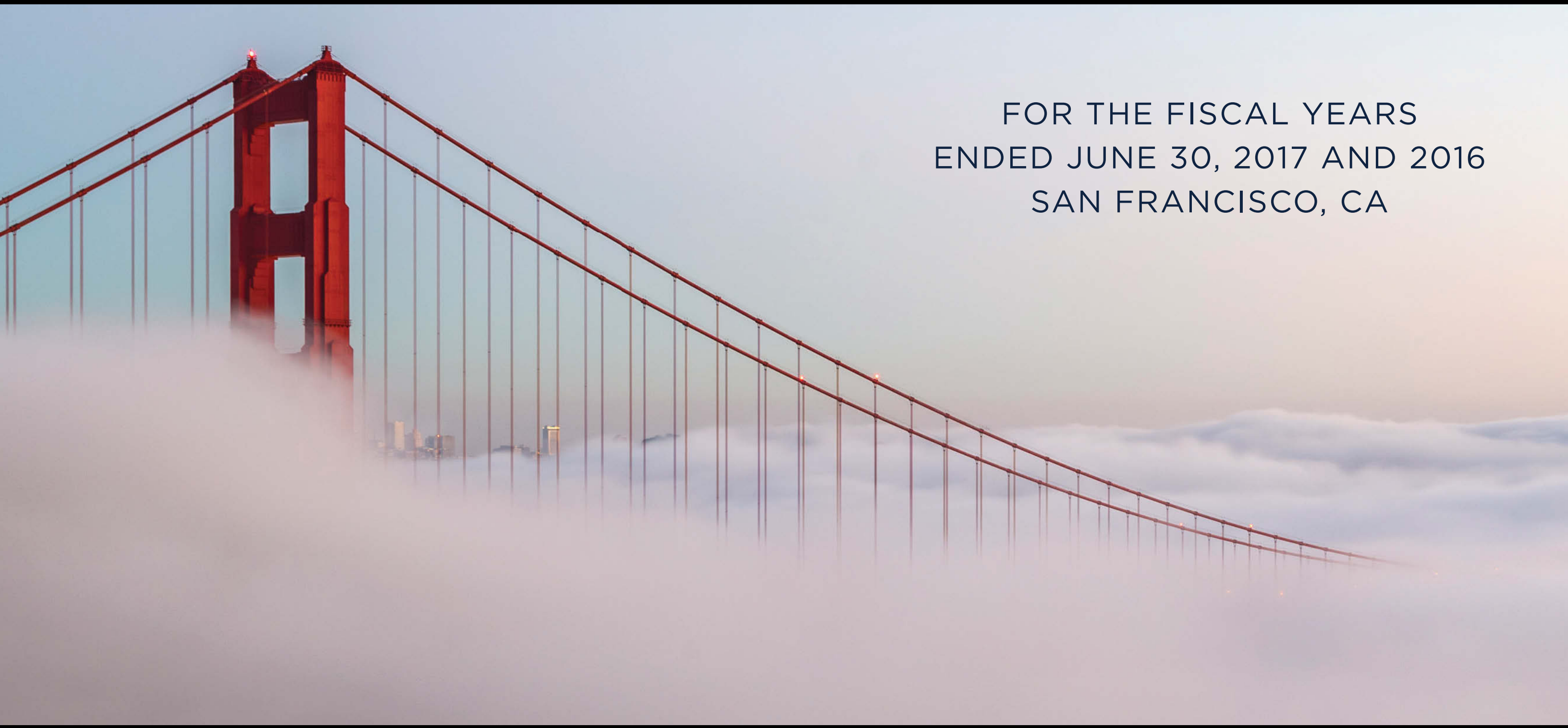
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEARS
ENDED JUNE 30, 2017 AND 2016
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, 2017 and 2016

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, 2017 and 2016

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SINGLE AUDIT SECTION

Introductory Section

October 18, 2017

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, 2017. 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 14 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, 2017, are free of material misstatement. The auditor expressed an opinion that the District's financial statements are fairly stated in all material respects 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 14.

The District is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular - Audits of States, Local Governments and Non-Profit Organizations. The results of this audit, including findings and recommendations, if any, can be found in the Single Audit Section of this report, starting on page 90.

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 820 employees, up from 802 in FY 2015/2016.

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 2016/2017 programs and services were based upon an adopted Operating Budget of $210.7 million and a Capital Budget of $21.4 million.

Financial Condition of the District

Local Economy

The San Francisco Bay Area’s economy continues to rebound 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:

- 3.1 million customers rode Golden Gate regional buses (down from 3.5 million in FY 2015/2016)
- 2.5 million customers rode Golden Gate ferries (same as in FY 2015/2016)
- 20.6 million vehicles crossed the Bridge southbound (same as in FY 2015/2016).

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. Traffic has stabilized, even with a growing economy and fairly inexpensive gasoline pricing, as telecommuting has become more acceptable. When looking at unemployment figures from the U.S. Bureau of Labor Statistics, California’s unemployment rate for June 2017 was 4.9 percent, a decrease from 5.7 percent in June 2016. However, local unemployment rates are much lower. In Marin and San Francisco counties the unemployment rates for both counties have stabilized at 3.1 percent, compared to June 2016’s results of 3.5 percent and 3.6 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 (SRTP). The SRTP is updated periodically, with the most recent edition covering the period of 2015–2024. The development of the SRTP 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 2018/2019 to FY 2027/2028) was recently presented to the Board in September 2017; coupled with the current FY 2017/2018 budget, the five-year projection has grown significantly from the prior year's projection ($72 million in current projection compared to $51 million in the previous year's projection, an increase of $21 million). However, by the tenth year, the deficit has grown from $339 million to $360 million. This increase is primarily due to increase in salaries, benefits (including medical and pension), and increased capital funding for future 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 $15 million to $36 million; the ten-year projection would be reduced by $51 million to $288 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

Suicide Deterrent System Construction Underway

The suicide deterrent system launched construction in January 2017, following several years of planning. A special ceremony was held to mark commencement of construction on the deterrent on April 13, 2017, which included Democratic Leader Nancy Pelosi, Senator Dianne Feinstein, Congressman Jared Huffman, Assemblymember Phil Ting, representatives from Caltrans and the Metropolitan Transportation Commission, as well as Kymberly Renee Gamboa, who lost her teenage son to suicide at the Bridge.

The deterrent will span 1.7 miles of roadway on each side of the Golden Gate Bridge. It will be located 20 feet down from the sidewalk and extend 20 feet over the water. The suicide barrier will be constructed over four years, with an expected completion date in 2021. The total project cost is $211 million and is funded by state, federal, and District funds.

Seismic Retrofit Phase IIIB Preparations

As part of the Golden Gate Bridge Seismic Retrofit strategy for the Suspension Bridge, engineering staff continued with vendor selection and design work. In September 2016, the District tested passive energy dissipation devices (EDDs), which are required to reduce the seismic demand on the structural components. The test, conducted at the University of California in San Diego, confirmed the expected performance, durability, and high level of energy dissipation of the device. These tests were designed to verify the performance of the EDD and the results will be used to finalize the design of the Suspension Bridge Retrofit. Approximately thirty-eight (38) EDDs of various sizes will ultimately be installed on the Bridge.

SMART-District Partnership

In preparation for the launch of Sonoma-Marin Area Rail Transit (SMART) train service, the District ran a nine-month shuttle bus demonstration project, shuttling passengers from the San Rafael Transit Center to the Larkspur Ferry Terminal. Additionally, the District was contracted by SMART to provide its customer service activities, as the District does for Marin Transit customers. This arrangement better serves customers traveling in the region, whether through Golden Gate Transit or Ferry, SMART, or Marin Transit, by having a single point of contact. District staff also evaluated the expected changes to the San Rafael Transit Center and began evaluating potential replacement locations.

80th Anniversary of the Golden Gate Bridge

The Golden Gate Bridge celebrated its 80th birthday this year. Visitors shared their photos and stories on social media through the District’s Twitter and Facebook accounts. On May 28, 1937, the Golden Gate Bridge opened for vehicle traffic, connecting the North Bay to San Francisco. Since that time, it has been a vital artery for Bay Area commuters and visitors alike.

Tiburon Ferry Service

Golden Gate Ferry began running commute service between Tiburon and San Francisco on March 6, 2017. Since 1995, the Blue & Gold Fleet had operated Tiburon ferry commute service but, in 2015, began discussions with Golden Gate Ferry about taking it over. In February 2016, the agreement was approved and, in mid-2017, Golden Gate Ferry began operating the service by offering seven weekday round trips between Tiburon and San Francisco Ferry Terminal.

Five-Year Fare Plan

In March 2017, the Board of Directors approved a new Five-Year Fare Plan, which increased fares on ferry, bus, and paratransit effective July 1, 2017. The new fare plan will contribute approximately $20.4 million in new revenue over the five-year period, which is intended to address the District's projected $51 million five-year financial shortfall.

