total non-operating expenses | 29,060 | 15.3% | (1,554) | (5.1%) |
| Total Expenses | \$ 189,933 | 100.0% | \$ (1,554) | (0.8%) |

Total operating expenses remained relatively constant from the previous year, however, certain areas reflected savings, in particular, transit fuel costs. The increase in capital contributions to other agencies in FY 15/16 was a one-time \$75 million contribution by the District to the San Francisco County Transportation Authority (SFCTA) for the construction of the Presidio Parkway.

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 notes to the financial statements for a summary of the District's significant accounting policies.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During 2016, the District expended \$37.3 million, a decrease of \$24.2 million or 39% over the amount expended in 2015, on capital activities. This included the following major construction and procurement projects:

- Ferry facilities rehabilitation and dredging (\$11.8 million)
- Rehabilitation of *M.S. San Francisco* (\$5.5 million)
- Seismic retrofit projects (\$3.5 million)
- Miscellaneous District Information Systems projects (\$3.5 million)
- Replacement of the District's radio communication system (\$3.2 million)
- Rehabilitation of *M.V. Mendocino* (\$2.2 million)
- Suicide deterrent project (\$1.5 million).

During 2016, completed projects totaling \$33.2 million, a decrease of \$14.8 million over the amount completed in 2015, were closed from construction in progress to their respective capital accounts. The major completed projects included the installation of the Advanced Communication and Information Systems "ACIS" (\$23.6 million), Voice over Internet Protocol Phone System "VoIP" (\$1.2 million) and the completion of the San Francisco Ferry Terminal Utilities and Roof Replacement (\$1.6 million).

During 2015, the District expended \$61.5 million, which was an increase of \$18.4 million or 43% over the amount expended in 2014, on capital activities. This included the following major construction and procurement projects:

- Movable median barrier project (\$17.8 million)
- Purchase of twenty-five 45' Over-the-Road coaches (\$15.9 million)
- Rehabilitation of *M.S. San Francisco* (\$9.5 million)
- Rehabilitation of *M.V. Mendocino* (\$2.9 million)
- Seismic retrofit projects (\$2.75 million)
- Ferry facilities rehabilitation and dredging (\$2.5 million)
- San Rafael D1 bus facility rehabilitation (\$2.1 million)
- Replacement of the District's radio communication system (\$1.7 million)
- Miscellaneous District Information System projects (\$1.1 million).

During 2015, completed projects totaling \$48.0 million, a decrease of \$82.0 million over the amount completed in 2014, were closed from construction in progress to their respective capital accounts. The major completed projects included the installation of the moveable median barrier (\$27.8 million), the

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

purchase of twenty-five 45' over the road coaches (\$15.6 million) and the completion of the San Francisco mid-day bus lot at 3rd and Perry Streets (\$8.8 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 Series A and Series B in an amount of \$30,500,000 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 also secured by a line of credit. Under this program, the District can 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 the inception of the program. At June 30, 2016, \$61,000,000 in commercial paper notes was outstanding and maturing within 12 to 46 days, with interest ranging from 0.45% to 0.51% (0.07% to 0.10% in 2015).

CREDIT RATINGS AND BOND ISSUANCE

Standard and Poor's Corporation (S&P) 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- for S&P, and A+ for Fitch) in the nation for a single toll facility. These are implied credit ratings as the District has no outstanding long-term debt and has no current plans to issue any. Currently, the District has \$61.0 million in outstanding commercial paper.

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
STATEMENT OF NET POSITION
JUNE 30, 2016 AND 2015 (IN THOUSANDS)**

| | <u>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Unrestricted assets: | | |
| Cash and cash equivalents | \$ 33,979 | \$ 50,287 |
| Investments | 180,391 | 197,809 |
| Capital and operating grants receivable | 6,234 | 10,745 |
| Accounts receivable | 8,551 | 6,568 |
| Maintenance inventories and supplies - average cost | 3,831 | 4,013 |
| Prepaid expenses | 2,089 | 910 |
| Total unrestricted current assets | <u>235,075</u> | <u>270,332</u> |
| Noncurrent assets: | | |
| Restricted assets: | | |
| Cash and cash equivalents | <u>31,337</u> | <u>34,587</u> |
| Capital assets: | | |
| Nondepreciable capital assets: | | |
| Land | 6,650 | 6,650 |
| Construction in progress | 82,808 | 79,923 |
| Total nondepreciable capital assets | <u>89,458</u> | <u>86,573</u> |
| Depreciable capital assets: | | |
| Property and equipment: | | |
| Bridge, related buildings and equipment | 637,731 | 609,129 |
| Bus transit property and equipment | 175,621 | 173,878 |
| Ferry transit property and equipment | 138,287 | 135,450 |
| Accumulated depreciation | <u>(377,779)</u> | <u>(347,723)</u> |
| Total depreciable capital assets | <u>573,860</u> | <u>570,734</u> |
| Total capital assets | <u>663,318</u> | <u>657,307</u> |
| Total noncurrent assets | <u>694,655</u> | <u>691,894</u> |
| Total Assets | <u>\$ 929,730</u> | <u>\$ 962,226</u> |
| Deferred Outflows of Resources | | |
| Deferred Outflows from pension activities | <u>39,168</u> | <u>10,830</u> |

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENT OF NET POSITION (Concluded)
JUNE 30, 2016 AND 2015 (IN THOUSANDS)**

| | <u>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| Liabilities | | |
| Current liabilities: | | |
| Payable from unrestricted assets: | | |
| Trade accounts payable | \$ 11,163 | \$ 10,833 |
| Accrued liabilities | 3,526 | 2,349 |
| Unearned revenue | 17,514 | 20,986 |
| Accrued compensated absences | 470 | 549 |
| Contract retentions | 397 | 480 |
| Self-insurance liabilities | 5,429 | 4,979 |
| Commercial notes payable | 61,000 | 61,000 |
| Total current liabilities | <u>99,499</u> | <u>101,176</u> |
| Noncurrent liabilities: | | |
| Payable from unrestricted assets: | | |
| Accrued compensated absences | 7,661 | 7,458 |
| Self-insurance liabilities | 26,522 | 26,721 |
| Aggregate net pension liability | 187,175 | 137,920 |
| Total noncurrent liabilities | <u>221,358</u> | <u>172,099</u> |
| Total Liabilities | <u>\$ 320,857</u> | <u>\$ 273,275</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows of resources from pension activities | <u>6,333</u> | <u>19,570</u> |
| Net Position | | |
| Net investment in capital assets | 602,318 | 596,307 |
| Restricted: | | |
| Debt service requirements | 12,791 | 12,791 |
| Doyle Drive commitment | - | 75,000 |
| Unrestricted (deficit) | <u>26,599</u> | <u>(3,887)</u> |
| Total Net Position | <u>\$ 641,708</u> | <u>\$ 680,211</u> |

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015 (IN THOUSANDS)**

| | 2016 | 2015 |
|--|--------------------------|--------------------------|
| Operating revenues: | | |
| Bridge tolls | \$ 137,618 | \$ 129,500 |
| Transit fares | 35,341 | 33,386 |
| Marin Transit revenues | 11,973 | 10,442 |
| Other operating revenues | 3,341 | 2,981 |
| Total operating revenues | <u>188,273</u> | <u>176,309</u> |
| Operating expenses: | | |
| Operations | 87,903 | 89,040 |
| Maintenance | 41,766 | 37,544 |
| General and administrative | 46,065 | 34,289 |
| Depreciation | 31,264 | 28,253 |
| Total operating expenses | <u>206,998</u> | <u>189,126</u> |
| Operating loss | <u>(18,725)</u> | <u>(12,817)</u> |
| Non-operating revenues (expenses): | | |
| Operating assistance: | | |
| State operating assistance | 16,317 | 18,368 |
| Federal operating assistance | 211 | 8 |
| Local operating assistance | 2,777 | 2,492 |
| Total operating assistance | <u>19,305</u> | <u>20,868</u> |
| Capital contributions to other agencies | (76,123) | (783) |
| Investment income | 3,822 | 2,408 |
| Interest expense | (81) | (45) |
| Gain (Loss) on disposal of capital assets | 1 | 21 |
| Total non-operating revenues | <u>(53,076)</u> | <u>22,469</u> |
| Income (Loss) before capital contributions | <u>(71,801)</u> | <u>9,652</u> |
| Capital contributions | <u>33,298</u> | <u>48,742</u> |
| Net increase (Decrease) in Net Position | (38,503) | 58,394 |
| Net Position, beginning of year | 680,211 | 766,828 |
| Restatement of beginning Net Position | - | (145,011) |
| Net Position, end of year | <u><u>\$ 641,708</u></u> | <u><u>\$ 680,211</u></u> |

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015 (IN THOUSANDS)**

| | 2016 | 2015 |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | \$ 186,291 | \$ 185,130 |
| Cash payments to suppliers for goods and services | (109,130) | (96,112) |
| Cash payments to employees for services | (58,038) | (61,880) |
| Net cash used in operating activities | <u>19,123</u> | <u>27,138</u> |
| Cash flows from noncapital financing activities: | | |
| Operating grants received | 19,305 | 18,898 |
| Grants disbursed to other agencies | (76,123) | (783) |
| Net cash provided for (used in) non-capital financing activities | <u>(56,818)</u> | <u>18,115</u> |
| Cash flows from capital and related financing activities | | |
| Capital contributions received | 34,255 | 49,301 |
| Interest paid | (81) | (45) |
| Retention addition (release) related to capital assets | - | (536) |
| Purchase of capital assets | (37,277) | (61,450) |
| Net cash provided for (used in) capital and related financing activities | <u>(3,103)</u> | <u>(12,730)</u> |
| Cash flows from investing activities: | <u>17,418</u> | <u>(23,256)</u> |
| Net proceeds (purchases) of investment securities | 3,822 | 2,257 |
| Investment income received | 21,240 | (20,999) |
| Net cash (used in) provided by investing activities | <u>(19,558)</u> | <u>11,524</u> |
| Net (decrease)/increase in cash and equivalents | 84,874 | 73,350 |
| Cash and equivalents, beginning of year | 65,316 | 84,874 |
| Cash and equivalents, end of year | <u>\$ 84,874</u> | <u>\$ 73,350</u> |

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENT OF CASH FLOWS (CONCLUDED)
YEARS ENDED JUNE 30, 2016 AND 2015 (IN THOUSANDS)**

| | <u>2016</u> | <u>2015</u> |
|---|-------------------------|-------------------------|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (18,725) | \$ (12,817) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 31,266 | 28,252 |
| Effect of changes in: | (1,983) | 1,960 |
| Accounts receivable | (1,179) | 382 |
| Prepaid expenses | 182 | (534) |
| Inventory and supplies | (534) | 263 |
| Trade accounts payable | 330 | (2,095) |
| Accrued liabilities | 1,177 | 3,024 |
| Pension liabilities and related deferrals | 7,680 | 7,394 |
| Accrued compensated absences | 125 | 19 |
| Self-insurance liabilities | 250 | 1,553 |
| Net cash provided by operating activities | <u><u>\$ 19,123</u></u> | <u><u>\$ 27,138</u></u> |
| Supplemental disclosures of cash flow information: | | |
| Noncash investing activities: | | |
| Increase (decrease) in fair value of investments | \$ (1,318) | \$ (135) |
| Noncash capital contributions | \$ 70,772 | \$ (558) |
| Purchase of capital assets on account | \$ (16) | \$ (23,653) |

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
OTHER POST EMPLOYMENT BENEFITS TRUST
STATEMENT OF TRUST NET POSITION AVAILABLE FOR BENEFITS
JUNE 30, 2016 AND 2015 (IN THOUSANDS)**

| | <u>2016</u> | <u>2015</u> |
|---|-------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 255 | \$ 253 |
| Mutual funds | 60,765 | 56,922 |
| Joint venture | 953 | - |
| Total Assets | <u>61,973</u> | <u>57,175</u> |
| Liabilities | | |
| Accounts payable | <u>674</u> | <u>187</u> |
| Net position held in trust for retiree health benefits: | <u><u>\$ 61,299</u></u> | <u><u>\$ 56,988</u></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 POSITION
YEARS ENDED JUNE 30, 2016 AND 2015 (IN THOUSANDS)**

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Additions: | | |
| Employer contributions | \$ 12,133 | \$ 11,725 |
| Net investment income: | | |
| Net (decrease)increase in fair value of investments | (43) | (1,419) |
| Investment earnings | 1,189 | 3,220 |
| Total net investment income | 1,146 | 1,801 |
| Total additions | <u>13,279</u> | <u>13,526</u> |
| Deductions: | | |
| Benefits paid to participants | 8,759 | 8,008 |
| Administrative expenses | 209 | 174 |
| Total deductions | <u>8,968</u> | <u>8,182</u> |
| Increase in Net Position | 4,311 | 5,344 |
| Net Position | 56,988 | 51,644 |
| Beginning of year | 61,299 | 56,988 |
| End of year | <u>\$ 56,988</u> | <u>\$ 51,644</u> |

See accompanying notes to the financial statements.

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, JUNE 30, 2016 AND 2015

(1) ORGANIZATION

The Golden Gate Bridge, Highway and Transportation District (District) was originally formed under the authority of the Golden Gate Bridge and Highway Act of 1923, and incorporated on December 4, 1928, to include within its boundaries the City and County of San Francisco, the counties of Marin, Sonoma, Del Norte, most of Napa county, and part of Mendocino county. The District is governed by a 19-member Board of Directors who are appointed by the elected representatives of their constituent counties. The District, based in San Francisco, operates the Golden Gate Bridge (Bridge), the regional Golden Gate Transit (GGT) bus service connecting Sonoma, Marin, San Francisco, and Contra Costa counties, and the Golden Gate Ferry (GGF) system, which links Marin and San Francisco counties. To fund its public transportation services, the District relies primarily on toll and transit fares. 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 other local governments. The District consists of three operating divisions, Bridge, 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, are governed by the District's Board, and management has operational responsibility with respect to investments.

(2) SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The District's reporting entity includes all activities of the District.

Basis of Accounting and Measurement Focus – The District accounts for its activities in the enterprise and fiduciary funds. Those funds maintain their records using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Cash Equivalents – The District considers all highly liquid investments with a maturity of three months or less 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). The California Government Code or the District's investment policy, when more restrictive, authorizes 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, having maturities of five years or less.

Restricted Assets – consist of monies and other resources that are restricted legally as described on the following page:

Operating Reserve Fund – These assets are restricted for the Bridge Division principal and interest on the July 12, 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 July 12, 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.

Inventory – All inventories are valued at cost using the average cost method, which approximates the market.

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 as construction in progress until such assets are completed and placed in service, at which time the District commences recording depreciation expense.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Depreciation – The District calculates depreciation 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..... | 10 - 14 years |
| Ferry vessels | 25 - 30 years |
| Other transit properties | 5 - 50 years |

Operating Assistance Grants – are recorded as non-operating revenue when all eligibility requirements have been satisfied.

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, 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 expenses are incurred.