Sausalito Ferry Landing Replacement Project

District staff continued to meet with the City of Sausalito and its residents regarding replacement of the Sausalito Ferry landing. The aging facility must be replaced to make it operationally efficient and current with accessibility standards. District staff have modified original plans to make the new landing to better conform more closely with desires of local residents. The District will continue to work with the City in FY 2017/2018 on this important replacement project.

Ferry Fleet Improvements

The *M.V. Mendocino* underwent a $6 million mid-life refurbishment and propulsion improvement in which the hull was extended, new water jets installed, and the ceilings, flooring, paneling, and seat covers were all replaced. The *M.V. Del Norte* was also updated with installation of a new sliding main deck port forward passenger door, seating modifications, and structural work among other things.

Renewable Fuel

The District is making its carbon footprint smaller. In 2016, employees welcomed the first delivery of a new renewable fuel for use in the Golden Gate Transit bus fleet and in diesel powered support vehicles. The new fuel, made from animal fats and vegetable oils, results in a 67% reduction in greenhouse gas emissions compared to standard petroleum diesel. The District is also working toward bringing this fuel to Golden Gate Ferry.

Improved Golden Gate Transit Security

Camera security systems were improved in 80 Golden Gate Transit buses to replace obsolete equipment and standardize systems across the 177-bus fleet. The new camera systems allow real-time video streaming, remote downloads to view footage, and a “remote health monitoring” process which notifies staff of any problems with the equipment to ensure continuous operation of the system while a bus is in service.

Route 40 Express Service

In September 2016, Golden Gate Transit began offering express bus service between the East Bay and Marin County on Route 40X. GGT converted two morning and two evening Route 40 trips to express trips, bypassing Point Richmond, saving riders up to 10 minutes of travel time.

New Bus Purchase

The District approved the $61.4 million purchase of 67 new hybrid-electric buses to replace aging vehicles. They are scheduled to join the fleet in the summer of 2018.

San Francisco Bus Lot

The District renegotiated its lease on the San Francisco bus lot, approved by the California Transportation Commission. The new 25-year lease will be set at 15% of the fair market rent, with fixed 3% annual increases. The terms of the revised lease helps the District manage its monthly transit operational costs.

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, 2016. This is the tenth 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, 2016. This is the eleventh 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, 2016

Executive Director/CEO

District Board of Directors and Executive Management Team

as of June 30, 2017

Board of Directors

Acting President

Sabrina Hernández, City & County of San Francisco

Second Vice President

Barbara L. Pahre, Napa County

City & County of San Francisco

London Breed
Dick Grosball
Elbert (Bert) Hill
John J. Moylan
Jeff Sheehy
Michael Theriault
Norman Yee

Marin County

Judy Arnold
Alice Fredericks
Kathrin Sears

Sonoma County

Gina Belforte
David A. Rabbitt
Brian M. Sobel

Napa County

See above

Mendocino County

James C. Eddie

Del Norte County

Gerald D. Cochran

Officers of the District

General Manager/CEO

Denis J. Mulligan

Auditor-Controller/CFO

Joseph M. Wire

Attorney

Kimon Manolius

District Engineer

Ewa Z. Bauer-Furbush

Secretary of the District

Amorette M. Ko-Wong

Deputy General Managers

Administration & Development

Kellee Hopper

Bridge Division

Vacant

Bus Division

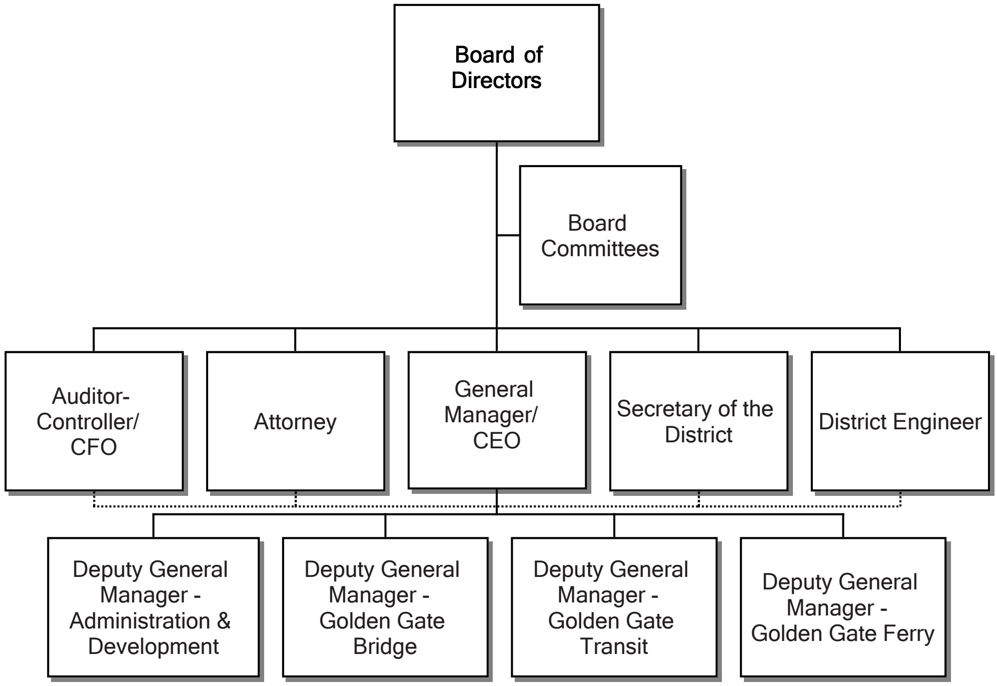
Mona A. Babauta

Ferry Division

James P. Swindler

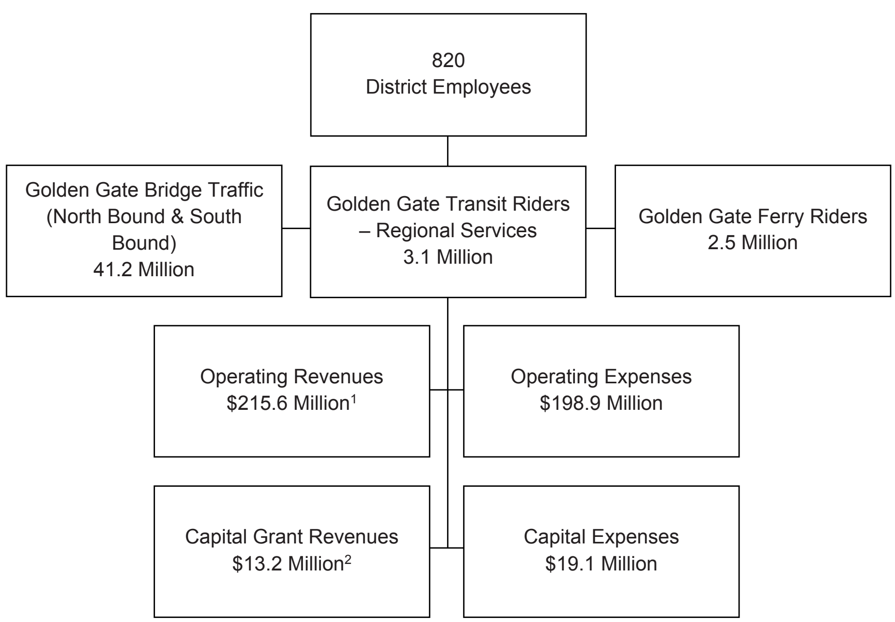
Note: As of May 31, 2017, there is one vacant seat representing the City and County of San Francisco and one vacant seat representing the County of Marin.

District Organizational Chart



District Mission

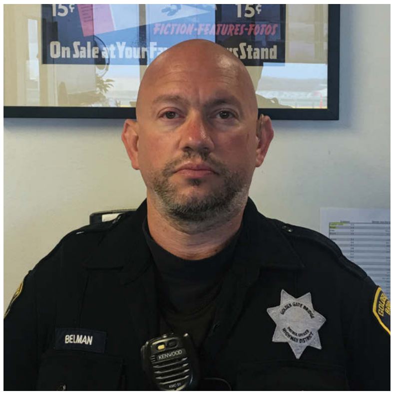
The mission of the Golden Gate Bridge, Highway and Transportation District is to provide safe and reliable operation, maintenance and enhancement of the Golden Gate Bridge and to provide transportation services, as resources allow, for customers within the Highway 101 Golden Gate Corridor.



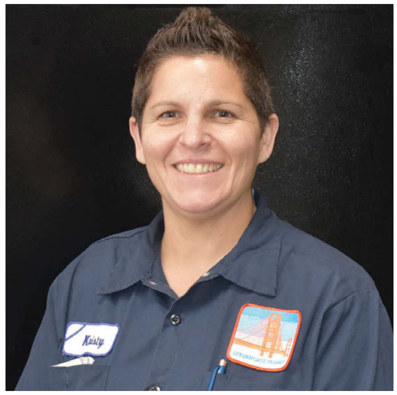
1. The Board of Directors designated up to $22.3 million in operating revenues to fund future capital projects; any excess of expenses over revenues is funded from accumulated Unrestricted Net Assets.
2. The capital funding shortfall is funded by revenues designated for the capital projects by the Board of Directors in past years.