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

The District's capital contributions for the years ended June 30, 2016 and 2015 are as follows (in thousands):

| | Bridge Division | Bus Division | Ferry Division | Total |
|--|----------------------------|-------------------------|---------------------------|------------------|
| Capital contributions in fiscal year 2016: | | | | |
| U.S. Department of Transportation | \$ 3,784 | \$ 1,172 | \$ 12,306 | \$ 17,262 |
| National Science Foundation | 79 | - | - | 79 |
| State Coastal Conservancy | 105 | - | - | 105 |
| State Transportation Program | 1,879 | 3,665 | 7,108 | 12,652 |
| State Mental Health Services | 994 | - | - | 994 |
| I-Bond | - | 1,657 | - | 1,657 |
| Local assistance | - | 550 | - | 550 |
| Total capital contributions | \$ 6,841 | \$ 7,044 | \$ 19,414 | \$ 33,299 |
| Capital contributions in fiscal year 2015: | | | | |
| U.S. Department of Transportation | \$ 2,310 | \$ 16,256 | \$ 11,808 | \$ 30,374 |
| National Science Foundation | 161 | - | - | 161 |
| State Transportation Program | 13,909 | 2,291 | 56 | 16,256 |
| Local Assistance | - | 1,951 | - | 1,951 |
| Total capital contributions | \$ 16,380 | \$ 20,498 | \$ 11,864 | \$ 48,742 |

Compensated Absences – Accumulated vacation and sick leave is recorded as an expense and liability as the benefits accrue to employees. The District's compensated absences for the years ended June 30, 2016 and 2015 are as follows (in thousands):

| | 2016 | 2015 |
|---------------------|-----------------|-----------------|
| Beginning Balance | \$ 8,007 | \$ 7,990 |
| Additions | 3,569 | 3,959 |
| Payments | (3,444) | (3,942) |
| Ending Balance | 8,132 | 8,007 |
| Current Portion | 470 | 549 |
| Non-current Portion | \$ 7,662 | \$ 7,458 |

The current portion of the compensated absences liability is reflected as a current liability in the statement of net position and is expected to be used within one year. Unused accumulated vacation leave is paid at the time of employment termination up to the maximum of 320 hours for 40 hours employees. Unused accumulated sick leave is paid at the time of employee's death or termination at 50 percent.

Operating and Non 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 and transit fares. Continuing with the new contract entered into May 2015 with the Marin County Transit District, 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. Non-operating

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.

Net Position – comprises the various net earnings from operating income, non-operating revenues, expenses and capital contributions. Net position is classified into the following three components:

Net investment in capital assets – This component of net position 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 unspent debt proceeds restricted for debt payment at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt proceeds is included in the net position component restricted for debt services.

Restricted – This component of net position 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 position.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Spending Policy – The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Pension Plans – The District participates in several pension plans covering all employees. Certain members are covered under a plan that currently has members from only one employer, the GGTAR plan, or other multi-employer plans, while other union and non-union employees participate in the CalPERS plan. Pension contributions are based on rates established by negotiated labor contracts or by the actual plans.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of CalPERS plan and GGTAR plan and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS and GGTAR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Note that it has been determined that GASB 68 requires an agency to report unfunded pension obligations as a liability on its financial statement even if the agency is not legally responsible for the unfunded pension obligation. Thus the unfunded pension liability of the GGTAR is recorded along with the District’s portion of the unfunded pension liability of CalPERS, even though under the terms of the GGTAR plan the District is only responsible for contributions agreed-upon in the collective bargaining process.

Effects of New Pronouncements – On June 2, 2015, Governmental Accounting Standards Board (GASB) issued GASB Statement Nos. 74 & 75. These two Statements are designed to improve financial accounting and reporting relating to postemployment benefits other than pensions (OPEB).

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans is effective for the District in the fiscal year ending June 30, 2017. GASB 74 addresses reporting by OPEB plans that administer benefits. This Statement requires more extensive note disclosures and

Required Supplemental Information (RSI) related to the measurement of the OPEB liabilities in addition to note disclosures.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is effective for the District June 30, 2018. Statement 75 replaces the requirements of GASB Statement No. 45 and requires reporting a liability on the face of the financial statements for the unfunded OPEB benefits. The District has not determined the effect of this pronouncement on the financial statements. Statement 75 also requires more extensive note disclosures and RSI about OPEB liabilities.

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.

Prior Year Data - Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles.

Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

Reclassifications – Certain 2015 amounts have been reclassified to conform to the 2016 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 or grant restrictions. At June 30, cash and investments are comprised of the following (in thousands):

| | <u>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| Reported as: | | |
| Unrestricted: | | |
| Cash and cash equivalents | \$ 33,979 | \$ 50,287 |
| Investments | 180,391 | 197,809 |
| Total unrestricted cash and investments | <u>214,370</u> | <u>248,096</u> |
| Restricted: | | |
| Cash and cash equivalents | 31,337 | 34,583 |
| Total cash and investments | <u>\$ 245,707</u> | <u>\$ 282,679</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. 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, 2016 (and 2015), of

the District's bank balance of \$27,043,000 (2015, \$28,096,000) approximately \$26,543,000 (2015, \$27,596,000) is uninsured but is collateralized in conformance with the California Government Code.

Investments

At June 30, 2016 and 2015, cash and investments excluding the OPEB Trust Fund investments, were comprised of the following (in thousands):

| | June 30, 2016 | | | June 30, 2015 | | |
|-----------------------------------|--------------------------|------------------|-------------------|--------------------------|-------------------|-------------------|
| | Fair Value | Less than 1 year | 1-5 Years | Fair Value | Less than 1 Year | 1-5 Years |
| Investments | | | | | | |
| Federal Agency Notes | \$ 33,278 | \$ 6,023 | \$ 27,255 | \$ 34,652 | \$ 11,972 | \$ 22,680 |
| Certificate of Deposit | 52,523 | 18,421 | 34,102 | 70,841 | 54,667 | 16,174 |
| US Treasury Notes | 15,199 | - | 15,199 | 4,979 | - | 4,979 |
| Municipal Bonds | 4,243 | 2,783 | 1,460 | 10,064 | 3,076 | 6,988 |
| Medium-term Corporate Notes | 63,741 | 20,499 | 43,242 | 58,029 | - | 58,029 |
| Asset Backed Securities | 11,407 | - | 11,407 | - | - | - |
| Commercial Paper | 12,910 | 12,910 | - | 32,146 | 32,146 | - |
| State Treasurer's Investment Pool | 27,535 | 27,535 | - | 44,417 | 44,417 | - |
| Federal Obligation Mutual Funds | 58 | 58 | - | 31 | 31 | - |
| | <u>220,894</u> | <u>\$ 88,229</u> | <u>\$ 132,665</u> | <u>255,159</u> | <u>\$ 146,309</u> | <u>\$ 108,850</u> |
| Cash and deposits | | | | | | |
| Demand deposits | 24,758 | | | 16,659 | | |
| Cash on hand | 55 | | | 55 | | |
| Total cash and investments | <u>\$ 245,707</u> | | | <u>\$ 271,873</u> | | |

At June 30, 2016 and 2015 the OPEB Trust Fund cash and investments were comprised of the following (in thousands):

| | June 30, 2016 | | | June 30, 2015 | | |
|--|-------------------------|------------------|-------------|-------------------------|------------------|-------------|
| | Fair Value | Less than 1 year | 1-5 Years | Fair Value | Less than 1 Year | 1-5 Years |
| Investments | | | | | | |
| Mutual Funds - Equity | \$ 38,344 | \$38,344 | \$ - | \$ 39,827 | \$ 39,827 | \$ - |
| Mutual Funds - Fixed Income | 22,421 | 22,421 | - | 17,095 | 17,095 | - |
| Real Estate Private Equity - Equus | 953 | 953 | - | - | - | - |
| | <u>61,718</u> | <u>61,718</u> | <u>\$ -</u> | <u>56,922</u> | <u>56,922</u> | <u>\$ -</u> |
| Cash and deposits | | | | | | |
| Demand deposits | 255 | | | 253 | | |
| Total OPEB Trust Cash & Investments | <u>\$ 61,973</u> | | | <u>\$ 57,175</u> | | |

Interest Rate Risk – Interest rate risk is the risk that changes in market rates adversely will 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

also 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.

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, 2016 and 2015, the District held investments with the following Standard and Poor’s Corporation ratings and amounts (in thousands):

| Investment | Rating | 2016 | 2015 |
|------------------------------|---------------|-------------------|-------------------|
| Federal agency bonds/notes | AAA | \$ 4,917 | \$ - |
| Asset Backed Securities | AAA | 11,407 | - |
| Mutual funds | AAA | 58 | 31 |
| Certificate of deposit | AA | 23,065 | 20,483 |
| Federal agency bonds/notes | AA | 28,362 | 27,657 |
| Medium-term corporate notes | AA | 20,615 | 12,496 |
| Municipal bonds | AA | 3,030 | 6,106 |
| Treasury note | AA | 15,199 | 4,979 |
| Certificate of deposit | A | 29,458 | 50,358 |
| Corporate commercial paper | A | 12,910 | 32,146 |
| Federal agency bonds/notes | A | - | 6,995 |
| Medium-term corporate notes | A | 43,126 | 45,533 |
| Municipal bonds | A | 1,212 | 2,749 |
| Local Agency Investment Fund | Unrated | 27,535 | 44,417 |
| Municipal bonds | Unrated | - | 1,209 |
| Total | | \$ 220,894 | \$ 255,159 |

As of June 30, 2016 and 2015, the District’s investment in the State Treasurer’s investment pool (LAIF) was \$27,535,000 and \$44,417,000, respectively. The total amount invested by all public agencies in LAIF at those dates is \$22,712,085,000 and \$21,495,235,000, respectively. LAIF is part of the State of California Pooled Money Investment Account (PMIA). Of the total invested in PMIA, 97.19% and 97.92% is invested in non-derivative financial products and 2.81% and 2.08% in structured notes and asset-backed securities as of June 30, 2016 and 2015, 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.

Concentration of Credit Risk – The District limits the purchase of medium-term corporate notes to 30% of the District's surplus money. At June 30, 2016 and 2015, these investments were 23% and 28%, respectively, of the District's total investments. At June 30, 2016 and 2015, the District held more than 5% of the District's investments portfolio in the following issuers:

| Investment | 2016 | 2015 |
|------------------|-------|-------|
| Fannie Mae Notes | 5.82% | 8.39% |

Fair Value Hierarchy - The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments in LAIF are uncategorized because deposits to and from the pool are made on the basis of \$1.00 and not at fair value. The following is a summary of the fair value hierarchy of the fair value of investments of the District, including OPEB, as of June 30, 2016 and June 30, 2015 (in thousands):

INVESTMENTS MEASURED AT FAIR VALUE

| | | Fair Value Measurements Using | | |
|---|------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | 06/30/2016 | | | |
| US Treasury Notes | \$15,199 | \$ 15,199 | \$ - | \$ - |
| Federal Agency Notes | 33,278 | - | 33,278 | - |
| Municipal Bonds | 4,242 | - | 4,242 | - |
| Corporate Notes | 63,741 | - | 63,741 | - |
| Certificate of Deposit | 52,523 | 52,523 | - | - |
| Asset-Backed Security | 11,407 | - | 11,407 | - |
| Commercial Paper | 12,910 | - | 12,910 | - |
| Federal Obligation Mutual funds | 58 | 58 | - | - |
| Total Enterprise fund leveled investments | \$ 193,359 | \$ 67,780 | \$ 125,579 | \$ - |
| Mutual Funds-Equity | 38,344 | - | 38,344 | - |
| Mutual Funds-Fixed Income | 22,421 | - | 22,421 | - |
| Real Estate Private Equity | 953 | - | - | 953 |
| Total Trust fund leveled investments | \$ 255,077 | \$ 67,780 | \$ 186,344 | \$ 953 |
| LAIF | 27,535 | | | |
| Total investments | \$ 282,611 | | | |

| | | Fair Value Measurements Using | | |
|---|------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | 06/30/2015 | | | |
| US Treasury Notes | \$ 4,979 | \$ 4,979 | \$ - | \$ - |
| Federal Agency Notes | 34,652 | - | 34,652 | - |
| Municipal Bonds | 10,064 | - | 10,064 | - |
| Corporate Notes | 58,029 | - | 58,029 | - |
| Certificate of Deposit | 70,841 | 70,841 | - | - |
| Asset-Backed Security | - | - | - | - |
| Commercial Paper | 32,146 | - | 32,146 | - |
| Federal Obligation Mutual funds | 31 | 31 | - | - |
| Total Enterprise fund leveled investments | \$ 210,742 | \$ 75,851 | \$ 134,891 | \$ - |
| Mutual Funds-Equity | 39,827 | - | 39,827 | - |
| Mutual Funds-Fixed Income | 17,095 | - | 17,095 | - |
| Real Estate Private Equity | - | - | - | - |
| Total Trust fund leveled investments | \$ 267,664 | \$ 75,851 | \$ 191,814 | \$ - |
| LAIF | 44,417 | | | |
| Total investments | \$ 312,081 | | | |

Investments classified in Level 1 of the fair value hierarchy, valued at \$67.78 million and \$75.85 million in Fiscal Years 2016 and 2015 respectively, are valued using quoted prices in active markets.

Investments classified in Level 2 of the fair value hierarchy, valued at \$186.34 million and \$191.81 million in Fiscal Years 2016 and 2015 respectively, are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Real estate private equity classified in Level 3 are valued using values obtained from the issuer.

4) CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2016 and 2015 was as follows (in thousands):

| | Balance July 1, 2015 | Additions | Reductions/ Adjustments | Transfers | Balance June 30, 2016 |
|--|-------------------------------------|------------------|------------------------------------|------------------|--------------------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 6,650 | \$ - | \$ - | \$ - | \$ 6,650 |
| Construction in progress | 79,923 | 37,261 | (34,376) | - | 82,808 |
| Total capital assets, not being depreciated | 86,573 | 37,261 | (34,376) | - | 89,458 |
| Capital assets, being depreciated: | | | | | |
| Bridge, related buildings and equipment | 609,129 | 29,000 | (380) | (17) | 637,732 |
| Bus transit property and equipment | 173,877 | 2,535 | (830) | 37 | 175,620 |
| Ferry transit property and equipment | 135,451 | 2,857 | - | (20) | 138,287 |
| Total capital assets, being depreciated | 918,457 | 34,392 | (1,210) | - | 951,639 |
| Accumulated depreciation | | | | | |
| Bridge, related buildings and equipment | (169,939) | (14,677) | 371 | (2) | (184,247) |
| Bus transit property and equipment | (96,680) | (9,457) | 830 | (11) | (105,318) |
| Ferry transit property and equipment | (81,104) | (7,122) | - | 13 | (88,213) |
| Less accumulated depreciation | (347,723) | (31,256) | 1,201 | - | (377,778) |
| Total capital assets, being depreciated, net | 570,734 | 3,136 | (9) | - | 573,861 |
| Total capital assets, net | \$ 657,307 | \$ 40,397 | \$ (34,385) | \$ - | \$ 663,320 |
| | | | | | |
| | Balance July 1, 2014 | Additions | Reductions/ Adjustments | Transfers | Balance June 30, 2015 |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 6,650 | \$ - | \$ - | \$ - | \$ 6,650 |
| Construction in progress | 76,549 | 61,510 | (58,137) | - | 79,923 |
| Total capital assets, not being depreciated | 83,199 | 61,510 | (58,137) | - | 86,573 |
| Capital assets, being depreciated: | | | | | |
| Bridge, related buildings and equipment | 580,506 | 28,881 | (222) | (36) | 609,129 |
| Bus transit property and equipment | 150,409 | 28,246 | (4,814) | 36 | 173,877 |
| Ferry transit property and equipment | 134,449 | 1,011 | (9) | - | 135,451 |
| Total capital assets, being depreciated | 865,364 | 58,138 | (5,045) | - | 918,457 |
| Accumulated depreciation | | | | | |
| Bridge, related buildings and equipment | (156,312) | (13,816) | 183 | 6 | (169,939) |
| Bus transit property and equipment | (93,324) | (8,164) | 4,814 | (6) | (96,680) |
| Ferry transit property and equipment | (74,840) | (6,272) | 8 | - | (81,104) |
| Less accumulated depreciation | (324,476) | (28,252) | 5,005 | - | (347,723) |
| Total capital assets, being depreciated, net | 540,888 | 29,886 | (40) | - | 570,734 |
| Total capital assets, net | \$ 624,087 | \$91,396 | \$ (58,177) | \$ - | \$ 657,307 |

Construction in progress consists of the following projects at June 30, 2016 and 2015 (in thousands):

| | 2016 | 2015 |
|--|------------------|------------------|
| Bridge seismic design review III | \$ 17,402 | \$ 13,860 |
| Bridge science education | 3,119 | 2,920 |
| Bridge main cable restoration | 1,589 | 1,512 |
| Bridge movable median barrier | 1,855 | 297 |
| Bridge south approach improvement | 819 | 819 |
| Bridge suicide deterrent study/design | 8,461 | 6,939 |
| Ferry channel dredging & piling | 11,622 | - |
| Ferry major component rehabilitation | 27,159 | 19,389 |
| Ferry utility refurbishment | - | 501 |
| Ferry gangway design | 6,209 | 5,754 |
| Ferry gangway, ramps & floats | 987 | 987 |
| Bus replacement | - | 356 |
| Bus roof replacement | - | 816 |
| Bus facility modifications | 281 | 1,600 |
| Bus communication and information system | - | 20,457 |
| Bus security upgrades | - | 498 |
| Information Systems improvements | 1,163 | 54 |
| Other | 2,142 | 3,163 |
| Total construction in progress | \$ 82,808 | \$ 79,922 |

At June 30, 2016 and 2015, the District had construction commitments of approximately \$9,905,000 and \$19,454,000 respectively, for Bridge-related projects and approximately \$27,892,000 and \$21,121,000 respectively, 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 two dedicated reserves, and also secured by a line of credit. Under this program, the District may 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 the program's inception. At June 30, 2016, \$61,000,000 in commercial paper notes were outstanding and maturing within 12 to 46 days, with interest ranging from 0.45% to 0.51%.

(6) CAPITAL GRANTS PASSED-THROUGH TO OTHER AGENCIES

For the years ended June 30, 2016, and 2015, the District passed through its federal capital assistance allocation to Marin Transit, \$28,000 (2015, \$635,000). These amounts were treated as federal capital contributions when the funds were received from the Federal Transit Administration (FTA) and then recorded as capital expenses on behalf of other agencies when the funds were passed through to Marin Transit.

State Capital Assistance - For the years ended June 30, 2016, and 2015, the District passed through its state capital assistance allocation to Marin Transit, \$938,000 (2015, \$148,000). These amounts were treated as state capital contributions when the funds were received from Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Program, and then recorded as capital expenses when the reimbursements were made to Marin Transit.

(7) PROPOSITION 1B

As part of the State of California's Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, approved by California voters as Proposition 1B (Prop 1B) on November 7, 2006, the District was awarded funding from the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA). During fiscal year 2016 and 2015, the District received \$8,660 and \$0 in PTMISEA funding. As of June 30, 2016 and 2015, the District has unspent Prop 1B proceeds and interest of \$19,031,000 and \$12,651,000 in PTMISEA funds, respectively.

(8) 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 County Transit local funds and other amounts of assistance from other state agencies.

Operating assistance is summarized as follows for the years ended June 30, 2016 and 2015 (in thousands):

| | 2016 | 2015 |
|-----------------------------------|------------------|------------------|
| Transportation Development Act | \$ 17,581 | \$ 17,433 |
| less Marin Transit portion | (4,563) | (4,542) |
| Federal Transit Administration | 211 | 48 |
| Department of Homeland Security | - | (40) |
| State Transit Assistance | 3,752 | 6,693 |
| less Marin Transit portion | (478) | (1,217) |
| Regional Measure 2 | 2,692 | 2,493 |
| Other | 110 | - |
| Total operating assistance | \$ 19,305 | \$ 20,868 |

(9) 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 multiple-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 compensa-

tion. 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.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

| | Miscellaneous | |
|---|--------------------------|-----------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2.7% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 – 55 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7% | 1.0% to 2.5% |
| Required employee contribution rates | 8.0% | 6.5% |
| Required employer contribution rates | 24.567% | 24.567% |

Employees Covered – At June 30, 2014, and June 30, 2013, valuation dates, the following employees were covered by the benefit terms for each Plan:

| Valuation as of June 30 - | 2014 | 2013 |
|--|--------------|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 578 | 558 |
| Inactive employees entitled to but not yet receiving benefits | 133 | 129 |
| Active employees | 461 | 479 |
| Total | 1,172 | 1,166 |

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2016 and 2015, the District has paid the employer's and a portion of the employees' shares of the contributions. The contributions recognized, were as follows:

| | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| Employer | \$ 9,475,000 | \$ 7,899,000 |
| Employer paid on behalf of employee | \$ 0 | \$ 0 |
| Employee | \$ 2,928,000 | \$ 2,767,000 |

Net Pension Liability

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2016, for the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2014, actuarial valuations, rolled forward to June 30, 2015, using standard update procedures, were determined using the following actuarial assumptions:

| | Miscellaneous |
|---------------------------|---------------------------------|
| Valuation Date | June 30, 2014 |
| Measurement Date | June 30, 2015 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | Varies by entry age and service |
| Investment Rate of Return | 7.65% ¹ |
| Mortality | Note ² |

1. Net of pension plan investment expenses, including inflation.

2. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015, valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. There was a change in the discount rate assumption due to the fact that the June 30, 2014 (measurement date), discount rate netted administrative expenses and therefore the rate was 7.5% for fiscal year ending June 30, 2015. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use

of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1 – 10(a) | Real Return Years 11+(b) |
|---------------------|---------------------------------|--|-------------------------------------|
| Global Equity | 51.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 10.0% | 6.83% | 6.95% |
| Real Estate | 10.0% | 4.50% | 5.13% |
| Infrastructure | 2.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | (0.55%) | (1.05%) |
| Total | 100.0% | | |

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows (in thousands):

| | Increase (Decrease) | | |
|---|---------------------|-------------------|-------------------|
| | Total Pension | Plan Fiduciary | Net Pension |
| Balance at June 30, 2015 | \$ 375,988 | \$ 282,412 | \$ 93,576 |
| Changes in the year: | | | |
| Service cost | 6,334 | - | 6,334 |
| Interest on the total pension liability | 27,534 | - | 27,534 |
| Differences between actual and expected experience | (3,242) | - | (3,242) |
| Changes in assumptions | (6,253) | - | (6,253) |
| Changes in benefit terms | - | - | - |
| Contribution - employer | - | 7,861 | (7,861) |
| Contribution - employee | - | 2,934 | (2,934) |
| Net investment income | - | 6,381 | (6,381) |
| Administrative expenses | - | (315) | 315 |
| Benefit payments, including refunds of employee contributions | (19,479) | (19,479) | - |
| Net changes | 4,894 | (2,618) | 7,512 |
| Balance at June 30, 2016 | \$ 380,882 | \$ 279,794 | \$ 101,088 |

| | Increase (Decrease) | | |
|---|---------------------|-------------------|-------------------|
| | Total Pension | Plan Fiduciary | Net Pension |
| Balance at June 30, 2014 | \$ 361,457 | \$ 247,258 | \$ 114,199 |
| Changes in the year: | | | |
| Service cost | 6,739 | - | 6,739 |
| Interest on the total pension liability | 26,656 | - | 26,656 |
| Differences between actual and expected experience | - | - | - |
| Changes in assumptions | - | - | - |
| Changes in benefit terms | - | - | - |
| Contribution - employer | - | 7,748 | (7,748) |
| Contribution - employee (paid by employer) | - | - | - |
| Contribution - employee | - | 3,643 | (3,643) |
| Net investment income | - | 42,627 | (42,627) |
| Administrative expenses | - | - | - |
| Benefit payments, including refunds of employee contributions | (18,864) | (18,864) | - |
| Net changes | 14,531 | 35,154 | (20,623) |
| Balance at June 30, 2015 | \$ 375,988 | \$ 282,412 | \$ 93,576 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the District for each Plan, calculated using the discount rate for the Plan, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (in thousands):

| | 2016 | 2015 |
|------------------|------------|------------|
| 1% Decrease | 6.65% | 6.50% |
| Net Pension | \$ 147,974 | \$ 138,634 |
| Current Discount | 7.65% | 7.50% |
| Net Pension | \$ 101,087 | \$ 93,576 |
| 1% Increase | 8.65% | 8.50% |
| Net Pension | \$ 61,916 | \$ 55,723 |

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2016 and 2015, the District recognized pension expense of \$4,986,000 and \$6,694,000, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| | 2016 | | 2015 | |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Deferred Outflow of Resources | Deferred Inflow of Resources | Deferred Outflow of Resources | Deferred Inflow of Resources |
| Pension contributions subsequent to measurement date | \$ 9,475 | \$ - | \$ 7,899 | \$ - |
| Differences between actual and expected experience | - | (2,162) | - | - |
| Changes in assumptions | - | (4,169) | - | - |
| Net differences between projected and actual earnings on plan investments | (2,851) | - | - | (19,570) |
| Total | \$ 6,624 | \$ (6,331) | \$ 7,899 | \$ (19,570) |

\$9,475 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

| Year | Deferred outflows of resources |
|--------------|--------------------------------|
| June 30 | |
| 2017 | \$ (5,101) |
| 2018 | (5,101) |
| 2019 | (1,936) |
| 2020 | 2,956 |
| Total | \$ (9,182) |

GOLDEN GATE TRANSIT AMALGAMATED RETIREMENT PLAN

Plan Description – All qualified permanent and probationary Bus Operators are eligible to participate in the District's separate single-employer defined benefit plan. This plan is administered by the Golden Gate Transit Amalgamated Retirement Plan (GGTAR), which acts as a common investment and administrative agent for the GGTAR. Benefit provisions under the Plan are established by the GGTAR's pension board. GGTAR issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be requested by writing to Golden Gate Transit - Amalgamated Retirement Plan 185 N. Redwood Drive, #201, San Rafael, CA 94903.

Benefits Provided – The GGTAR Plan provides retirement, disability, and death benefits. Retirement benefits are calculated as a percentage (depending on length of service) of average final earnings. Average final earnings are the greater of average monthly earnings the year before retirement and the average monthly earnings for the highest single calendar year. The GGTAR Plan provides for retirement with reduced benefits for participants aged 50 to 65 if they have satisfied the specified length of service requirements. The retirement benefit for members at least age 65 and with 20 years of service is the greatest of the following, capped at 70% of average final earnings: (1) the percentage of average final earnings shown on a chart in the Plan (ranging from 36% to 70%); (2) 50% of average final earnings; and, (3) for members with 20 years of service \$1,200 per month. There are reductions for members with at least 20 but less than 25 years of service and less than 80 points (age + service), with further reductions for members who have attained age 55 but have at least 15 years of service but not 20 years of service. Participants whose employment is terminated before retirement are entitled to termination benefits based upon a percentage of covered earnings, plus interest. There are provisions regarding a Special Payment Plan that provided for assets set aside for each active, full-time participant in annual amounts of \$2,000 plus accrued interest at 8% from 1999 through 2002. The spouse of a member who dies while actively employed will receive a 50% joint and survivor benefit if the member was eligible to retire or died in the line of duty. If the member was ineligible to retire but had 15 years of service, the spouse will receive a benefit of 25% of average final earnings. Beneficiaries of members with between 1 and 15 years of service receive a death benefit of 4% of total gross earnings while employed as a full-time bus operator, with interest at 5% compounded annually. Active full-time employees with at least 10 years of service who become physically disqualified from their jobs are entitled to disability retirement benefits. The benefits are between 25% and 35% of average final earnings, depending on length of service. If a member is disabled in the line of duty, the benefit will be 50% of final earnings.

Employees Covered – At January 1, 2015 and 2014 valuation dates, the following employees were covered by the benefit terms for the GGTAR Plan:

| Valuation as of January 1 - | 2015 | 2014 |
|-----------------------------|-------------|-------------|
| Retired employees | 382 | 368 |
| Active employees | 260 | 267 |
| Total | 642 | 635 |

Contributions – Section 17.2 of the GGTAR Plan provides that the District will make contributions to the Plan only as provided under the current collective bargaining agreement. The Retirement Board reports rates based on an actuarially determined rate recommended by an independent actuary, but there is no legal obligation of the District to make contributions other than those set forth in Article 36 of the current collective bargaining agreement. The actuarially determined rate reported by the Retire-

ment Board in its financial report is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability, assuming that the Retirement Board does not reduce benefits or the parties do not increase contributions to the Plan. The District is not required to contribute the difference between the actuarially determined rate and the contribution rate of the District and the employees. As of March 1, 2015, the average active employee contribution rate was 3 percent of annual pay, and the District's average contribution rate was 18.165 percent of annual payroll. The projected payroll is \$22.7 million. Based on a negotiated increase in contributions by the District and the union, the employer contribution rate has increased to 18.165% as of March 1, 2015, with additional increases of 1% of pay for March 1, 2016, and March 1, 2017, with a final increase of 2% of pay scheduled for January 1, 2018, providing for an ultimate expected employer contribution rate of 22.165% of pay.

The employee contribution rate had been set at 2% of payroll through February of 2017, but recently concluded negotiations also increased those rates by 1% as of March 1, 2015, 2016, and 2017, and a 2% increase as of January 1, 2018, for an ultimate employee rate of 7% of pay.

For the year ended June 30, 2016, the District paid \$4.0 million to the GGTAR Plan, and employees contributed \$0.6 million to the Plan as of June 30, 2016. For the year ended June 30, 2015, the District paid \$3.7 million to the GGTAR Plan, and employees contributed \$0.5 million to the Plan as of June 30, 2015.

Net Pension Liability – The net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for the Plan is measured as of December 31, 2015, using an annual actuarial valuation as of January 1, 2015, rolled forward to December 31, 2015, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the January 1, 2015, actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Valuation Date | January 1, 2015 |
| Measurement Date | December 31, 2015 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 5.66% |
| Inflation | 3.75% |
| Payroll Growth | 4.5% plus an additional 6% at retirement |
| Projected Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50% |
| Mortality | Note ¹ |

1. Sex distinct RP-2000 Combined Healthy Blue Collar Mortality, Projected to 2020 using Scale AA.

Discount Rate – The discount rate used to measure the Total Pension Liability was 5.66%. The projection of cash flows used to determine the discount rate assumed that Golden Gate Transit will contribute to the Plan according to the rates agreed to in the most recent bargaining agreement. That policy includes a provision for contributions by the employer and employees to increase over the next two years until an ultimate rate of 22.165% by the employer (and 7.00% by the employees) is reached in 2018. The ultimate total contribution rate (29.165% of pay) exceeds the annual Normal Cost plus the expected administrative expenses of the Plan for current and new members (17.48%) by over 11% of

payroll. However, due to the negative investment return during 2015, these contributions are no longer expected to maintain a positive fiduciary net position under the cash flow projection required under GASB 68.