Transit Service Area Map

Employees of the Month



July 2016
Daniel Belman
Patrol Officer



August 2016
Kristina DeCoursey
Chief Storekeeper

September 2016
Marv Miller
Senior Business Information Systems Engineer

October 2016
Raymond Woo
Bus Operator

GOLDEN GATE BRIDGE®
HIGHWAY & TRANSPORTATION DISTRICT

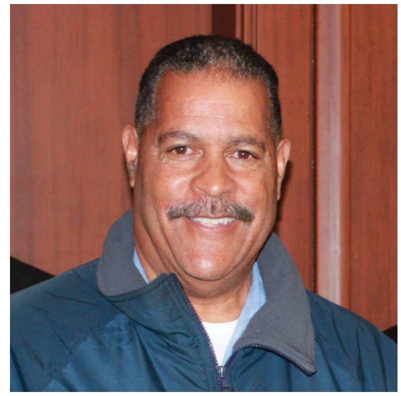
November 2016
Jim McKnight
Chief Electrician

December 2016
M.V. Del Norte Crew
(Left to Right) Eric Shortt, Deckhand; Rene Alvarado, Terminal Assistant; Lawrence Hardin, Terminal Assistant; Amanda Hogarth, Vessel Master; Eric Friberg, Vessel Master; (not pictured) Cindy Amadea, Supervisor

Employees of the Month (Continued)

January 2017
Katie O'Donnell
Safety and Training Coordinator

February 2017
Thomas Aung
Bus Servicer



March 2017
Jeffrey Atkins
Bus Operator

April 2017
Tiffany Claire
EEO/Leaves Analyst

May 2017
Jeffrey Kellogg
Purchasing Officer

June 2017
Kevin Runge
Paint Laborer

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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 opinions.

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

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, 2017 and 2016, 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 10 to the financial statements, the District adopted the following new accounting pronouncements: GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. 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, schedules of changes in net pension and OPEB liabilities and related ratios, schedules of pension and OPEB contributions and schedule of OPEB 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 are 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 October 18, 2017, 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 solely 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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 18, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016.

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:

	2017	2016	2015
Total southbound vehicle crossings	20,592	20,557	20,086
% increase/(decrease)	0.2%	2.3%	0.4%
Bus patronage - regional service	3,137	3,499	3,613
% increase/(decrease)	(10.3%)	(3.2%)	(2.2%)
Ferry patronage	2,523	2,545	2,540
% increase/(decrease)	(0.9%)	0.2%	2.8%

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 51% by Bridge tolls and 24% by transit fares. In addition, operating grants, along with state and local funds received from Marin and Sonoma counties for the provision of transit services supported funding in the amount of 15%. See table "How the District was Funded in Fiscal Year 2017" shown on page 24 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 $645.0 million at June 30, 2017, a $3.3 million increase from June 30, 2016.

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

	2017	2016	2015
Assets:			
Current and other assets	$ 269,875	$ 235,075	$ 270,332
Capital and restricted assets	674,303	694,655	691,894
Total assets	944,178	929,730	962,226
Deferred Outflows	66,179	39,168	10,830
Liabilities:			
Current liabilities	33,108	38,499	40,176
Debt outstanding	61,000	61,000	61,000
Other noncurrent liabilities	265,924	221,358	172,099
Total liabilities	360,032	320,857	273,275
Deferred inflows	5,290	6,333	19,570
Net Position:			
Net investment in capital assets	588,179	602,318	596,307
Restricted			
Debt service requirements	12,791	12,791	12,791
Doyle Drive	-	-	75,000
Unrestricted (deficit)	44,065	26,599	(3,887)
Total Net Position	**$ 645,035**	**$ 641,708**	**$ 680,211**

The increase in assets stems from investment holdings for future capital needs. Deferred outflows related to the District's pension activities has also increased as a result of the District's pension contributions subsequent to the pension valuation measurement date along with other changes in pension liabilities.

The increase in other noncurrent liabilities is due to the increase in net pension liabilities. The District is legally responsible for the ultimate actuarial funding for the benefits provided under CalPERS, but is only legally responsible for the contributions agreed to under collective bargaining under the terms of the bus operators' pension plan (Golden Gate Transit Amalgamated Retirement Plan, or GGTAR).

The largest portion of the District's net position (91.2% at June 30, 2017) 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.

Excluding the implementation of the recent GASB 68 pension standards, the District has an additional $230.1 million in net position available for future capital and operating needs.

An additional portion of the District's net position (2.0% at June 30, 2017) 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. Lastly, the unrestricted net position has increased by $17.5 million over the prior year due to continuing recoupment of reserves from operations.

FISCAL YEAR 2017 FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues, when compared to the prior fiscal year, increased from $188.3 million to $191.8 million, a change of $3.5 million. This was primarily due to a toll rate increase, in which FasTrak® rates increased from $6.25 to $6.50, and Pay-By-Plate rates increased from $7.25 to $7.50. By year end, the average toll rate had climbed from $6.69 to $6.95.

- Operating expenses before depreciation, increased from $175.7 million in 2016 to $189.5 million in 2017, a change of $13.8 million. Although most costs were contained, the District recognized pension expenses of $17.7 million in regards to the GGTAR.

- As a result, operating losses before depreciation and other non-operating revenues and expenses reflected income of $2.3 million, a decrease of $10.2 million over last year's income of $12.5 million. Depreciation increased ($33.3 million in 2017 compared to $31.3 million in 2016) due to the impact of depreciation related to newly completed capital improvements (Larkspur Ferry Terminal berth dredging, GGB Information Science Education Program, Bridge moveable median barrier, transit network access security, Bus security cameras and MCI bike racks). As a result, operating loss before non-operating revenues showed a loss of $31.0 million in 2017 compared to a loss of $18.7 million in 2016.

- Non-operating net revenues/expenses amounted to $21.1 million in 2017 in net revenues compared to net expenses of $53.1 million in 2016. The prior year was primarily due to the 2016 recognition of a 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 $33.3 million in 2016 to $13.2 million in 2017. The District is involved in major projects such as the suicide deterrent project, the seismic retrofit project, various District Information Systems projects, rehabilitation of *M.V. Del Norte*, rehabilitation of *M.V. Mendocino*, and rehabilitation of *M.V. Napa*.

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 GGTAR.

- 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 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.

SUMMARY OF CHANGES IN NET POSITION
(In thousands)

	2017	2016	2015
Operating revenues	$ 191,796	$ 188,273	$ 176,309
Operating expenses	(189,472)	(175,734)	(160,873)
Income before depreciation and other non-operating revenue and expenses	2,324	12,539	15,436
Depreciation	(33,343)	(31,264)	(28,253)
Operating loss	(31,019)	(18,725)	(12,817)
Other non-operating revenue and expenses, net	21,133	(53,076)	22,469
Loss before capital contributions	(9,886)	(71,801)	9,652
Capital contributions	13,213	33,298	48,742
Restatement of beginning Net Position	-	-	(145,011)
Increase/(decrease) in Net Position	3,327	(38,503)	(86,617)
Net Position, beginning	641,708	680,211	766,828
Net Position, ending	**$ 645,035**	**$ 641,708**	**$ 680,211**

The restatement of the beginning Net Position ($145.0 million) in FY 2014/2015 is a result of compliance with GASB 68 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 ($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. As of July, 2017, the FasTrak® toll is $6.75 and Pay-By-Plate is $7.75. These actions will contribute significantly to the reduction of the five-year deficit.