Based on these assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year ending 2040, when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments through fiscal year ending 2040 are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments, and at the municipal bond rate of 3.57% for the portion of benefits not covered by the projected fiduciary position in fiscal year ending 2040 and for all benefits paid in future fiscal years. Consequently, the single equivalent rate used to determine the Total Pension Liability as of December 31, 2015, is 5.66%.

The long-term expected rate of return on assets was determined using a building block approach in which an expected future real rate of return is developed for each major asset class. These expected rates are combined to produce the long-term expected geometric rate of return by weighting the expected future rates of return by the target asset allocation percentage adjusted by inflation and a risk adjustment. The target allocation and projected geometric real rates of return, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class from the 2012 experience study are summarized in the table shown below.

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|----------------------------------|--------------------------|---|
| Large market capitalization | 31.00% | 4.87% |
| Small market capitalization | 8.00% | 5.12% |
| International development | 10.00% | 5.37% |
| Emerging equity | 6.00% | 6.62% |
| Core fixed income | 8.00% | 1.00% |
| Absolute return fixed income | 6.00% | 0.20% |
| Global tactical asset allocation | 8.00% | 3.37% |
| Hedge funds | 3.00% | 4.12% |
| Commodities | 5.00% | 2.75% |
| Real estate | 5.00% | 3.50% |
| | <u>100.00%</u> | |

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows:

| | Increase (Decrease) | | |
|--|----------------------------|-----------------------|--------------------|
| | Total Pension | Plan Fiduciary | Net Pension |
| Balances at June 30, 2015 | \$ 159,256 | \$ 114,912 | \$ 44,344 |
| Changes for the year: | | | |
| Service cost | 3,509 | - | 3,509 |
| Interest | 11,661 | - | 11,661 |
| Changes in benefit terms | - | - | - |
| Differences between actual and expected experience | - | - | - |
| Changes in assumptions | 29,833 | - | 29,833 |
| Contribution - employer | - | 3,967 | (3,967) |
| Contribution - member | - | 622 | (622) |
| Net investment income | - | (835) | 835 |
| Benefit payments | (11,202) | (11,202) | - |
| Administrative expense | - | (494) | 494 |
| Net changes | 33,801 | (7,942) | 41,743 |
| Balances at June 30, 2016 | \$ 193,057 | \$ 106,970 | \$ 86,087 |

| | Increase (Decrease) | | |
|--|----------------------------|-----------------------|--------------------|
| | Total Pension | Plan Fiduciary | Net Pension |
| Balances at June 30, 2014 | \$ 154,023 | \$ 113,646 | \$ 40,377 |
| Changes for the year: | | | |
| Service cost | 3,174 | - | 3,174 |
| Interest | 11,278 | - | 11,278 |
| Changes in benefit terms | - | - | - |
| Differences between actual and expected experience | 1,395 | - | 1,395 |
| Changes in assumptions | - | - | - |
| Contribution - employer | - | 3,635 | (3,635) |
| Contribution - member | - | 420 | (420) |
| Net investment income | - | 8,263 | (8,263) |
| Benefit payments | (10,613) | (10,613) | - |
| Administrative expense | - | (439) | 439 |
| Net changes | 5,233 | 1,266 | 3,967 |
| Balances at June 30, 2015 | \$ 159,256 | \$ 114,912 | \$ 44,344 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan, calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (in thousands):

| | 2016 | 2015 |
|------------------|-------------|-------------|
| 1% Decrease | 4.66% | 6.50% |
| Net Pension | \$106,229 | \$59,271 |
| Current Discount | 5.66% | 7.50% |
| Net Pension | \$86,087 | \$44,344 |
| 1% Increase | 6.66% | 8.50% |
| Net Pension | \$68,914 | \$31,476 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports.

While GASB 68 requires the District to report the unfunded pension obligations under the GGTAR Plan as a liability on its financial statement, the District is not legally responsible for the unfunded pension obligation. The District is only legally responsible for the contributions agreed to in collective bargaining under the terms of the GGTAR plan document and is not legally responsible for the current GGTAR plan unfunded net pension liability of \$86.1 million.

For the years ended June 30, 2016 and 2015, the District recognized pension expenses of \$12,363,000 and \$4,738,000, respectively. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Pension Contributions Subsequent to measurement date | \$ 2,118 | \$ - |
| Differences between actual and expected experience | 698 | - |
| Changes in assumptions | 22,375 | - |
| Net differences between projected and actual earnings on plan investments | 7,354 | (2) |
| Total | \$ 32,544 | \$ (2) |

\$2,118,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

| Year | Deferred Outflows of Resources |
|--------------|---|
| June 30 | |
| 2017 | \$ 9,644 |
| 2018 | 9,646 |
| 2019 | 9,296 |
| 2020 | 1,838 |
| Total | \$ 30,424 |

OTHER RETIREMENT PLANS

The District's deckhands and terminal assistants participate in the Inlandboatmen's Union of the Pacific National Pension Plan (Inlandboatmen's), a union-administered cost-sharing multiple-employer defined contribution pension plan in which the District is a participating employer. Participants are composed of both non-government and government employees. The plan provides retirement death and disability benefits based on employees' age, years of service and average compensation. Employees vest after ten years of service and receive retirement benefits commencing at age 65, with provisions for early retirement. The District makes contributions on behalf of the participants at a rate determined through collective bargaining.

Annual pension cost for the Inlandboatmen's plan was \$597,000, \$540,000, and \$491,000, for the years ended June 30, 2016, 2015, and 2014, respectively. The District contributed to Inlandboatmen's plan 21.0%, 19.4%, and 18.1%, of payroll for covered employees for the years ended June 30, 2016, 2015, and 2014, respectively and equaled 100% of the employer-required contributions. The District's covered payroll for employees participating in this plan was \$2,844,000, \$2,786,000, and \$2,718,000, for the years ended June 30, 2016, 2015, and 2014, respectively. As of June 30, 2016, the number of employees covered by Inlandboatmen's was 79 active and 33 inactive, or retired, employees.

The District's ferry operators participate in the MEBA Pension Trust for Towboat Operators (MEBA), a union-administered cost-sharing multiple-employer defined contribution pension plan in which the District is a participating employer. Participants are composed of both non-government and government employees. The plan provides retirement death and disability benefits based on employees' age, years of service and average compensation. Employees vest after 20 years of service and receive retirement benefits commencing at age 65, with provisions for early retirement. The District makes contributions on behalf of the participants at a rate determined through collective bargaining.

Annual pension cost for the MEBA plan was \$283,000, \$253,000, and \$244,000, for the years ended June 30, 2016, 2015, and 2014, respectively. The District contributed to MEBA 13.0%, 13.4%, and 12.1%, of payroll for covered employees for the years ended June 30, 2016, 2015, and 2014, respectively and equaled 100% of the employer-required contributions. The District's covered payroll for employees participating in this plan was \$2,172,000, \$1,888,000, and \$2,016,000, for the years ended June 30, 2016, 2015, and 2014, respectively. As of June 30, 2016, the number of employees covered by MEBA was 23 active and 11 inactive, or retired, employees.

(10) 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. To qualify for coverage, a minimum of 10 years of service for retiree coverage and 15 years of service for retiree and dependent coverage is required.

Benefit terms are established and may be amended by the District. The contribution requirements are determined by the plans.

The benefits are 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 480 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, 326 retirees meet the eligibility requirements for Bus Operator retirees.

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 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 can 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 contributions to the plan for the years ended June 30, 2016, 2015, and 2014 were based on the actuarial valuation as of July 1, 2014, 2013, and 2012. 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 – The Schedule of Funding Progress as of July 1, 2015, shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The Schedule of Funding Progress, presented as required supplementary information, shows multi-year trend information about whether

the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability from benefits. The following depicts the funding progress for the most recent actuarial valuation date (in thousands):

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Annual Covered Payroll | Unfunded AAL as a % of Covered Payroll |
|----------------|---------------------------|-----------------------------------|--------------|--------------|------------------------|--|
| 7/1/15 | \$57,175 | \$159,253 | \$102,077 | 35.9% | \$55,354 | 184.4% |

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 (in thousands):

| | 2016 | 2015 |
|--|-------------|-------------|
| Annual required contribution | \$ 12,133 | \$ 11,725 |
| Interest on net OPEB obligation | - | - |
| Adjustment to annual required contribution | - | - |
| Annual OPEB cost (expense) | 12,133 | 11,725 |
| Contributions made | (12,133) | (11,725) |
| Increase in net OPEB obligation | - | - |
| Net OPEB obligation, beginning of year | - | - |
| Net OPEB obligation, end of year | \$ - | \$ - |

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation appears below (in thousands):

| Year Ended June 30 | Annual Required Contribution | Amount Contributed | Percentage Contributed | Net OPEB Obligation |
|--------------------|------------------------------|--------------------|------------------------|---------------------|
| 2016 | \$12,133 | \$12,133 | 100% | \$ - |
| 2015 | \$11,725 | \$11,725 | 100% | \$ - |
| 2014 | \$11,332 | \$11,332 | 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 employed 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, 2015, actuarial valuation. Actuarial assumptions employed included a general inflation rate of 3.00%, a 7.5% percent investment rate of return on Trust investments, and health care cost trend rates ranging from an initial rate of 9.0% reduced by decrements to an ultimate rate of 4.5% percent after nine years. The level percent of payroll is used to calculate the Unfunded Actuarial Accrued Liability (UAAL) amortization over a 30 year closed period. The remaining amortization period at July 1, 2015, was 22 years.

(11) 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 \$13.6 million in net position as of June 30, 2016 for Bridge self-insurance.

Self-insurance and limits are as follows:

| Type of Coverage | Self-Insurance | Excess Coverage |
|-----------------------------|------------------------------------|--|
| General/Vehicle Liability | \$2,000,000 per occurrence | \$100,000,000 |
| Workers' Compensation | \$1,000,000 per claim | \$25,000,000 (statutory limits) |
| Health Benefits | \$1,000,000 per individual | \$175,000 stop loss; unlimited lifetime |
| Property (earthquake, fire) | \$100,000 (5% per structure) | \$20,000,000 earthquake; \$125,000,000 fire |
| Ferry Hull, Machinery | \$350,000 annual aggregate | \$1,000,000 per occurrence |
| Environmental Impairment | \$100,000 per occurrence | \$5,000,000 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 transit revenue collection |
| | | \$15,000 all other locations |
| | | \$1,000,000 computer fraud |
| Public Officials Liability | \$250,000 each wrongful act | \$2,000,000 per occurrence/ annual aggregate |
| | \$250,000 each employment practice | |

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

The District's estimated self-insurance liability is based on requirements of GASB Statement Nos. 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.

Changes in the balances of claims liabilities for the years ended June 30, 2016 and 2015 are as follows (in thousands):

| | Balance July 1, 2015 | Incurred Claims and Changes in Estimates | Claim Payments and Related Costs | Balance June 30, 2016 |
|--|----------------------------|---|--|-----------------------------|
| Workers' compensation liability | \$ 10,316 | \$ 5,696 | \$ (4,285) | \$ 11,727 |
| General and property insurance liability | 5,089 | - | (1,437) | 3,652 |
| Pollution remediation liability | 15,043 | - | - | 15,043 |
| Subtotal: Self-insurance liability | 30,448 | 5,696 | (5,722) | 30,422 |
| Other medical claims liability | 1,252 | 11,177 | (10,900) | 1,529 |
| Combined self-insurance and other medical liability | \$ 31,700 | \$ 16,873 | \$ (16,622) | \$ 31,951 |

| | Balance July 1, 2014 | Incurred Claims and Changes in Estimates | Claim Payments and Related Costs | Balance June 30, 2015 |
|--|----------------------------|---|--|-----------------------------|
| Workers' compensation liability | \$ 9,736 | \$ 3,820 | \$ (3,240) | \$ 10,316 |
| General and property insurance liability | 4,643 | 603 | (157) | 5,089 |
| Pollution remediation liability | 15,043 | - | - | 15,043 |
| Subtotal: Self-insurance liability | 29,422 | 4,423 | (3,397) | 30,448 |
| Other medical claims liability | 725 | 11,361 | (10,834) | 1,252 |
| Combined self-insurance and other medical liability | \$ 30,147 | \$ 15,784 | \$ (14,231) | \$ 31,700 |

(12) ALLOCATION OF DISTRICT DIVISION EXPENSE

For the years ended June 30, 2016 and 2015, 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):

| | 2016 | 2015 |
|-----------------|------------------|------------------|
| Bridge Division | \$ 11,210 | \$ 10,131 |
| Bus Division | 11,652 | 10,350 |
| Ferry Division | 6,478 | 5,888 |
| Total | \$ 29,340 | \$ 26,369 |

(13) 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 is currently preparing these environmental documents and has recorded an estimate of potential costs to clean up the Phase II areas. The Phase II cleanup is estimated to be completed within the next five years.

The estimate of the lead contamination remediation liability amounted to \$14.0 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 costs are currently being reassessed.

The District is also involved in one additional environmental remediation activity for underground storage tank clean up located at the Novato Bus Facility. The liability for remediation efforts remains at \$1.0 million as of June 30, 2016. This amount was also determined using 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.

(14) PRIOR PERIOD ADJUSTMENTS

As discussed under Note 2, the District implemented GASB Statement No. 68 and GASB Statement No. 71 effective July 1, 2014. Refer to Note 9 for further disclosures related to the plans and related balances. As a result of the implementation, the District restated beginning net position of the enterprise fund as follows (in thousands):

| | |
|--|-------------------|
| Beginning of year, as previously reported | |
| Net Position | \$ 766,828 |
| Contributions after the measurement date - deferred outflows of resources | 9,565 |
| Net Pension Liability | (154,576) |
| Beginning of year, as restated | |
| Net Position | <u>\$ 621,817</u> |

Following is the pro forma effect of the retroactive application:

| | June 30, 2014 | | June 30, 2014 |
|--------------------------------|-----------------------------|--------------------|----------------------|
| | Previously Presented | Restatement | Restated |
| Deferred outflows of resources | \$ - | \$ 9,565 | \$ 9,565 |
| Net pension liability | - | (154,576) | (154,576) |

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT FUND

| | 2016 | 2015¹ |
|---|-------------------|-------------------------|
| TOTAL PENSION LIABILITY | | |
| Service cost | \$ 6,334 | \$ 6,739 |
| Interest on Total Pension Liability | 27,534 | 26,655 |
| Changes of benefit terms | - | - |
| Changes of Assumptions | (6,253) | - |
| Difference Between Expected and Actual Experience | (3,242) | - |
| Benefit Payments, Including Refunds of Employee Contributions | (19,479) | (18,864) |
| Net Change in Total Pension Liability | 4,893 | 14,530 |
| Total Pension Liability – Beginning | 375,987 | 361,457 |
| Total Pension Liability – Ending (a) | \$ 380,881 | \$ 375,987 |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions – Employer | 7,861 | 7,748 |
| Contributions – Employee | 2,934 | 3,643 |
| Net Investment Income | 6,381 | 42,627 |
| Other Miscellaneous Income | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (19,479) | (18,864) |
| Administrative Expense | (315) | - |
| Net Change in Fiduciary Net Position | (2,619) | 35,153 |
| Plan Fiduciary Net Position - Beginning | 282,412 | 247,258 |
| Plan Fiduciary Net Position – Ending (b) | \$ 279,793 | \$ 282,412 |
| Plan Net Pension Liability/(Asset) – Ending (a) – (b) | \$ 101,088 | \$ 93,576 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.46% | 75.11% |
| Covered Payroll | \$35,937 | \$37,044 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll | 278.26% | 252.61% |

1. Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Note to schedule – The discount rate was changed from 7.5% in 2015 to 7.65% in 2016.