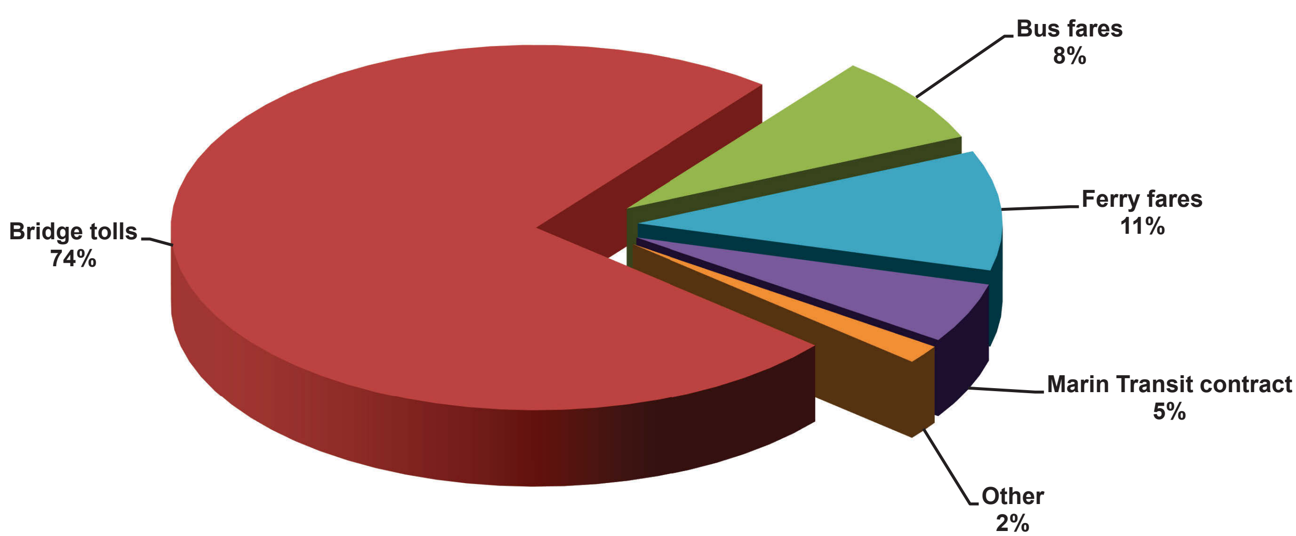
Golden Gate regional transit fares are set by Board Policy. Changes to the fare structure are typically established through five-year fare programs approximating a 5% increase each year. In April 2016, the Board approved a one-year fare increase of 4% effective July, 2016. This single year increase allowed additional research time to develop a more effective rate structure based upon zone coverage and operating costs. A revamped five-year plan was then passed effective July, 2017. The current plan expires on June 30, 2022.

The following is a summary of tolls and fares:

	2017	2016	2015
Average Bridge toll	$ 6.95	$ 6.69	$ 6.45
Average bus fare-regional service	$ 4.81	$ 4.49	$ 4.14
Average ferry fare	$ 8.05	$ 7.74	$ 7.24

REVENUES

The following chart shows the major sources and the percentage of operating revenues for the year ended June 30, 2017 (tolls, transit fares and other):



A summary of revenues for the years ended June 30, 2017 and 2016, and the amount and percentage of change in relation to prior year amounts (in thousands), is as follows:

	2017 Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent Increase/ (Decrease)
Operating Revenues:				
Bridge tolls	$ 143,011	62.5%	$ 5,393	3.9%
Bus fares	15,105	6.6%	(541)	(3.5%)
Ferry fares	20,321	8.9%	626	3.2%
Marin Transit contract	10,210	4.5%	(1,763)	(14.7%)
Other	3,149	1.4%	(192)	(5.7%)
Total operating revenues	191,796	83.8%	3,523	1.9%
Non-operating Revenues:				
Operating assistance	21,937	9.6%	2,632	13.6%
Investment income	1,831	0.8%	(1,991)	(52.1%)
Total non-operating revenues	23,768	10.4%	641	(38.5%)
Capital contributions	13,213	5.8%	(20,085)	(60.3%)
Total Revenues	**$ 228,777**	**100.0%**	**$ (15,921)**	**(6.5%)**

	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%)**

The primary reason for the increase in revenues in 2017 was due to the toll increase effective July, 2016. In other areas, bus transit fares dipped as ridership decreased to over ten percent, as patrons continue to seek alternative means of transportation. The fare increase of 4% was able to steady the decline in revenues. Ferry ridership also decreased slightly, however, the new service route with Tiburon has helped maintain overall ridership.

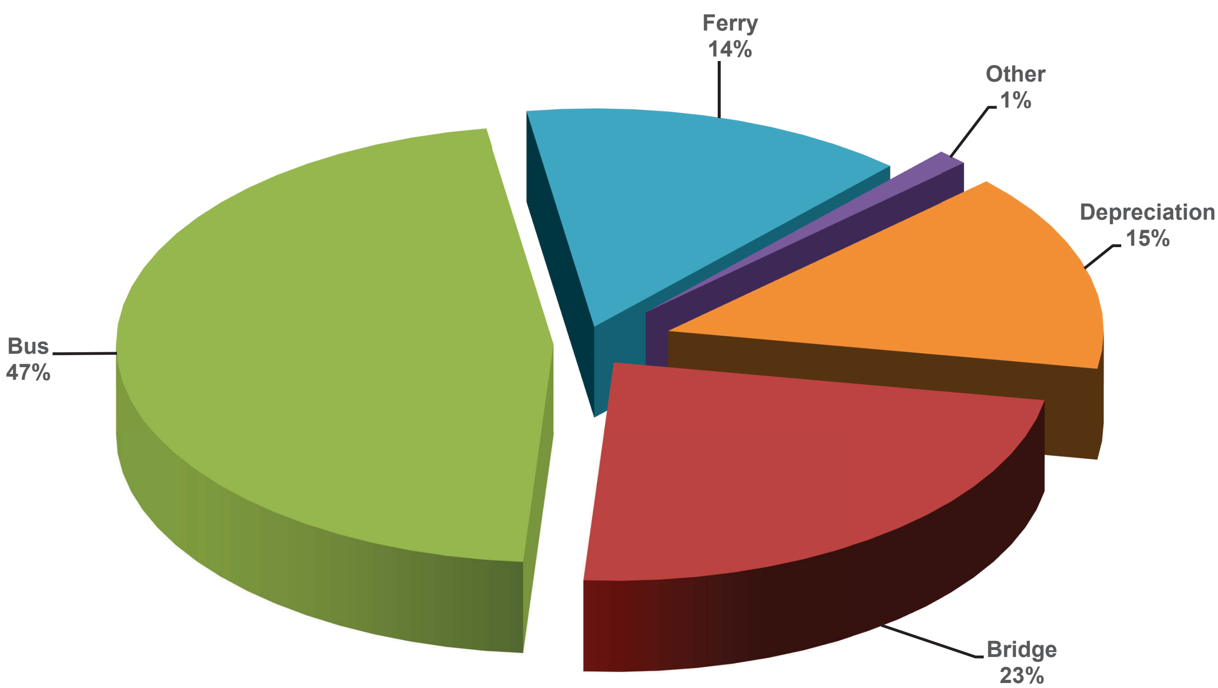
The District funds its operations with Bridge tolls, transit fares, government grants, and other revenues from operations or investments. The operations of the Bridge Division produce a surplus of Bridge toll revenues that are used to subsidize transit operations. In addition, in years where there are 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 2017. The table includes transfers to designated reserves in the amount of $22.3 million to be used to fund capital projects and Bridge self-insurance.

HOW THE DISTRICT WAS FUNDED IN FISCAL YEAR 2017 (In thousands)

	Bridge Division		Bus Transit Division		Ferry Transit Division		Combined Transit Divisions		District Total	
Funding category	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Bridge tolls	$70,100	96%	$60,300	56%	$12,600	33%	$72,900	51%	$143,000	65%
Patron fares	-	0%	15,100	14%	20,300	53%	35,400	24%	35,400	16%
Marin Transit	-	0%	10,200	9%	-	0%	10,200	7%	10,200	5%
Other revenues	3,000	4%	700	1%	1,300	3%	2,000	1%	5,000	2%
Government grants	-	0%	18,600	17%	3,300	9%	21,900	15%	21,900	10%
District toll reserves	-	0%	3,000	3%	600	2%	3,600	2%	3,600	2%
Total	**$73,100**	**100%**	**$107,900**	**100%**	**$38,100**	**100%**	**$146,000**	**100%**	**$219,100**	**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, 2017:



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 43%, 31%, and 26%, respectively.

A summary of expenses for the years ended June 30, 2017 and 2016, and the amount and percentage of change in relation to prior year amounts (in thousands), is as follows:

	2017 Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent Increase/ (Decrease)
Operating Expenses:				
Bridge	$ 52,604	23.3%	$ 5,135	10.8%
Bus	104,651	46.4%	8,017	8.3%
Ferry	32,217	14.3%	586	1.9%
Total operating expenses	189,472	84.0%	13,738	7.8%
Non-operating Expenses:				
Capital contributions to other agencies	2,217	1.0%	(73,906)	(97.1%)
Interest expense	426	0.2%	345	425.9%
Depreciation	33,343	14.8%	2,079	6.6%
(Gain)/loss on disposal of assets	(8)	0.0%	(7)	700.0%
Total non-operating expenses	35,978	16.0%	(71,489)	(66.5%)
Total Expenses	**$ 225,450**	**100.0%**	**$ (57,751)**	**(20.4%)**

	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%**

Total operating expenses reflected expected salary increases as part of negotiated bargaining. In addition, the Bus Division reflected increases in pension costs as required by GASB 68. The District is legally responsible to meet the actuarial funding obligations, and the net pension liability associated with the GGTAR ($111.2 million) for which the District is not legally responsible under the terms of the GGTAR plan document. The decrease in capital contributions to other agencies was due to a one-time $75 million contribution by the District to the San Francisco County Transportation Authority (SFCTA) for the construction of the Presidio Parkway. The contribution was paid out in FY 2016/2017.

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 operations are reported in 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 2017, the District expended $19.3 million, a decrease of $18.0 million or 48% over the amount expended in 2016, on capital activities. This included the following major construction and procurement projects:

- Suicide deterrent project ($5.2 million)
- Seismic retrofit projects ($3.5 million)
- Miscellaneous District Information Systems projects ($1.7 million)
- Rehabilitation of *M.V. Del Norte* ($1.5 million)
- Rehabilitation of *M.V. Mendocino* ($1.1 million)
- Rehabilitation of *M.V. Napa* ($1.0 million)

During 2017, completed projects totaling $17.9 million, a decrease of $15.3 million over the amount completed in 2016, were closed from construction in progress to their respective capital accounts. The major completed projects included:

- Larkspur Ferry Terminal berth dredging ($10.4 million)
- GGB Informal Science Education ($3.3 million)
- Movable Median Barrier Phase II ($1.9 million)
- Transit network access security ($0.8 million)
- Bus security cameras ($0.7 million)
- MCI bike racks ($0.3 million)

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:

- Installation of the Advanced Communication and Information Systems "ACIS" ($23.6 million)
- Ferry facilities rehabilitation and dredging ($11.8 million)
- San Francisco Ferry Terminal utilities and roof replacement ($1.6 million)
- Voice over Internet Protocol Phone System "VoIP" ($1.2 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, 2017, $61,000,000 in commercial paper notes was outstanding and maturing within 19 to 46 days, with interest ranging from 0.89% to 0.98% (0.45% to 0.51% in 2016).

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, 2017 AND 2016 (IN THOUSANDS)

	2017	2016
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	$ 30,660	$ 33,979
Investments	214,704	180,391
Capital and operating grants receivable	7,552	6,234
Accounts receivable	9,585	8,551
Maintenance inventories and supplies	4,242	3,831
Prepaid expenses	3,132	2,089
Total unrestricted current assets	269,875	235,075
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	25,124	31,337
Capital assets:		
Nondepreciable capital assets:		
Land	6,650	6,650
Construction in progress	83,187	82,808
Total nondepreciable capital assets	89,837	89,458
Depreciable capital assets:		
Property and equipment:		
Bridge, related buildings and equipment	643,306	637,731
Bus transit property and equipment	159,366	175,621
Ferry transit property and equipment	148,755	138,287
Accumulated depreciation	(392,085)	(377,779)
Total depreciable capital assets	559,342	573,860
Total capital assets	649,179	663,318
Total noncurrent assets	674,303	694,655
Total Assets	**$ 944,178**	**$ 929,730**
Deferred Outflows from pension activities	66,179	39,168

See accompanying notes to the financial statements.

GOLDEN GATE BRIDGE
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENT OF NET POSITION (Concluded)
JUNE 30, 2017 AND 2016 (IN THOUSANDS)

	2017	2016
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Trade accounts payable	$ 10,091	$ 11,163
Accrued liabilities	3,273	3,526
Unearned revenue	12,793	17,514
Accrued compensated absences	478	470
Contract retentions	377	397
Self-insurance liabilities	6,096	5,429
Commercial notes payable	61,000	61,000
Total current liabilities	94,108	99,499
Noncurrent liabilities:		
Payable from unrestricted assets:		
Accrued compensated absences	8,178	7,661
Self-insurance liabilities	27,651	26,522
Aggregate net pension liability	230,095	187,175
Total noncurrent liabilities	265,924	221,358
Total Liabilities	**360,032**	**320,857**
Deferred Inflows of Resources from pension activities	5,290	6,333
Net Position		
Net investment in capital assets	588,179	602,318
Restricted:		
Debt service requirements	12,791	12,791
Unrestricted	44,065	26,599
Total Net Position	**$ 645,035**	**$ 641,708**

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, 2017 AND 2016 (IN THOUSANDS)

	2017	2016
Operating revenues:		
Bridge tolls	$ 143,011	$ 137,618
Transit fares	35,426	35,341
Marin Transit revenues	10,210	11,973
Other operating revenues	3,149	3,341
Total operating revenues	191,796	188,273
Operating expenses:		
Operations	90,260	87,903
Maintenance	42,297	41,766
General and administrative	56,915	46,065
Depreciation	33,343	31,264
Total operating expenses	222,815	206,998
Operating loss	(31,019)	(18,725)
Non-operating revenues (expenses):		
Operating assistance:		
State operating assistance	18,737	16,317
Federal operating assistance	232	211
Local operating assistance	2,968	2,777
Total operating assistance	21,937	19,305
Capital contributions to other agencies	(2,217)	(76,123)
Investment income	1,831	3,822
Interest expense	(426)	(81)
Gain (Loss) on disposal of capital assets	8	1
Total non-operating revenues	21,133	(53,076)
Income (Loss) before capital contributions	(9,886)	(71,801)
Capital contributions	13,213	33,298
Change in Net Position	3,327	(38,503)
Net Position, beginning of year	641,708	680,211
Net Position, end of year	**$ 645,035**	**$ 641,708**

See accompanying notes to the financial statements.

GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016 (IN THOUSANDS)

	2017	2016
Cash flows from operating activities		
Cash receipts from customers	$ 190,762	$ 186,291
Cash payments to suppliers for goods and services	(119,724)	(109,130)
Cash payments to employees for services	(55,340)	(58,038)
Net cash provided by (used for) operating activities	15,698	19,123
Cash flows from noncapital financing activities:		
Operating grants received	21,937	19,305
Grants disbursed to other agencies	(2,217)	(76,123)
Net cash provided for (used for) non-capital financing activities	19,720	(56,818)
Cash flows from capital and related financing activities		
Capital contributions received	7,154	34,255
Interest paid	(426)	(81)
Retention addition (release) related to capital assets		
Purchase of capital assets	(19,196)	(37,277)
Net cash provided for (used for) capital and related financing activities	(12,468)	(3,103)
Cash flows from investing activities:		
Net proceeds (purchases) of investment securities	(34,313)	17,418
Investment income received	1,831	3,822
Net cash (used for) provided by investing activities	(32,482)	21,240
Net (decrease)/increase in cash and equivalents	(9,532)	(19,558)
Cash and equivalents, beginning of year	65,316	84,874
Cash and equivalents, end of year	**$ 55,784**	**$ 65,316**
Unrestricted cash and cash equivalents	$ 30,660	$ 33,979
Restricted cash and cash equivalents	25,124	31,337
Total cash and cash equivalents	**$ 55,784**	**$ 65,316**

See accompanying notes to the financial statements.

GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENT OF CASH FLOWS (CONCLUDED)
YEARS ENDED JUNE 30, 2017 AND 2016 (IN THOUSANDS)

	2017	2016
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	$ (31,019)	$ 18,725
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	33,343	31,266
Effect of changes in:		
Accounts receivable	(1,034)	(1,983)
Prepaid expenses	(1,043)	(1,179)
Inventory and supplies	(411)	182
Trade accounts payable	(1,072)	(534)
Accrued liabilities	(253)	330
Unearned revenues	-	1,177
Pension liabilities and related deferrals	14,866	7,680
Accrued compensated absences	525	125
Self-insurance liabilities	1,796	250
Net cash provided by operating activities	**$ 15,698**	**$ 19,123**
Supplemental disclosures of cash flow information:		
Noncash investing activities:		
Increase (decrease) in fair value of investments	1,523	(1,318)
Noncash capital contributions	4,836	4,176
Purchase of capital assets on account	(86)	(16)

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, 2017 AND 2016 (IN THOUSANDS)

	2017	2016
Assets		
Cash and cash equivalents	$ 697	$ 255
Mutual funds	68,099	60,765
Joint venture	1,589	953
Accounts Receivable	27	-
Total Assets	70,412	61,973
Liabilities		
Accounts payable	247	674
Net position restricted for postemployment benefits other than pensions	**$ 70,165**	**$ 61,299**

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, 2017 AND 2016 (IN THOUSANDS)

	2017	2016
Additions:		
Employer contributions	$ 11,649	$ 12,133
Net investment income:		
Net (decrease)increase in fair value of investments	3,488	(43)
Investment earnings	3,622	1,189
Total net investment income	7,110	1,146
Total additions	**18,759**	**13,279**
Deductions:		
Benefits paid to participants	9,719	8,759
Administrative expenses	174	209
Total deductions	**9,893**	**8,968**
Increase in Net Position	8,866	4,311
Restricted Net Position for postemployment benefits other than pensions		
Beginning of year	61,299	56,988
End of year	**$ 70,165**	**$ 61,299**

See accompanying notes to the financial statements.

(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 and benefit administration.