CalPERS - Schedule of Pension Contributions (in Thousands)

| | Fiscal Year 2016 | Fiscal Year 2015 |
|--|-----------------------------|-----------------------------|
| Actuarially Determined Contribution | \$ 9,475 | \$ 7,899 |
| Contributions in Relation to the Actuarially Determined Contribution | (9,475) | (7,899) |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| Covered Payroll | 38,445 | 35,937 |
| Contributions as a Percentage of Covered-Employee Payroll | 21.64% | 20.92% |

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

GOLDEN GATE TRANSIT AMALGAMATED RETIREMENT PLAN

| | 2016 | 2015¹ |
|---|-------------------|-------------------------|
| TOTAL PENSION LIABILITY | | |
| Service cost | \$ 3,509 | \$ 3,174 |
| Interest on Total Pension Liability | 11,661 | 11,278 |
| Changes of benefit terms | - | - |
| Changes of Assumptions | - | - |
| Difference Between Expected and Actual Experience | 29,833 | 1,395 |
| Benefit Payments, Including Refunds of Employee Contributions | (11,202) | (10,614) |
| Net Change in Total Pension Liability | 33,801 | 5,233 |
| Total Pension Liability – Beginning | 159,256 | 154,023 |
| Total Pension Liability – Ending (a) | \$ 193,057 | \$ 159,256 |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions – Employer | \$ 3,967 | \$ 3,635 |
| Contributions – Employee | 622 | 420 |
| Net Investment Income | (835) | 8,263 |
| Other Miscellaneous Income | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (11,202) | (10,614) |
| Administrative Expense | (494) | (438) |
| Net Change in Fiduciary Net Position | (7,942) | 1,266 |
| Plan Fiduciary Net Position - Beginning | 114,912 | 113,646 |
| Plan Fiduciary Net Position – Ending (b)² | \$ 106,970 | \$ 114,912 |
| Plan Net Pension Liability/(Asset) – Ending (a) – (b) | \$ 86,087 | \$ 44,344 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 55.41% | 72.16% |
| Covered Payroll | \$22,327 | \$21,465 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll | 385.58% | 252.61% |

1. Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.
2. GASB 68 requires the District to report the unfunded pension obligations under the GGTAR Plan as a liability on its financial statement even if the District is not legally responsible for the unfunded pension obligation. The District is only legally responsible for the contributions agreed to in collective bargaining under the terms of the GGTAR plan document and is not legally responsible for the current GGTAR plan unfunded net pension liability of \$86.1 million.

Note to schedule – The discount rate was changed from 7.5% in 2015 to 5.66% in 2016.

GGTAR - Schedule of Pension Contributions (in Thousands)

| | Fiscal Year 2016 | Fiscal Year 2015 |
|--|-----------------------------|-----------------------------|
| Actuarially Determined Contribution | \$ 6,666 | \$ 6,351 |
| Contributions in Relation to the Actuarially Determined Contribution | (3,967) | (3,635) |
| Contribution Deficiency (Excess) | 2,699 | 2,716 |
| Covered Payroll | 22,581 | 21,882 |
| Contributions as a Percentage of Covered-Employee Payroll | 17.77% | 17.08% |

OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS

Funding progress information for the most recent valuation dates is illustrated as follows (in thousands):

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Annual Covered Payroll | Unfunded AAL as a % of Covered Payroll |
|----------------|---------------------------|-----------------------------------|--------------|--------------|------------------------|--|
| 7/1/14 | \$57,175 | \$159,253 | \$102,077 | 35.9% | \$55,354 | 184.4% |
| 7/1/13 | \$41,331 | \$158,737 | \$117,405 | 26.0% | \$51,566 | 227.7% |
| 7/1/12 | \$31,114 | \$190,406 | \$159,292 | 16.3% | \$52,885 | 301.2% |
| 7/1/11 | \$25,217 | \$196,052 | \$170,835 | 12.9% | \$51,220 | 333.5% |

Schedule of Employer Contributions is illustrated as follows (in thousands):

| Fiscal Year Ending | Annual Required Contribution | Actual Contribution | Percent Contributed | Net OPEB Obligation |
|--------------------|------------------------------|---------------------|---------------------|---------------------|
| 2016 | \$12,133 | \$12,133 | 100% | \$0 |
| 2015 | \$11,725 | \$11,725 | 100% | \$0 |
| 2014 | \$11,332 | \$11,332 | 100% | \$0 |
| 2013 | \$14,420 | \$14,420 | 100% | \$0 |
| 2012 | \$15,405 | \$15,405 | 100% | \$0 |
| 2011 | \$14,851 | \$14,851 | 100% | \$0 |

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY DIVISION (NON-GAAP BASIS), YEAR ENDED JUNE 30, 2016 AND 2015 (In thousands)

| | Total | | Bridge Division | | Bus Division | | Ferry Division | |
|--|-----------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues | | | | | | | | |
| Bridge tolls | \$ 137,618 | \$ 129,500 | \$ 137,618 | \$ 129,500 | \$ - | \$ - | \$ - | \$ - |
| Transit fares | 35,341 | 33,386 | - | - | 15,646 | 14,994 | 19,695 | 18,392 |
| Marin Transit revenues | 11,973 | 10,442 | - | - | 11,973 | 10,442 | - | - |
| Other operating revenues | 3,341 | 2,981 | 765 | 1,068 | 794 | 585 | 1,782 | 1,328 |
| Total operating revenues | 188,273 | 176,309 | 138,383 | 130,568 | 28,413 | 26,021 | 21,477 | 19,720 |
| Operations | 87,903 | 89,040 | 16,706 | 17,057 | 54,463 | 54,215 | 16,734 | 17,768 |
| Maintenance | 41,766 | 37,544 | 21,610 | 19,841 | 14,497 | 12,842 | 5,659 | 4,861 |
| General and administrative | 46,065 | 34,289 | 9,153 | 11,317 | 27,674 | 14,336 | 9,238 | 8,636 |
| Depreciation | 31,264 | 28,253 | 14,157 | 13,286 | 9,801 | 8,503 | 7,306 | 6,464 |
| Total operating expenses | 206,998 | 189,126 | 61,626 | 61,501 | 106,435 | 89,896 | 38,937 | 37,729 |
| Operating Income (Loss) | (18,725) | (12,817) | 76,757 | 69,067 | (78,022) | (63,875) | (17,460) | (18,009) |
| Non-operating Revenues (Expenses): | | | | | | | | |
| Operating assistance: | | | | | | | | |
| State operating assistance | 16,317 | 18,368 | - | - | 13,581 | 15,108 | 2,736 | 3,260 |
| Federal operating assistance | 211 | 8 | - | - | - | - | 211 | 8 |
| Local operating assistance | 2,777 | 2,492 | - | - | 2,777 | 2,492 | - | - |
| Total operating assistance | 19,305 | 20,868 | - | - | 16,358 | 17,600 | 2,947 | 3,268 |
| Investment income | 3,822 | 2,408 | 3,822 | 2,408 | - | - | - | - |
| Interest expense | (81) | (45) | (81) | (45) | - | - | - | - |
| Gain (Loss) on disposal of assets | 1 | 21 | (9) | (19) | 10 | 40 | - | - |
| Contribution to capital | (19,000) | (19,000) | (13,000) | (13,000) | (2,000) | (2,000) | (4,000) | (4,000) |
| Bridge self insurance | (1,300) | (1,300) | (1,300) | (1,300) | - | - | - | - |
| Total non-operating revenues (expenses) | 2,747 | 2,952 | (10,568) | (11,956) | 14,368 | 15,640 | (1,053) | (732) |
| Net Income (Loss) | (15,978) | (9,865) | 66,189 | 57,110 | (63,654) | (48,233) | (18,513) | (18,741) |
| Depreciation and Gain/Loss on Capital Assets | | | | | | | | |
| Acquired with Capital Grants | 22,662 | 20,270 | 8,614 | 7,989 | 8,292 | 7,247 | 5,756 | 5,034 |
| Excess Revenues (Loss) | \$ 6,684 | \$ 10,405 | \$ 74,803 | \$ 65,099 | \$ (55,362) | \$ (40,986) | \$ (12,757) | \$ (13,707) |

**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY DIVISION
FOR THE YEARS ENDED JUNE 30, 2016, AND 2015**

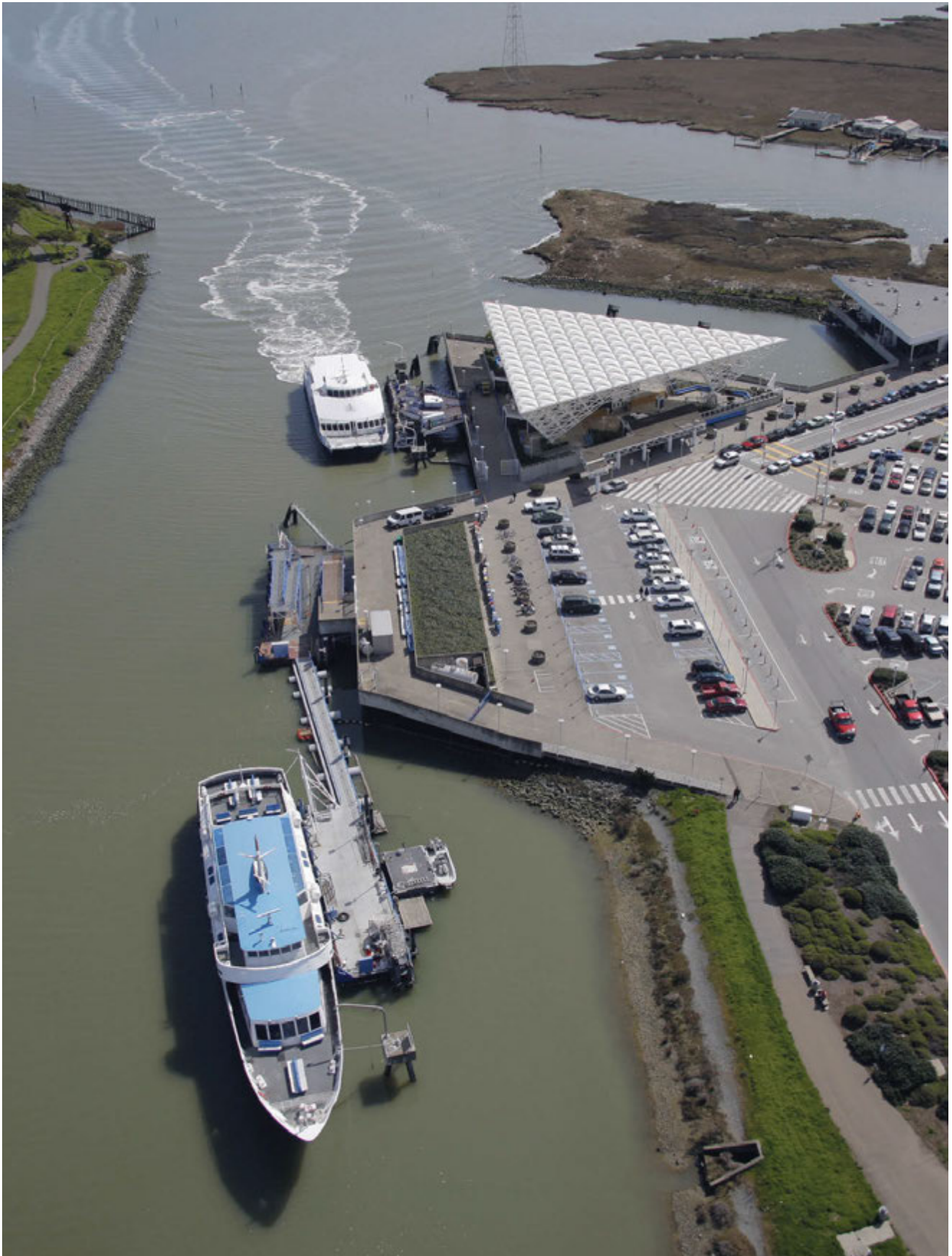
RECONCILIATION OF THE SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY DIVISION (NON-GAAP BASIS) TO THE BASIC FINANCIAL STATEMENTS

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, 2016, and 2015 (in thousands):

| | <u>2016</u> | <u>2015</u> |
|--|---------------------------|-------------------------|
| Contribution to capital reserve and Bridge self-insurance considered as an expense on the financial statements | \$ 20,300 | \$ 20,300 |
| Depreciation and gain/(loss) on capital assets acquired with capital grants | (22,662) | (20,270) |
| Capital contribution to other agencies | (76,123) | (784) |
| Capital contributions | 33,298 | 48,742 |
| Total differences | (45,187) | 47,988 |
| Excess revenue (loss) | 6,684 | 10,406 |
| Net increase in Net Position | <u>\$ (38,503)</u> | <u>\$ 58,394</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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These schedules contain information to help the reader assess the District's local revenue sources (tolls and transit fares).

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This schedule presents information to help the reader assess the affordability of the District's current outstanding debts and the District's ability to issue additional debt in the future.

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These schedules contain demographic and economic indicators to assist the reader in understanding the environment within which the District's financial activities take place.

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This schedule contains service and facility statistics to help the reader understand how the District's financial report relates to its services and operating activities.

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Source: Unless otherwise noted, the information in these schedules was derived from the District's financial statements.