(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.

OPEB investments policy is established by the OPEB Trust Board and are stated at fair value. The policy allows domestic and international equities, fixed income securities and other investments, including nontraditional asset classes such as private equity, when deemed appropriate within the Trust's investments objective and guidelines.

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

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.

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.

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.

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, 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 non-operating revenues and expenses.

The District's capital contributions for the years ended June 30, 2017 and 2016 are as follows (in thousands):

	Bridge Division	Bus Division	Ferry Division	Total
Capital contributions in fiscal year 2017:				
U.S. Department of Transportation	$ 4,129	$ 404	$ 1,201	$ 5,734
National Science Foundation	235	-	-	235
State Coastal Conservancy	116	-	-	116
State Transportation Program	-	1,454	399	1,853
State Mental Health Services	4,487	-	-	4,487
I-Bond	-	788	-	788
Local assistance	-	-	-	-
Total capital contributions	**$ 8,967**	**$ 2,646**	**$ 1,600**	**$ 13,213**
Capital contributions in fiscal year 2016:				
U.S. Department of Transportation	$ 3,783	$ 1,172	$ 12,306	$ 17,261
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	**$ 6,840**	**$ 7,044**	**$ 19,414**	**$ 33,298**

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, 2017 and 2016 are as follows (in thousands):

	2017	2016
Beginning Balance	$ 8,132	$ 8,007
Additions	4,306	3,569
Payments	(3,782)	(3,444)
Ending Balance	8,656	8,132
Current Portion	478	470
Non-current Portion	**$ 8,178**	**$ 7,662**

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 retirement 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 net pension obligations as a liability on its financial statement even if the agency is not legally responsible for the net pension obligation. Thus the net pension liability of the GGTAR is recorded along with the District's portion of the net 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.

New Accounting Pronouncements – Effective This Fiscal Year

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016, or the FY 2016/2017. The Districts implemented this pronouncement in the current year.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2015, or the FY 2016/2017. The District has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016. The District has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016. The District has implemented this Statement as of July 1, 2015.

New Accounting Pronouncements – Effective in Future Fiscal Years

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the FY 2017/2018. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split–Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the FY 2018/2019. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the FY 2019/2020. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources — resources other than the proceeds of refunding debt — are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or FY 2020/2021. The District has not determined the impact of this pronouncement on the financial statements.

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

Reclassifications – Certain 2016 amounts have been reclassified to conform to the 2017 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):

	2017	2016
Reported as:		
Unrestricted:		
Cash and cash equivalents	$ 30,660	$ 33,979
Investments	214,704	180,391
Total unrestricted cash and investments	245,364	214,370
Restricted:		
Cash and cash equivalents	25,124	31,337
Total cash and investments	**$ 270,488**	**$ 245,707**

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, 2017 (and 2016), of the District's bank balance of $16,699,000 (2016, $27,043,000) approximately $16,199,000 (2016, $26,543,000) is uninsured but is collateralized in conformance with the California Government Code.

Investments

At June 30, 2017 and 2016, cash and investments excluding the OPEB Trust Fund investments, were comprised of the following (in thousands):

	June 30, 2017			June 30, 2016		
Investments	**Fair Value**	**Less than 1 year**	**1-5 Years**	**Fair Value**	**Less than 1 Year**	**1-5 Years**
Federal Agency Notes	$ 45,698	$ 483	$ 45,215	$ 33,278	$ 6,023	$ 27,255
Certificate of Deposit	67,137	37,075	30,062	52,523	18,421	34,102
US Treasury Notes	12,453	-	12,453	15,199	-	15,199
Municipal Bonds	1,442	1,442	-	4,243	2,783	1,460
Medium-term Corporate Notes	63,942	5,003	58,939	63,741	20,509	43,232
Asset Backed Securities	17,354	-	17,354	11,407	-	11,407
Commercial Paper	19,680	19,680	-	12,910	12,910	-
State Treasurer's Investment Pool	26,200	26,200	-	27,535	27,535	-
Federal Obligation Mutual Funds	67	67	-	58	58	-
	253,973	$ 89,950	$ 164,023	220,894	$ 88,239	$ 132,655
Cash and deposits						
Demand deposits	16,461			24,758		
Cash on hand	54			55		
Total cash and investments - District	**$ 270,488**			**$ 245,707**		

At June 30, 2017 and 2016 the OPEB Trust Fund cash and investments were comprised of the following (in thousands):

	June 30, 2017			June 30, 2016		
Investments	**Fair Value**	**Less than 1 year**	**1-5 Years**	**Fair Value**	**Less than 1 Year**	**1-5 Years**
Mutual Funds - Equity	$ 46,272	$ 46,272	$ -	$ 38,344	$ 38,344	$ -
Mutual Funds - Fixed Income	21,827	21,827	-	22,421	22,421	-
Real Estate Private Equity - Equus	1,589	1,589	-	953	953	-
	69,688	$ 69,688	$ -	61,718	$ 61,718	$ -
Cash and deposits						
Demand deposits	724			255		
Cash on hand	-			-		
Total OPEB Trust Cash & Investments	**$ 70,412**			**$ 61,973**		

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, 2017 and 2016, the District held investments with the following Standard and Poor's Corporation ratings and amounts (in thousands):

Investment	Rating	2017	2016
Federal agency bond/note	AAA	$ 4,848	$ 4,917
Asset Backed Securities	AAA	17,354	11,407
Medium-term corporate notes	AAA	1,374	-
Mutual funds	AAA	67	58
Certificate of deposits	AA	27,029	23,065
Federal agency bond/note	AA	40,850	28,362
Medium-term corporate notes	AA	20,857	20,615
Municipal bonds	AA	552	3,030
Treasury notes	AA	12,453	15,199
Certificate of deposits	A	40,108	29,458
Corporate commercial paper	A	19,680	12,910
Medium-term corporate notes	A	41,711	43,126
Municipal bonds	A	890	1,212
Local Agency Investment Fund	Unrated	26,200	27,535
Total		**$ 253,973**	**$ 220,894**

As of June 30, 2017 and 2016, the District's investment in the State Treasurer's investment pool (LAIF) was $26,200,000 and $27,535,000, respectively. The total amount invested by all public agencies in LAIF at those dates is $22,812,818,000 and $22,712,085,000, respectively. LAIF is part of the State of California Pooled Money Investment Account (PMIA). Of the total invested in PMIA, 97.11% and 97.19% is invested in non-derivative financial products and 2.89% and 2.81% in structured notes and asset-backed securities as of June 30, 2017 and 2016, 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 District's pro rata 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. LAIF is not registered with the SEC.

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, 2017 and 2016, these investments were 25% and 23%, respectively, of the District's total investments. At June 30, 2017 and 2016, the District held more than 5% of the District's investments portfolio in the following issuers:

Investment	2017	2016
Fannie Mae Notes	5.32%	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, 2017 and June 30, 2016 (in thousands):

INVESTMENTS MEASURED AT FAIR VALUE

		Fair Value Measurements Using		
	06/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury Notes	$ 12,453	$ 12,453	$ -	$ -
Federal Agency Notes	45,698	-	45,698	-
Municipal Bonds	1,442	-	1,442	-
Corporate Notes	63,942	-	63,942	-
Certificate of Deposit	67,137	67,137	-	-
Asset-Backed Security	17,354	-	17,354	-
Commercial Paper	19,680	-	19,680	-
Federal Obligation Mutual funds	67	67	-	-
Total Enterprise fund leveled investments	227,773	79,657	148,116	-
Mutual Funds-Equity	46,272	-	46,272	-
Mutual Funds-Fixed Income	21,827	-	21,827	-
Real Estate Private Equity	1,589	-	-	1,589
Total Trust fund leveled investments	$ 69,688	$ -	$ 68,099	$ 1,589
LAIF reported in Enterprise Fund	26,200			
Total investments	$ 323,661			

		Fair Value Measurements Using		
	06/30/2016	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
US Treasury Notes	$ 15,199	$ 15,199	$ -	$ -
Federal Agency Notes	33,279	-	33,279	-
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	$ 61,718	$ -	$ 60,765	$ 953
LAIF reported in the Enterprise fund	27,535			
Total investments	$ 282,612			

Investments classified in Level 1 of the fair value hierarchy, valued at $79.66 million and $67.70 million in Fiscal Years 2017 and 2016 respectively, are valued using quoted prices in active markets.

Investments classified in Level 2 of the fair value hierarchy, valued at $216.22 million and $186.34 million in Fiscal Years 2017 and 2016 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 based on appraisals of the fair market value.

4) CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2017 and 2016 was as follows (in thousands):

	Balance July 1, 2016	Additions	Reductions/ Adjustments	Transfers	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	$ 6,650	$ -	$ -	$ -	$ 6,650
Construction in progress	82,808	19,110	-	(18,731)	83,187
Total capital assets, not being depreciated	89,458	19,110	-	(18,731)	89,837
Capital assets, being depreciated:					
Bridge, related buildings and equipment	637,732	7,000	(1,408)	(18)	643,306
Bus transit property and equipment	175,619	1,284	(17,535)	(2)	159,366
Ferry transit property and equipment	138,288	10,447	-	20	148,755
Total capital assets, being depreciated	951,639	18,731	(18,943)	-	951,427
Accumulated depreciation					
Bridge, related buildings and equipment	(184,247)	(15,358)	1,408	111	(198,086)
Bus transit property and equipment	(105,318)	(9,792)	17,535	2	(97,573)
Ferry transit property and equipment	(88,213)	(8,193)	-	(20)	(96,426)
Less accumulated depreciation	(377,778)	(33,343)	18,943	93	(392,085)
Total capital assets, being depreciated, net	573,861	(14,612)	-	93	559,342
Total capital assets, net	**$ 663,319**	**$ 4,498**	**$ -**	**$ (18,638)**	**$ 649,179**

	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	175,619
Ferry transit property and equipment	135,451	2,857	-	(20)	138,288
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)**	**$ -**	**$ 663,319**

Construction in progress consists of the following projects at June 30, 2017 and 2016 (in thousands):

	2017	2016
Bridge seismic design review III	$ 20,928	$ 17,402
Bridge science education	-	3,119
Bridge main cable restoration	1,737	1,589
Bridge movable median barrier	-	1,855
Bridge south approach improvement	1,009	819
Bridge suicide deterrent study/design	13,968	8,461
Ferry channel dredging & piling	1,655	11,622
Ferry major component rehabilitation	31,406	27,159
Ferry gangway design	6,671	6,209
Ferry gangway, ramps & floats	1,667	987
Bus replacement	1,097	-
Bus roof replacement	173	-
Bus facility modifications	323	281
Bus communication and information system	73	-
Information Systems improvements	933	1,163
Other	1,547	2,142
Total construction in progress	**$ 83,187**	**$ 82,808**

At June 30, 2017 and 2016, the District had construction commitments of approximately $162,197,000 and $15,170,000 respectively, for Bridge-related projects and approximately $12,593,000 and $9,868,000 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 (Bridge) seismic retrofit project and the renovation of main cables of the Bridge. The Commercial Paper Notes are secured by a pledge of certain District's revenues and a $76.2 million line of credit. In addition, the notes are also secured by a $7.3 million operating reserve fund and a $5.5 million debt service fund. As stipulated in the indenture, the District's required debt coverage ratio is two times each year's annual debt service. The debt coverage ratio for years ended June 30, 2017, and June 30, 2016, were 78.4 and 530.7 respectively (see Table 8 on page 83). 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. On June 30, 2017, $61,000,000 in commercial paper notes was outstanding and maturing within 19 to 46 days, with interest ranging from 0.89% to 0.98%.

(6) CAPITAL GRANTS PASSED-THROUGH TO OTHER AGENCIES

For the years ended June 30, 2017, and 2016, the District passed through its federal capital assistance allocation to Marin Transit, $2,000 (2016, $28,000) and Metropolitan Transportation Commission, $239,000 (2016, $0). 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.

State Capital Assistance - For the years ended June 30, 2017, and 2016, the District passed through its state capital assistance allocation to Marin Transit, $1,710,000 (2016, $938,000). 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 2017 and 2016, the District received $8,660,000 and $0 in PTMISEA funding. As of June 30, 2017 and 2016, 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, 2017 and 2016 (in thousands):

	2017	**2016**
Transportation Development Act	$ 12,949	$ 17,581
less Marin Transit portion	-	(4,563)
Federal Transit Administration	203	211
State Transit Assistance	5,788	3,752
less Marin Transit portion	-	(478)
Regional Measure 2	2,618	2,692
Other	379	110
Total operating assistance	**$ 21,937**	**$ 19,305**

(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 compensation. Employees vest after five years of service and may receive retirement benefits commencing at age 50. These benefit provisions and all other requirements are established by state statute. A standalone 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, 2017, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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, 2015, and June 30, 2014, valuation dates, the following employees were covered by the benefit terms for each Plan:

Valuation as of June 30 -	**2015**	**2014**
Inactive employees or beneficiaries currently receiving benefits	611	578
Inactive employees entitled to but not yet receiving benefits	130	133
Active employees	486	461
Total	**1,227**	**1,172**

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 the Plan is 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, 2017 and 2016, the District has paid the employer's and a portion of the employees' shares of the contributions. The contributions recognized, were as follows:

	2017	2016
Employer	$ 11,452,746	$ 9,475,000
Employee	$ 3,129,000	$ 2,928,000

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, 2017, for the Plan is measured as of June 30, 2016, using an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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, 2015, actuarial valuation rolled forward to June 30, 2016, using standard update procedures, were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality	Based on CalPERS Experience Study using Scale AA

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015, valuation were based on the results of a 2010 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	46.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitivity	9.0%	0.45%	3.36%
Private Equity	8.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure	2.0%	4.50%	5.09%
Liquidity	4.0%	(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, 2016	**$ 380,882**	**$ 279,794**	**$ 101,088**
Changes in the year:			
Service cost	6,460	-	6,460
Interest on the total pension liability	28,355	-	28,355
Differences between actual and expected experience	(3,241)	-	(3,241)
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	9,445	(9,445)
Contribution - employee	-	3,129	(3,129)
Net investment income	-	1,387	(1,387)
Administrative expenses	-	(171)	171
Benefit payments, including refunds of employee contributions	(20,421)	(20,421)	-
Net changes	**11,153**	**(6,631)**	**17,784**
Balance at June 30, 2017	**$ 392,035**	**$ 273,163**	**$ 118,872**

	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 (paid by employer)	-	-	-
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**

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):

	2017	2016
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 166,493	$ 147,974
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 118,872	$ 101,087
1% Increase	8.65%	8.65%
Net Pension Liability	$ 79,045	$ 61,916

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, 2017 and 2016, the District recognized pension expense of $4,986,000 and $6,694,000, respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2017		2016	
	Deferred Outflow	Deferred Inflow of Resources	Deferred Outflow	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	$ 11,453	$ -	$ 9,475	$ -
Differences between actual and expected experience	-	(3,204)	-	(2,162)
Changes in assumptions	-	(2,086)	-	(4,169)
Net differences between projected and actual earnings on plan investments	14,782	-	(2,851)	-
Total	**$ 26,235**	**$ (5,290)**	**$ 6,624**	**$ (6,331)**

$11,453,000 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, 2018. 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	
2018	$ (2,295)
2019	982
2020	6,881
2021	3,924
Total	**$ 9,492**

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, 2016 and 2015 valuation dates, the following employees were covered by the benefit terms for the GGTAR Plan:

Valuation as of January 1 -	**2016**	**2015**
Retired employees	400	382
Active employees	270	260
Total	**670**	**642**

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 Retirement 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 is 4% of payroll through February of 2016, with negotiated increases of 1% as of March 1, 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, 2017, the District paid $4.0 million to the GGTAR Plan, and employees contributed $0.6 million to the Plan as of June 30, 2017. For the year ended June 30, 2016, the District paid $3.7 million to the GGTAR Plan, and employees contributed $0.5 million to the Plan as of June 30, 2016.

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, 2016, using an annual actuarial valuation as of December 31, 2016. 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 December 31, 2016, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	December 31, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	5.21%
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	7.00%
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 5.21%. 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 (17.91%) by over 11% of payroll. However, due to the negative investment return during 2016, 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 7.00% to the extent the fiduciary net position is available to make the payments, and at the municipal bond rate of 3.78% 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, 2016, is 5.21%.

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 2017 experience study are summarized in the table shown below.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large market capitalization	21.00%	4.52%
Small market capitalization	8.00%	4.77%
International development	10.00%	5.02%
Emerging equity	6.00%	6.52%
Global asset allocation	16.00%	5.41%
Real assets/Commodities	5.00%	2.25%
Hedge funds	3.00%	3.52%
Core fixed income	21.00%	2.50%
Private debt funds	5.00%	5.01%
Real estate	5.00%	3.25%
	100.00%	

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**
Balances at June 30, 2016	**$ 193,057**	**$ 106,970**	**$ 86,087**
Changes for the year:			
Service cost	3,573	-	3,573
Interest	10,687	-	10,687
Changes in benefit terms	-	-	-
Differences between actual and expected experience	5,746	-	5,746
Changes in assumptions	16,918	-	16,918
Contribution - employer	-	4,174	(4,174)
Contribution - member	-	804	(804)
Net investment income	-	7,220	(7,220)
Benefit payments	(12,184)	(12,184)	-
Administrative expense	-	(410)	410
Net changes	24,740	(396)	25,136
Balances at June 30, 2017	**$ 217,797**	**$ 106,574**	**$ 111,223**

	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**

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):

		2017		2016
1% Decrease		4.21%		4.66%
Net Pension Liability	$	136,112	$	106,229
Current Discount Rate		5.21%		5.66%
Net Pension Liability	$	111,223	$	86,087
1% Increase		6.21%		6.66%
Net Pension Liability	$	90,348	$	68,914

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 $111.2 million.