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| OPERATING REVENUES | | | | | | | | | | |
| Bridge tolls | \$ 85,043 | \$ 85,416 | \$ 97,121 | \$ 100,569 | \$100,776 | \$ 102,814 | \$ 102,307 | \$ 112,668 | \$ 129,500 | \$ 137,618 |
| Bus Transit fares | 11,781 | 11,589 | 11,804 | 11,750 | 11,960 | 12,367 | 13,547 | 14,520 | 14,994 | 15,646 |
| Bus concessions with Marin Transit | 14,127 | 13,898 | 14,790 | 15,638 | 15,511 | 16,363 | 14,580 | 13,320 | 10,442 | 11,973 |
| Ferry Transit fares | 9,165 | 9,864 | 10,067 | 10,697 | 11,979 | 13,712 | 15,227 | 17,167 | 18,392 | 19,695 |
| Visitor concession services ¹ | 3,154 | 3,268 | 3,142 | 3,082 | 3,352 | 1,882 | - | - | - | - |
| Other | 3,738 | 2,287 | 2,811 | 1,734 | 2,132 | 2,437 | 3,720 | 2,483 | 2,981 | 3,341 |
| OPERATING REVENUES | \$ 127,008 | \$ 126,322 | \$ 139,735 | \$ 143,470 | \$145,710 | \$ 149,575 | \$ 149,381 | \$ 160,158 | \$ 176,309 | \$ 188,273 |
| State operating grants | 15,646 | 16,234 | 13,587 | 9,858 | 14,999 | 15,923 | 15,757 | 16,001 | 18,368 | 16,317 |
| Federal operating grants | 707 | 482 | 403 | 50 | 4,717 | 550 | 190 | 94 | 8 | 211 |
| Local operating grants | 2,793 | 3,018 | 2,935 | 3,039 | 2,898 | 2,780 | 2,434 | 2,596 | 2,492 | 2,777 |
| Investment income | 7,900 | 8,868 | 8,774 | 5,634 | 2,789 | 2,800 | 813 | 3,039 | 2,408 | 3,822 |
| Capital contributions ² | 34,141 | 13,536 | 28,287 | 55,372 | 66,670 | 67,126 | 35,648 | 36,030 | 48,742 | 33,298 |
| TOTAL REVENUES | \$ 188,195 | \$ 168,460 | \$ 193,721 | \$ 217,423 | \$237,783 | \$ 238,754 | \$ 204,223 | \$ 217,918 | \$ 248,327 | \$ 244,698 |

1. In 2013, the visitor's concession services program was transferred to the Golden Gate National Parks Conservancy and is no longer a part of the District.

2. Beginning in Fiscal Year 2010/2011, capital contributions reflected capital contributions received as pass-through to other agencies in subaward agreements.

Data Source: District Audited Financial Statements

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

| Operating Expenses: | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Bridge | | | | | | | | | | |
| Operations | \$ 14,142 | \$ 15,436 | \$ 15,260 | \$ 16,506 | \$ 17,193 | \$ 16,821 | \$ 15,891 | \$ 17,554 | \$ 17,057 | \$ 16,706 |
| Maintenance | 14,632 | 16,221 | 15,301 | 17,589 | 18,277 | 19,226 | 20,006 | 20,032 | 19,841 | 21,610 |
| General & administrative | 11,454 | 12,046 | 13,451 | 10,340 | 10,790 | 9,980 | 10,200 | 12,110 | 11,317 | 9,153 |
| Depreciation | 5,536 | 6,073 | 6,937 | 13,966 | 10,395 | 10,349 | 10,498 | 11,239 | 13,286 | 14,157 |
| Bridge | \$ 45,764 | \$ 49,776 | \$ 50,949 | \$ 58,401 | \$ 56,655 | \$ 56,376 | \$ 56,595 | \$ 60,935 | \$ 61,501 | \$ 61,626 |
| Bus | | | | | | | | | | |
| Operations | \$ 40,149 | \$ 46,815 | \$ 48,343 | \$ 48,974 | \$ 50,796 | \$ 52,015 | \$ 53,938 | \$ 52,030 | \$ 54,215 | \$ 54,463 |
| Maintenance | 9,918 | 11,213 | 12,702 | 12,303 | 12,788 | 13,085 | 14,152 | 13,256 | 12,842 | 14,497 |
| General & administrative | 11,677 | 12,101 | 12,265 | 12,167 | 14,220 | 14,896 | 13,426 | 14,911 | 14,336 | 27,674 |
| Depreciation | 7,493 | 7,432 | 7,557 | 6,559 | 7,560 | 8,186 | 7,530 | 8,152 | 8,503 | 9,801 |
| Bus | \$ 69,237 | \$ 77,561 | \$ 80,867 | \$ 80,003 | \$ 85,364 | \$ 88,182 | \$ 89,046 | \$ 88,349 | \$ 89,896 | \$ 106,435 |
| Ferry | | | | | | | | | | |
| Operations | \$ 11,033 | \$ 12,899 | \$ 12,900 | \$ 12,627 | \$ 14,687 | \$ 15,659 | \$ 16,778 | \$ 18,031 | \$ 17,768 | \$ 16,734 |
| Maintenance | 2,582 | 3,557 | 3,393 | 3,015 | 3,955 | 3,659 | 3,583 | 5,364 | 4,861 | 5,659 |
| General & administrative | 5,450 | 6,486 | 8,290 | 5,866 | 6,991 | 7,374 | 7,100 | 7,398 | 8,636 | 9,238 |
| Depreciation | 3,194 | 4,142 | 4,196 | 4,400 | 3,126 | 8,153 | 7,674 | 7,758 | 6,464 | 7,306 |
| Ferry | \$ 22,259 | \$ 27,084 | \$ 28,779 | \$ 25,908 | \$ 28,759 | \$ 34,845 | \$ 35,135 | \$ 38,551 | \$ 37,729 | \$ 38,937 |
| Total Operating Expenses | \$ 137,260 | \$ 154,421 | \$ 160,595 | \$ 164,312 | \$ 170,778 | \$ 179,403 | \$ 180,776 | \$ 187,835 | \$ 189,126 | \$ 206,998 |
| Non Operating Expenses | | | | | | | | | | |
| Capital contributions to other agencies ¹ | - | - | - | - | 16,256 | 9,096 | 3,315 | 2,337 | 783 | 76,123 |
| Interest | 2,162 | 1,726 | 751 | 179 | 183 | 100 | 106 | 60 | 45 | 81 |
| Other | (149) | (3,407) | (96) | 28 | (37) | (148) | 22 | 71 | (21) | (1) |
| Special item ² | - | 14,850 | - | - | - | - | - | - | - | - |
| TOTAL EXPENSES | \$ 139,273 | \$ 167,590 | \$ 161,250 | \$ 164,519 | \$ 187,180 | \$ 188,451 | \$ 184,219 | \$ 190,303 | \$ 189,933 | \$ 283,201 |

1. Beginning in Fiscal Year 2010/2011, capital expenses incurred as part of subawarded agreements were separately stated. Prior to this, capital expenses were offset against capital contributions.

2. The special item in Fiscal Year 2007/2008 represents the impact of the restatement of net position 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 POSITION, LAST TEN YEARS (IN THOUSANDS)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------------------|---------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| Operating revenues | \$ 127,008 | \$ 126,322 | \$ 139,735 | \$ 143,470 | \$ 145,710 | \$ 149,576 | \$ 149,381 | \$ 160,158 | \$ 176,309 | \$ 188,273 |
| Operating expenses | (121,037) | (136,774) | (141,905) | (139,387) | (149,697) | (152,715) | (155,074) | (160,686) | (160,873) | (175,734) |
| Income before depreciation and other nonoperating revenues and expenses | 5,971 | (10,452) | (2,170) | 4,083 | (3,987) | (3,139) | (5,693) | (528) | 15,436 | 12,539 |
| Depreciation | (16,223) | (17,647) | (18,690) | (24,925) | (21,081) | (26,688) | (25,702) | (27,149) | (28,253) | (31,264) |
| Operating loss | (10,252) | (28,099) | (20,860) | (20,842) | (25,068) | (29,827) | (31,395) | (27,677) | (12,817) | (18,725) |
| Other nonoperating revenues and expenses, net | 25,033 | 30,283 | 25,044 | 18,374 | 9,001 | 13,005 | 15,751 | 19,262 | 22,469 | (53,076) |
| Income/(loss) before capital contributions and special item | 14,781 | 2,184 | 4,184 | (2,468) | (16,067) | (16,822) | (15,644) | (8,415) | 9,652 | (71,801) |
| Capital contributions ¹ | 34,141 | 13,536 | 28,287 | 55,372 | 66,670 | 67,126 | 35,648 | 36,030 | 48,742 | 33,298 |
| Special item ² | - | (14,850) | - | - | - | - | - | - | - | - |
| Restatement of beginning net position ³ | - | - | - | - | - | - | - | - | (145,011) | - |
| CHANGES IN NET POSITION | \$ 48,922 | \$ 870 | \$ 32,471 | \$ 52,904 | \$ 50,603 | \$ 50,304 | \$ 20,004 | \$ 27,615 | \$ (86,617) | \$ (38,503) |

1. Beginning in Fiscal Year 2010/2011, capital contributions reflected capital contributions received as pass-through to other agencies in subawarded agreements. In addition, capital expenses to other agencies for subawarded agreements were separately stated. Prior to this, capital expenses for subawarded agreements were offset against capital contributions.
2. The special item in Fiscal Year 2007/2008 represents the impact of the restatement of net position as of July 1, 2008, related to the implementation of GASB No. 49 (Pollution Remediation Obligations).
3. The restatement of the beginning net position in Fiscal Year 2014/2015 is a result of compliance with GASB 68 (Accounting and Financial Reporting for Pensions) and is recorded as of the beginning of the fiscal year.

Data Source: District Audited Financial Statements

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| ASSETS | | | | | | | | | | |
| Current assets and other assets | \$ 180,068 | \$ 190,901 | \$ 206,238 | \$ 238,007 | \$ 240,088 | \$ 249,211 | \$ 269,254 | \$ 269,603 | \$ 304,919 | \$ 266,412 |
| Capital assets | 459,372 | 461,363 | 478,642 | 513,844 | 549,160 | 592,585 | 608,247 | 624,087 | 657,307 | 663,318 |
| Deferred outflows of resources | - | - | - | - | - | - | - | - | 10,830 | 39,168 |
| Total Assets and Deferred Outflows | <u>\$ 639,440</u> | <u>\$ 652,264</u> | <u>\$ 684,880</u> | <u>\$ 751,851</u> | <u>789,248</u> | <u>\$ 841,796</u> | <u>\$ 877,501</u> | <u>\$ 893,690</u> | <u>\$ 973,056</u> | <u>\$ 968,898</u> |
| LIABILITIES | | | | | | | | | | |
| Current liabilities | 29,046 | 27,461 | 29,167 | 40,824 | 26,815 | 29,100 | 43,178 | 32,267 | 40,176 | 38,499 |
| Debt outstanding | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 | 61,000 |
| Noncurrent, other liabilities | 17,336 | 30,875 | 29,314 | 31,724 | 32,527 | 32,487 | 34,110 | 33,595 | 172,099 | 221,358 |
| Deferred inflows of resources | | | | | | | | | 19,570 | 6,333 |
| Total Liabilities and Deferred Inflows | <u>\$ 107,382</u> | <u>\$ 119,336</u> | <u>\$ 119,481</u> | <u>\$ 133,548</u> | <u>\$ 120,342</u> | <u>\$ 122,587</u> | <u>\$ 138,288</u> | <u>\$ 126,862</u> | <u>\$ 292,845</u> | <u>\$ 327,190</u> |
| NET POSITION | | | | | | | | | | |
| Net investment in capital assets | 398,372 | 400,362 | 417,641 | 452,844 | 488,159 | 531,585 | 547,246 | 563,087 | 596,307 | 602,318 |
| Restricted | | | | | | | | | | |
| Debt service requirements | 12,975 | 12,791 | 12,791 | 12,791 | 12,791 | 12,791 | 12,791 | 12,791 | 12,791 | 12,791 |
| Park Presidio Doyle Drive reconstruction project ¹ | - | - | - | - | - | - | - | - | 75,000 | - |
| Unrestricted (deficit) ² | <u>120,711</u> | <u>119,775</u> | <u>134,967</u> | <u>152,668</u> | <u>167,956</u> | <u>174,833</u> | <u>179,176</u> | <u>190,950</u> | <u>(3,887)</u> | <u>26,599</u> |
| TOTAL NET POSITION | <u>\$ 532,058</u> | <u>\$ 532,928</u> | <u>\$ 565,399</u> | <u>\$ 618,303</u> | <u>\$ 668,906</u> | <u>\$ 719,209</u> | <u>\$ 739,213</u> | <u>\$ 766,828</u> | <u>\$ 680,211</u> | <u>\$ 641,708</u> |

1. In August 2015, the District contributed \$75 million to San Francisco County Transportation Authority, as part of a funding agreement for the Park Presidio (Doyle Drive) reconstruction project.
2. GASB 68 requires the District to report the unfunded pension obligations under the Golden Gate Transit Amalgamated Retirement Plan (GGTAR) as a liability on its financial statement even if the District is not legally responsible for the unfunded pension obligation. The District is only legally responsible for the contributions agreed to in collective bargaining under the terms of the GGTAR document and is not legally responsible for the current GGTAR plan unfunded net pension liability of \$44.3 million. The liability has resulted in a deficit for this reporting year.

Data Source: District Audited Financial Statements

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TRAFFIC/PATRON COUNT: | | | | | | | | | | |
| Bridge traffic (southbound) ¹ | 19,758 | 19,658 | 19,066 | 19,295 | 19,084 | 19,417 | 19,376 | 20,014 | 20,086 | 20,557 |
| Bus passengers - regional ² | - | - | - | - | - | - | - | - | 3,613 | 3,499 |
| Bus passengers - Local services under contract ² | - | - | - | - | - | - | - | - | NA | NA |
| Bus passengers - combined | 7,214 | 7,373 | 7,166 | 6,514 | 6,568 | 6,527 | 6,628 | 6,385 | NA | NA |
| Ferry passengers | 2,025 | 1,980 | 1,949 | 1,931 | 2,031 | 2,195 | 2,326 | 2,471 | 2,540 | 2,545 |
| Club Bus passengers ³ | 58 | 48 | 50 | 49 | 40 | 31 | 14 | - | - | - |
| TOLL/FARE PER VEHICLE/PATRON¹: | | | | | | | | | | |
| Average toll | \$4.30 | \$4.35 | \$5.09 | \$5.21 | \$5.28 | \$5.30 | \$5.28 | \$5.63 | \$6.45 | \$6.69 |
| Average bus fare (regional services) | - | - | - | - | - | - | - | - | \$4.14 | \$4.49 |
| Average bus fare (local services under contract) ² | - | - | - | - | - | - | - | - | NA | NA |
| Average bus fare (combined) | \$2.05 | \$2.04 | \$2.10 | \$2.27 | \$2.29 | \$2.39 | \$2.49 | \$2.69 | NA | NA |
| Average ferry fare | \$4.53 | \$4.98 | \$5.17 | \$5.54 | \$5.90 | \$6.25 | \$6.55 | \$6.95 | \$7.24 | \$7.74 |

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

2. Effective with the renegotiated contract with Marin Transit in 2015, operating indicators are displayed by component. Prior to Fiscal Year 14/15, indicators are inclusive of the Marin Transit routes.

3. The District contracts a limited program of service routes called Club Bus with Horizon Coach Lines (formerly Coach USA). This program ended in December, 2012.

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

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

| 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% | 11,106 | 56.4% | 11,271 | 59.1% | 11,736 | 60.8% | 12,448 | 65.2% |
| Other Revenue | 141 | 0.7% | 128 | 0.7% | 103 | 0.5% | 101 | 0.5% | 99 | 0.5% |
| Carpool | 422 | 2.2% | 428 | 2.2% | 439 | 2.3% | 421 | 2.2% | 144 | 0.8% |
| Non Revenue | 184 | 0.9% | 150 | 0.8% | 146 | 0.8% | 148 | 0.8% | 149 | 0.8% |
| TOTAL VEHICLES¹ | 19,758 | 100.0% | 19,658 | 100.0% | 19,066 | 100.0% | 19,295 | 100.0% | 19,084 | 100.0% |

| CATEGORY | 2012 | | 2013 | |
|--|---------------|---------------|---------------|---------------|
| | COUNT | % | COUNT | % |
| Two-Axle Vehicles - Cash | 6,177 | 31.8% | 4,376 | 22.6% |
| Two-Axle Vehicles - Electronic/Tickets | 12,821 | 66.1% | 14,612 | 75.4% |
| Other Revenue | 105 | 0.5% | 97 | 0.5% |
| Carpool | 134 | 0.7% | 150 | 0.8% |
| Non Revenue | 180 | 0.9% | 141 | 0.7% |
| TOTAL VEHICLES¹ | 19,417 | 100.0% | 19,376 | 100.0% |

| CATEGORY | 2014 | | 2015 | | 2016 | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | COUNT | % | COUNT | % | COUNT | % |
| Two-Axle Vehicles | 19,454 | 97.2% | 19,408 | 96.6% | 19,805 | 96.4% |
| Three + Axle Vehicles | 103 | 0.5% | 105 | 0.5% | 107 | 0.5% |
| Discount - Carpools | 269 | 1.3% | 384 | 1.9% | 459 | 2.2% |
| Discount - Other | 30 | 0.1% | 30 | 0.1% | 29 | 0.1% |
| Non Revenue | 158 | 0.8% | 159 | 0.8% | 157 | 0.8% |
| TOTAL VEHICLES² | 20,014 | 100.0% | 20,086 | 100.0% | 20,557 | 100.0% |

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

2. In March 2013, the District converted to all electronic tolling operation; as a result, the tracking categories from this period forward are reflective of this new program.

Data Source: Finance-Auditing Committee Board Reports

TABLE 7: OPERATING INDICATORS BY TRANSIT MODE, LAST TEN YEARS¹

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| AVERAGE PASSENGER FARES | | | | | | | | | | |
| Bus - regional services | - | - | - | - | - | - | - | - | \$4.14 | \$4.49 |
| Bus - local services under contract | - | - | - | - | - | - | - | - | NA | NA |
| Bus - combined | \$2.05 | \$2.04 | \$2.10 | \$2.27 | \$2.29 | \$2.39 | \$2.49 | \$2.69 | NA | NA |
| Ferry | \$4.53 | \$4.98 | \$5.17 | \$5.54 | \$5.90 | \$6.25 | \$6.55 | \$6.95 | \$7.24 | \$7.74 |
| PASSENGER COUNT* | | | | | | | | | | |
| Bus - regional services | - | - | - | - | - | - | - | - | 3,613 | 3,499 |
| Bus - local services under contract | - | - | - | - | - | - | - | - | NA | NA |
| Bus - combined | 7,214 | 7,373 | 7,166 | 6,514 | 6,568 | 6,527 | 6,628 | 6,385 | NA | NA |
| Ferry | 2,025 | 1,980 | 1,949 | 1,931 | 2,031 | 2,195 | 2,326 | 2,471 | 2,540 | 2,545 |
| OPERATING COSTS* (excluding depreciation) | | | | | | | | | | |
| Bus - combined | \$61,744 | \$70,129 | \$73,310 | \$73,444 | \$77,804 | \$79,996 | \$81,516 | \$80,197 | \$81,393 | \$96,634 |
| Ferry | \$19,065 | \$22,942 | \$24,583 | \$21,508 | \$25,633 | \$26,692 | \$27,461 | \$30,793 | \$31,265 | \$31,631 |
| PASSENGER MILES* | | | | | | | | | | |
| Bus - regional services | - | - | - | - | - | - | - | - | 67,807 | 63,440 |
| Bus - local services under contract | - | - | - | - | - | - | - | - | NA | NA |
| Bus - combined | 66,062 | 61,348 | 61,141 | 61,773 | 81,690 | 75,262 | 72,941 | 26,909 | NA | NA |
| Ferry | 22,272 | 22,036 | 21,535 | 21,209 | 22,541 | 24,211 | 25,539 | 26,911 | 27,687 | 27,885 |
| REVENUE VEHICLE MILES* | | | | | | | | | | |
| Bus - regional services | - | - | - | - | - | - | - | - | 4,162 | 4,266 |
| Bus - local services under contract | - | - | - | - | - | - | - | - | NA | NA |
| Bus - combined | 5,110 | 5,284 | 5,385 | 5,447 | 5,182 | 5,171 | 5,108 | 5,033 | NA | NA |
| Ferry | 187 | 188 | 187 | 187 | 185 | 181 | 177 | 181 | 187 | 190 |
| NUMBER OF ACTIVE BUSES/VESSELS | | | | | | | | | | |
| Bus - regional services | - | - | - | - | - | - | - | - | 176 | 160 |
| Bus - local services under contract | - | - | - | - | - | - | - | - | 17 | 17 |
| Bus - combined | 201 | 198 | 201 | 201 | 197 | 188 | 188 | 180 | 193 | 177 |
| Ferry | 5 | 5 | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 |

1. Effective with the renegotiated contract with Marin Transit in 2015, operating indicators are displayed by component. Prior to Fiscal Year 2014/2015, indicators are inclusive of the Marin Transit routes.

*These figures are in thousands.

NA - Information not available.

Note: Effective June 30, 2015, additional information is displayed for local services provided under contract with Marin Transit.

Data Source: Average Passenger Fares and Passenger Count per Table 5; Operating Costs per Table 2; all other information is from the National Transit Database Report, Direct Operations only, or State Controller's Report.

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total revenues (less capital contribution) | \$ 154,054 | \$ 154,924 | \$ 165,434 | \$ 162,052 | \$ 171,115 | \$ 171,629 | \$ 168,575 | \$ 181,888 | \$ 199,585 | \$ 211,400 |
| Less: | | | | | | | | | | |
| Total operating expenses (less depreciation) | (121,037) | (136,774) | (141,905) | (139,387) | (149,696) | (152,715) | (155,074) | (160,686) | (160,873) | (175,734) |
| Total Net Revenues | 33,017 | 18,150 | 23,529 | 22,665 | 21,419 | 18,914 | 13,501 | 21,202 | 38,712 | 35,666 |
| 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 | 40,337 | 25,470 | 30,849 | 29,985 | 28,739 | 26,234 | 20,821 | 28,522 | 46,032 | 42,986 |
| Actual Commercial Paper debt service | \$ 2,162 | \$ 1,726 | \$ 751 | \$ 179 | \$ 183 | \$ 100 | \$ 106 | \$ 60 | \$ 45 | \$ 81 |
| Coverage (with operating reserve) | 18.7 | 14.8 | 41.1 | 167.5 | 157.0 | 262.3 | 196.4 | 475.4 | 1,022.9 | 530.7 |
| Coverage (without operating reserve) | 15.3 | 10.5 | 31.3 | 126.6 | 117.0 | 189.1 | 127.4 | 353.4 | 860.3 | 440.3 |

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.

Data Source: District Financial Statements.

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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 | 0.0595% | 0.0581% | 0.0603% | 0.0615% | 0.0600% | 0.0579% | 0.0550% | 0.0540% | 0.0540% | 0.0540% |
| Per Capita (Three County Region) ² | \$ 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 | \$ 2.10 | \$ 2.10 | \$ 2.16 | \$ 2.20 | \$ 2.20 | \$ 2.17 | \$ 2.15 | \$ 2.11 | \$ 2.13 | \$ 2.12 |
| DEBT SERVICE: | \$ 1,726 | \$ 1,726 | \$ 751 | \$ 179 | \$ 183 | \$ 100 | \$ 106 | \$ 60 | \$ 45 | \$ 81 |
| Percentage of Personal Income (Three County Region) ¹ | 0.0017% | 0.0016% | 0.0007% | 0.0002% | 0.0002% | 0.0001% | 0.0001% | 0.0001% | 0.00004% | 0.00007% |
| Per Capita (Three County Region) ² | \$ 0.00113 | \$ 0.00112 | \$ 0.00048 | \$ 0.00012 | \$ 0.00012 | \$ 0.00006 | \$ 0.00007 | \$ 0.00004 | \$ 0.00003 | \$ 0.00005 |
| Total Outstanding Debt Service Per Traffic/Passenger Count ³ | \$ 0.059 | \$ 0.059 | \$ 0.027 | \$ 0.006 | \$ 0.007 | \$ 0.004 | \$ 0.004 | \$ 0.002 | \$ 0.002 | \$ 0.003 |

1. Due to unavailable statistical information, the displayed information for Fiscal Year 2014/2015 and beyond is based upon personal income figures for Fiscal Year 2013/2014.

2. Due to unavailable statistical information, the displayed information for Fiscal Year 2015/2016 is based upon population figures for Fiscal Year 2014/2015.

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Traffic Vehicle Count | 19,758 | 19,658 | 19,066 | 19,295 | 19,084 | 19,417 | 19,376 | 20,014 | 20,086 | 20,557 |
| Number of Transit Passengers ⁴ | 9,297 | 9,401 | 9,165 | 8,494 | 8,639 | 8,753 | 8,968 | 8,856 | 6,153 | 6,044 |
| Total Traffic/Regional Passenger Count | 29,055 | 29,059 | 28,231 | 27,789 | 27,723 | 28,170 | 28,344 | 28,870 | 26,239 | 26,601 |

4. Effective with the renegotiated contract with Marin Transit in 2015, operating indicators are displayed by component. Regional bus passenger count is displayed effective Fiscal Year 2014/2015.

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

TABLE 10: DEMOGRAPHIC AND ECONOMIC INFORMATION, LAST TEN YEARS

| Marin County ¹ | | | | | |
|---------------------------|------------|-----------------------------------|-------------------------------|---------------|------------------------------|
| | Population | Personal Income (In Thousands) | Per Capita Personal Income | Median Age | Average Unemployment Rate |
| 2007 | 246,100 | \$ 22,574,434 | \$ 91,729 | 44.2 | 3.7% |
| 2008 | 248,345 | 23,161,297 | 93,263 | 44.7 | 4.7% |
| 2009 | 250,750 | 22,351,575 | 89,139 | 44.4 | 8.1% |
| 2010 | 252,789 | 20,854,466 | 82,498 | 44.0 | 8.2% |
| 2011 | 255,031 | 21,871,623 | 85,761 | 44.3 | 8.1% |
| 2012 | 256,069 | 23,918,732 | 93,407 | 44.6 | 7.0% |
| 2013 | 258,365 | 25,093,401 | 97,124 | 44.8 | 5.4% |
| 2014 | 260,750 | 25,716,754 | 98,626 | 45.1 | 4.2% |
| 2015 | 261,221 | * | * | * | 3.4% |
| 2016 | * | * | * | * | 3.5% |

| City/County of San Francisco ² | | | | | |
|---|------------|-----------------------------------|-------------------------------|---------------|------------------------------|
| | Population | Personal Income (In Thousands) | Per Capita Personal Income | Median Age | Average Unemployment Rate |
| 2007 | 799,185 | \$ 56,306,703 | \$ 70,455 | 39.4 | 4.1% |
| 2008 | 808,001 | 58,199,006 | 72,028 | 40.0 | 4.6% |
| 2009 | 815,358 | 56,037,063 | 68,727 | 40.4 | 7.4% |
| 2010 | 805,235 | 56,665,228 | 70,371 | 38.5 | 9.7% |
| 2011 | 812,826 | 58,619,926 | 72,119 | 37.3 | 9.2% |
| 2012 | 825,863 | 60,059,972 | 72,724 | 38.5 | 8.1% |
| 2013 | 841,138 | 63,777,061 | 75,822 | 37.9 | 6.5% |
| 2014 | 852,469 | 63,775,311 | 74,812 | 37.4 | 5.2% |
| 2015 | 864,421 | 65,635,719 | 75,930 | 37.4 | 3.9% |
| 2016 | * | * | * | * | 3.6% |

| Sonoma County ³ | | | | | |
|----------------------------|------------|-----------------------------------|-------------------------------|---------------|------------------------------|
| | Population | Personal Income (In Thousands) | Per Capita Personal Income | Median Age | Average Unemployment Rate |
| 2007 | 481,765 | \$ 23,642,001 | \$ 49,074 | 39.8 | 4.3% |
| 2008 | 484,470 | 23,663,256 | 48,844 | 39.3 | 5.5% |
| 2009 | 486,630 | 22,787,716 | 46,828 | 39.4 | 10.1% |
| 2010 | 493,285 | 21,701,296 | 43,993 | 39.5 | 10.6% |
| 2011 | 487,125 | 21,142,471 | 43,403 | 39.7 | 10.1% |
| 2012 | 487,011 | 21,417,425 | 43,977 | 39.8 | 9.0% |
| 2013 | 490,423 | 22,126,957 | 45,118 | 40.2 | 7.1% |
| 2014 | 490,486 | 23,548,182 | 48,010 | 40.5 | 5.7% |
| 2015 | 502,146 | 24,606,709 | 49,585 | * | 4.3% |
| 2016 | * | * | * | * | 4.2% |

- County of Marin June 30, 2015, CAFR, with additional information as follows:
 - Population for 2015 provided by U.S. Census Bureau, American Community Survey.
 - Median age for all years provided by U.S. Census Bureau, American Community Survey.
 - Average unemployment rate for 2016 provided by California Employment Development Department.
- City and County of San Francisco June 30, 2015, CAFR, with additional information as follows:
 - Average unemployment rate for 2016 provided by California Employment Development Department.
- County of Sonoma June 30, 2015, CAFR, with additional information as follows:
 - Population for 2015 provided by U.S. Census Bureau, American Community Survey.
 - Median age for all years provided by U.S. Census Bureau, American Community Survey.
 - Average unemployment rate for 2016 provided by California Employment Development Department.

*Information not available

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

| Principal Employers¹ | Type of Entity | Employees in 2014 | Rank | % of Total County Employment | Employees in 2005 | Rank | % of Total County Employment |
|--|-----------------------|------------------------------|-------------|---|------------------------------|-------------|---|
| County of Marin | Government | 2,125 | 1 | 1.55% | 2,036 | 1 | 1.64% |
| San Quentin State Prison | Government | 1,705 | 2 | 1.24% | 1,638 | 3 | 1.32% |
| Kaiser Permanente Med. Ctr. | Hospital | 1,575 | 3 | 1.15% | 1,295 | 4 | 1.05% |
| Marin General Hospital | Hospital | 1,378 | 4 | 1.01% | 876 | 6 | 0.71% |
| BioMarin Pharmaceutical | Medical | 850 | 5 | 0.62% | - | - | - |
| Novato Unified School District | School | 834 | 6 | 0.61% | 825 | 8 | 0.67% |
| Autodesk, Inc. | Technology | 763 | 7 | 0.56% | 840 | 7 | 0.68% |
| Fireman's Fund Insurance Co | Insurance | 721 | 8 | 0.53% | 1,793 | 2 | 1.45% |
| San Rafael City Schools | School | 610 | 9 | 0.45% | - | - | - |
| Dominican University | School | 422 | 10 | 0.31% | - | - | - |
| Lucasfilm, Ltd | Movie Production | - | - | - | 1,209 | 5 | 0.98% |
| Golden Gate Transit | Government | - | - | - | 593 | 9 | 0.48% |
| Safeway, Inc. | Grocery | - | - | - | 579 | 10 | 0.47% |
| Total | | 10,983 | | 8.03% | 11,684 | | 9.45% |

City/County of San Francisco (SF)

| Principal Employers² | Type of Entity | Employees in 2014 | Rank | % of Total County Employment | Employees in 2005 | Rank | % of Total County Employment |
|--|-----------------------|------------------------------|-------------|---|------------------------------|-------------|---|
| City & County of SF | Government | 26,207 | 1 | 5.15% | 28,220 | 1 | 5.36% |
| University of Calif, SF | School | 20,600 | 2 | 4.04% | 19,138 | 2 | 3.63% |
| SF Unified School District | School | 8,497 | 3 | 1.67% | 7,241 | 4 | 1.37% |
| Wells Fargo & Co | Banking | 8,300 | 4 | 1.63% | 7,581 | 3 | 1.44% |
| California Pacific Med. Ctr. | Hospital | 5,837 | 5 | 1.15% | 5,000 | 7 | 0.95% |
| Salesforce | Software | 5,000 | 6 | 0.98% | - | - | - |
| Gap, Inc. | Retail | 4,438 | 7 | 0.87% | 4,180 | 9 | 0.79% |
| PG&E Corporation | Utility | 4,297 | 8 | 0.84% | 4,629 | 8 | 0.88% |
| State of California | Government | 4,078 | 9 | 0.80% | 6,115 | 5 | - |
| Kaiser Permanente Med. Ctr. | Hospital | 3,500 | 10 | 0.69% | 3,860 | 10 | 0.73% |
| United States Postal Service | Government | - | - | - | 5,234 | 6 | 0.99% |
| Total | | 90,754 | | 17.82% | 91,198 | | 16.14% |

Note: In some instances, information for current year and nine years ago is not available; information for periods that are available are provided as an alternative.

1. Data Source: County of Marin, June 30, 2015, CAFR.

2. Data Source: City and County of San Francisco, June 30, 2015, CAFR.

Sonoma County

| Principal Employers³ | Type of Entity | Employees in 2015 | Rank | % of Total County Employment | Employees in 2006 | Rank | % of Total County Employment |
|--|-----------------------|------------------------------|-------------|---|------------------------------|-------------|---|
| County of Sonoma | Government | 3,949 | 1 | 1.53% | 4,045 | 1 | 1.62% |
| Santa Rosa Junior College | School | 3,552 | 2 | 1.38% | - | - | - |
| Kaiser Permanente Med. Ctr, | Hospital | 2,640 | 3 | 1.03% | 2,400 | 4 | 0.96% |
| Graton Resort and Casino | Casino | 2,000 | 4 | 0.78% | - | - | - |
| St. Joseph Health System | Medical | 1,578 | 5 | 0.61% | 2,800 | 3 | 1.12% |
| Keysight Technologies | Technology | 1,300 | 6 | 0.51% | - | - | - |
| City of Santa Rosa | Government | 1,250 | 7 | 0.49% | 1,299 | 10 | 0.52% |
| Sonoma State University | School | 1,033 | 8 | 0.40% | 1,531 | 8 | 0.61% |
| Sutter Santa Rosa Regional Hospital | Hospital | 936 | 9 | 0.36% | - | - | - |
| Amy's Kitchen | Retail | 870 | 10 | 0.34% | - | - | - |
| State of California | Government | - | - | - | 3,387 | 2 | 1.36% |
| United States Government | Government | - | - | - | 1,929 | 5 | 0.77% |
| Agilent Technologies | Technology | - | - | - | 1,850 | 6 | 0.74% |
| Safeway, Inc. | Grocery | - | - | - | 1,550 | 7 | 0.62% |
| Santa Rosa School District | School | - | - | - | 1,525 | 9 | 0.61% |
| Total | | 19,108 | | 7.43% | 22,316 | | 8.93% |

Note: In some instances, information for current year and nine years ago is not available; information for periods that are available are provided as an alternative.

3. Data Source: County of Sonoma, June 30, 2015, CAFR.

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

| Function | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Traffic: | | | | | | | | | | |
| Bridge structure | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Visitor Services building 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 | 50 | 50 | 53 | 49 | 48 | 48 | 51 |
| Total capital expenditures for Bridge, related buildings and equipment (not being depreciated) ² | \$259,055 | \$269,069 | \$269,429 | \$454,800 | \$458,365 | \$460,179 | \$464,771 | \$580,506 | \$609,129 | \$637,731 |
| Bus Transit³: | | | | | | | | | | |
| Number of active buses - regional services | | | | | | | | | 176 | 160 |
| Number of active buses - local services under contract | | | | | | | | | 17 | 17 |
| Number of active buses - combined | 201 | 198 | 201 | 201 | 197 | 188 | 188 | 180 | 193 | 177 |
| Service vehicles | N/A | N/A | N/A | 31 | 27 | 30 | - | 26 | 30 | 30 |
| Operating yards | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total capital expenditures for Bus Transit property and equipment (not being depreciated) | \$110,159 | \$117,026 | \$114,400 | \$119,273 | \$137,828 | \$145,731 | \$147,012 | \$150,409 | \$173,878 | \$175,621 |
| Ferry Transit: | | | | | | | | | | |
| Number of active ferry vessels | 5 | 5 | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 |
| Passenger stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Service vehicles | N/A | N/A | N/A | 9 | 10 | 10 | - | 10 | 10 | 9 |
| Service crafts | N/A | N/A | N/A | 2 | 2 | 2 | 2 | 2 | 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) | \$ 83,639 | \$ 93,572 | \$ 92,036 | \$ 97,878 | \$ 94,171 | \$127,628 | \$131,015 | \$134,449 | \$135,451 | \$138,287 |

N/A - Information not available.

1. In 2012, the District partnered with Golden Gate National Parks Conservancy (Parks Conservancy) to enhance the visitor experience. The Visitor Services building is now included as a sub-component within the Bridge.
2. Reflects Bridge Seismic Retrofit Construction for South Viaduct (Phase II).
3. Effective 2015, as a part of the renegotiated contract between the District and Marin Transit, the District will begin reflecting regional transit information.

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

TABLE 13: MISCELLANEOUS OPERATING INFORMATION, LAST TEN YEARS (UPDATED AS OF JUNE 30, 2016)

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Golden Gate Bridge Division | Annual traffic volume (Southbound only)* | 19,758 | 19,657 | 19,066 | 19,295 | 19,084 | 19,417 | 19,376 | 20,014 | 20,086 | 20,557 |
| | Bridge employees - Operations ¹ | 101 | 101 | 101 | 101 | 99 | 90 | 58 | 61 | 58 | 58 |
| | Bridge employees - Maintenance & Administration | 108 | 108 | 108 | 108 | 108 | 107 | 107 | 111 | 113 | 114 |
| | Bridge employees - Total | 209 | 209 | 209 | 209 | 207 | 197 | 165 | 172 | 171 | 172 |
| Golden Gate Transit Division ² | Number of active buses (regional) | - | - | - | - | - | - | - | - | 176 | 160 |
| | Number of active buses (local services under contract) | - | - | - | - | - | - | - | - | 17 | 17 |
| | Number of active buses (combined) | 201 | 198 | 201 | 201 | 197 | 188 | 188 | 180 | 193 | 177 |
| | Annual revenue vehicle miles (regional)* | - | - | - | - | - | - | - | - | 4,162 | 4,266 |
| | Annual revenue vehicle miles (local services under contract)* | - | - | - | - | - | - | - | - | NA | NA |
| | Annual revenue vehicle miles (combined)* | 5,110 | 5,284 | 5,385 | 5,447 | 5,182 | 5,171 | 5,108 | 4,946 | NA | NA |
| | Annual revenue vehicle hours (regional)* | - | - | - | - | - | - | - | - | 242 | 249 |
| | Annual revenue vehicle hours (local services under contract)* | - | - | - | - | - | - | - | - | NA | NA |
| | Annual revenue vehicle hours (combined)* | 337 | 341 | 349 | 343 | 333 | 325 | 341 | 315 | NA | NA |
| | Bus employees - Bus Operators (regional) | 280 | 280 | 280 | 280 | 280 | 280 | 280 | 280 | 206 | 215 |
| | Bus employees - Bus Operators (local services under contract) | - | - | - | - | - | - | - | - | 74 | 65 |
| | Bus employees - Bus Operators (combined) | - | - | - | - | - | - | - | - | 280 | 280 |
| | Bus Employees - Maintenance & Administration | 113 | 118 | 120 | 120 | 120 | 119 | 119 | 120 | 120 | 121 |
| | Bus employees - Total | 393 | 398 | 400 | 400 | 400 | 399 | 399 | 400 | 400 | 401 |
| Golden Gate Ferry Division | Number of active vessels in fleet | 5 | 5 | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 |
| | Annual revenue vessel miles* | 187 | 188 | 187 | 187 | 185 | 181 | 177 | 181 | 187 | 190 |
| | Annual revenue vessel hours* | 14 | 14 | 14 | 14 | 14 | 13 | 13 | 13 | 14 | 14 |
| | Ferry employees - Operations ³ | 62 | 63 | 63 | 63 | 63 | 56 | 56 | 63 | 63 | 76 |
| | Ferry Employees - Maintenance & Administration | 16 | 16 | 16 | 16 | 16 | 15 | 17 | 17 | 17 | 17 |
| | Ferry employees - Total | 78 | 79 | 79 | 79 | 79 | 71 | 73 | 80 | 80 | 93 |
| Golden Gate Bridge Administrative Staff (including Finance, Information Systems, Human Resources, Planning, etc.) | | 148 | 151 | 151 | 151 | 145 | 142 | 136 | 134 | 133 | 136 |
| Total number of Districtwide employees | | 828 | 837 | 839 | 839 | 831 | 809 | 773 | 786 | 784 | 802 |
| Service Area Provided by Golden Gate Transit | | | | | | | | | | | |
| Square Miles | | 325 | 325 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 145 |
| Population | | 590 | 590 | 815 | 815 | 869 | 869 | 869 | 869 | 869 | 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 1,000

1. Decrease in employee count is a result of conversion to electronic collection of Bridge tolls in 2013.

2. Effective 2015, as a part of the renegotiated contract between the District and Marin Transit, the District will begin reflecting regional service information.

3. Increase in employee count in 2016 is a result of required staffing for additional Ferry service.

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

Single Audit Section





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, THE TRANSPORTATION
DEVELOPMENT ACT, AND CALIFORNIA GOVERNMENT CODE SECTION 8879.50**

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

We have audited, in accordance with the 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, the financial statements of the Enterprise Fund and Other Postemployment Benefits Trust Fund of the Golden Gate Bridge, Highway & Transportation District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2016. Our report included an emphasis-of-matter regarding the District's adoption of Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, as of July 1, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, including Section 6667 of Title 21 of the California Code of Regulations and California Government Code §8879.50 et seq., and the allocation instructions of Metropolitan Transportation Commission, 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 or other matters that are required to be reported under *Government Auditing Standards*, Section 6667 of Title 21 of the California Code of Regulations, or the California Government Code §8879.50 et seq.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co.

Palo Alto, California
November 4, 2016

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



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Golden Gate Bridge, Highway & Transportation District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2016.

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FRESNO LAGUNA PALO ALTO PLEASANTON SACRAMENTO RANCHO CUCAMONGA

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co.

Palo Alto, California
November 4, 2016

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FRESNO LAGUNA PALO ALTO PLEASANTON SACRAMENTO RANCHO CUCAMONGA

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2016

| Program Description | CFDA Number | Grant Identifying Number | Expenditures |
|---|----------------|--------------------------------|-----------------------------|
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Highway Planning and Construction: | | | |
| Passed through California Department of Transportation | | | |
| Program supplement #002-M Seismic Retrofit Project (Phase III Design) | 20.205 | CA-04-6003 | \$ 3,476,271 |
| Program supplement #004-M Seismic Retrofit Project (Phase IIIA) | 20.205 | CA-04-6003 | (7,813) |
| FY 2008 Larkspur Terminal Improvements (Flex) UPA | 20.205 | CA-70-X005 | 68,256 |
| Larkspur Ferry Fuel System Improvements | 20.205 | CA-70-X015 | - |
| FY 2012 FBD - Sausalito Access Imps | 20.205 | CA-70-X016 | - |
| Subtotal | | | <u>3,536,714</u> |
| Federal Transit Cluster: | | | |
| Federal Transit Capital Investment Grants: | | | |
| Direct Grants: | | | |
| FY 2010 Marin Transit Bus Stop Improvements | 20.500 | CA-04-0187 | 28,146 |
| FY 2007 FG MOD | 20.500 | CA-05-0222 | 1,330,220 |
| FY 2009 FG MOD | 20.500 | CA-05-0231 | 6,790,169 |
| MS San Francisco Ferry Boat Rehabilitation | 20.500 | CA-05-0260 | 1,355,550 |
| Subtotal | | | <u>9,504,085</u> |
| Federal Transit Formula Grants: | | | |
| Direct Grants: | | | |
| FY 2008 Capital | 20.507 | CA-90-Y600 | 210,858 |
| FY 2010 Capital | 20.507 | CA-90-Y800 | 2,215,309 |
| FY 2014 Purchase 23-45' Buses/TelCom | 20.507 | CA-90-Z127 | 884,521 |
| FY 2007 Capital | 20.507 | CA-95-X024 | 1,149,303 |
| Subtotal | | | <u>4,459,991</u> |
| Subtotal - Federal Transit Cluster | | | <u>13,964,076</u> |
| Total from U.S. Department of Transportation | | | <u><u>17,500,790</u></u> |
| NATIONAL SCIENCE FOUNDATION | | | |
| Direct Grant: | | | |
| GGB Informal Science Education | 47.076 | | 78,781 |
| TOTAL FEDERAL AWARDS | | | <u><u>\$ 17,579,571</u></u> |

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

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

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenses of Federal Awards presents the activity of all federal awards programs of the Golden Gate Bridge, Highway & 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.

The District has not elected to use the ten percent de minimis indirect cost rate as allowed under the uniform guidance.

Basis of Accounting

The accompanying Schedule of Expenses of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 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 Expenditure 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.

Subrecipients of the federal expenditures are presented in the schedule. The District provided Federal Awards to the subrecipients as follows:

| Subrecipient | Program | CFDA # | Amount Provided to Subrecipients |
|--|--|---------------|---|
| Marin Transit | CA-04-0187 FY 2010 Bus Stop Improvements | 20.500 | \$ 308,398 |
| Metropolitan Transportation Commission | CA-90-Y401 FY 2006 Capital | 20.507 | 288,284 |
| Metropolitan Transportation Commission | CA-95-X024 FY 2007 Capital | 20.507 | 129,529 |
| Metropolitan Transportation Commission | CA-95-X058 FY 2008 Capital | 20.507 | 41,987 |
| Metropolitan Transportation Commission | CA-95-X117 FY 2011 Capital | 20.507 | 182,614 |
| Total Federal Awards to Subrecipients | | | \$ 950,812 |

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

**SUMMARY OF AUDITORS RESULTS
YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

| | |
|---|-------------------|
| Type of auditors' report issued: | <u>Unmodified</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>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance | <u>No</u> |

Identification of major programs:

| | |
|--------------------------|---|
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| <u>20.500 and 20.507</u> | <u>Federal transit Cluster</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</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> |