For the years ended June 30, 2017 and 2016, the District recognized pension expenses of $12,363,000 and $4,738,000, respectively. At June 30, 2017, 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	$	2,159	$	-
Differences between actual and expected experience		4,658		-
Changes in assumptions		27,606		-
Net differences between projected and actual earnings on plan investments		5,521		-
Total	**$**	**39,944**	**$**	**-**

$2,159,000 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, 2018. 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		
2018	$	15,313
2019		14,965
2020		7,507
Total	**$**	**37,785**

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 comprised 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 five 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 $653,000, $597,000, and $540,000, for the years ended June 30, 2017, 2016, and 2015, respectively. The District contributed to Inlandboatmen's plan 20.0%, 21.0%, and 19.4%, of payroll for covered employees for the years ended June 30, 2017, 2016, and 2015, respectively and equaled 100% of the employer-required contributions. The District's covered payroll for employees participating in this plan was $3,257,000, $2,844,000, and $2,786,000, for the years ended June 30, 2017, 2016, and 2015, respectively. As of June 30, 2017, 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 5 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 $322,000, $283,000, and $253,000, for the years ended June 30, 2017, 2016, and 2015, respectively. The District contributed to MEBA 14.1%, 13.0%, and 13.4%, of payroll for covered employees for the years ended June 30, 2017, 2016, and 2015, respectively and equaled 100% of the employer-required contributions. The District's covered payroll for employees participating in this plan was $2,283,000, $2,172,000, and $1,888,000, for the years ended June 30, 2017, 2016, and 2015, respectively. As of June 30, 2017, the number of employees covered by MEBA was 23 active and 11 inactive, or retired, employees.

The net pension liabilities for those two plans and related deferrals are excluded from the financial statements because the plans are administered as a non-governmental pension plan and the majority of the plan participants are non-governmental employers.

Benefit terms are established and may be amended for either plan by the Union.

(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 legal entity from the District, the Trust's assets are not available to any District's creditors.

Benefits Provided – 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 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 485 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, 344 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.

Employees Covered – Membership of the plan consisted of the following at June 30, 2017:

Valuation as of July 1	2017
Retired employees	827
Active employees	746
Total	**1,573**

The total OPEB liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Funding Policy – The District's contributions to the plan for the years ended June 30, 2017, 2016, and 2015 were based on the actuarial valuations as of July 1, 2015, 2014, and 2013. 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 Under GASB Statement No. 45 – 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	$70,385	$176,741	$106,356	39.8%	$58,269	182.5%

Annual OPEB Cost and Net OPEB Obligation Under GASB Statement No. 45 – 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):

	2017	2016	2015
Annual required contribution	$ 11,649	$ 11,278	$ 11,725
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	855	-
Annual OPEB cost (expense)	11,649	12,133	11,725
Contributions made	(11,649)	(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
2017	$11,649	$11,649	100%	$-
2016	$11,278	$12,133	108%	$-
2015	$11,725	$11,725	100%	$-

Actuarial Methods and Assumptions Under GASB Statement No. 45 – 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 2.75%, a 7.25% 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, 2016, was 21 years.

Actuarial Methods and Assumptions Under GASB Statement No. 74 - The total OPEB liability in the July 1, 2015 valuation was determine using the following actuarial assumptions:

Valuation Date	July 1, 2015
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
	HMO and PPO at 8% in 2016 and gradually decreasing to 4.5% in 2023 and later
Healthcare Cost Trend	Kaiser and Medicate at 6.5% in 2016 and gradually decreasing to 4.5% in 2023 and later
	Dental at 4.5% and Vision at 3%
Investment Rate of Return	7.00%
Mortality	RP2000 with adjustments for mortality improvements based on scale AA

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1997 through December 2011. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**
Growth	
Domestic Equity	42.00%
International Equity	23.00%
Income	
Fixed Income	35.00%
	100.00%

Discount Rate Under GASB Statement No. 74 – The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The District's Net OPEB liability under GASB Statement No. 74 is as follows (in thousands):

Total OPEB Liability	$	176,740
Plan fiduciary net position		(70,165)
Net OPEB Liability	**$**	**106,575**
Plan fiduciary net position as a percentage of the total OPEB liability		**40%**

Sensitivity of the net OPEB liability to change in discount rate under GASB Statement No. 74 – The following presents the net OPEB liability of the District's, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher, than the current discount rate:

		2017
1% Increase		8.00%
Net OPEB Liability	$	90,336
Current Discount Rate		7.00%
Net OPEB Liability	$	106,575
1% Decrease		6.00%
Net OPEB Liability	$	125,446

Sensitivity of the net OPEB liability to change in healthcare costs under GASB Statement No. 74 – The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower, or one percentage point higher, than the current healthcare cost trend rates:

		2017
Net OPEB Liability at 1% increase	$	125,308
Net OPEB Liability at current rate	$	106,575
Net OPEB Liability at 1% decrease	$	91,453

(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 $14.6 million in net position as of June 30, 2017 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	
Cyber Liability	$50,000 per occurrence	$5,000,000 per occurrence

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, 2017 and 2016 are as follows (in thousands):

	Balance July 1, 2016	Incurred Claims and Changes in Estimates	Claim Payments and Related Costs	Balance June 30, 2017
Workers' compensation liability	$ 11,727	$ 5,165	$ (4,036)	$ 12,856
General and property insurance liability	3,652	2,506	(2,506)	3,652
Pollution remediation liability	15,043	-	-	15,043
Subtotal: Self-insurance liability	30,422	7,671	(6,542)	31,551
Other medical claims liability	1,529	14,450	(13,783)	2,196
Combined self-insurance and other medical liability	**$ 31,951**	**$ 22,121**	**$ (20,325)**	**$ 33,747**

	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**

(12) ALLOCATION OF DISTRICT DIVISION EXPENSE

For the years ended June 30, 2017 and 2016, 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):

	2017	2016
Bridge Division	$ 12,880	$ 11,210
Bus Division	12,101	11,652
Ferry Division	6,977	6,478
Total	**$ 31,958**	**$ 29,340**

(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. It was subsequently reviewed in 2012 and 2017 with no significant change in exposure. The amount is determined upon the expected cash flow technique. The liability can change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

The District is also involved in 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, 2017. 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.

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

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT FUND

	2017	2016	2015[1]
TOTAL PENSION LIABILITY			
Service cost	$ 6,460	$ 6,334	$ 6,739
Interest on Total Pension Liability	28,355	27,534	26,655
Changes of benefit terms	-	-	-
Changes of Assumptions	-	(6,253)	-
Difference Between Expected and Actual Experience	(3,241)	(3,242)	-
Benefit Payments, Including Refunds of Employee Contributions	(20,421)	(19,479)	(18,864)
Net Change in Total Pension Liability	**11,153**	**4,894**	**14,530**
Total Pension Liability – Beginning	**380,881**	**375,987**	**361,457**
Total Pension Liability – Ending (a)	**$ 392,034**	**$ 380,881**	**$ 375,987**
PLAN FIDUCIARY NET POSITION			
Contributions – Employer	9,445	7,861	7,748
Contributions – Employee	3,129	2,934	3,643
Net Investment Income	1,387	6,381	42,627
Other Miscellaneous Income	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(20,421)	(19,479)	(18,864)
Administrative Expense	(171)	(316)	-
Net Change in Fiduciary Net Position	**(6,631)**	**(2,619)**	**35,154**
Plan Fiduciary Net Position - Beginning	**279,793**	**282,412**	**247,258**
Plan Fiduciary Net Position – Ending (b)	**$ 273,162**	**$ 279,793**	**$ 282,412**
Plan Net Pension Liability/(Asset) – Ending (a) – (b)	**$ 118,872**	**$ 101,088**	**$ 93,575**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**69.68%**	**73.46%**	**75.11%**
Covered Payroll	**$ 37,619**	**$ 36,328**	**$ 37,044**
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	**315.99%**	**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 three years are 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 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially Determined Contribution	$ 11,453	$ 9,475	$ 7,899
Contributions in Relation to the Actuarially Determined Contribution	(11,453)	(9,475)	(7,899)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	40,568	37,619	36,328
Contributions as a Percentage of Covered-Employee Payroll	28.23%	25.19%	21.74%

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

GOLDEN GATE TRANSIT AMALGAMATED RETIREMENT PLAN

	2017	2016	2015[1]
TOTAL PENSION LIABILITY			
Service cost	$ 3,573	$ 3,509	$ 3,174
Interest on Total Pension Liability	10,687	11,661	11,278
Changes of benefit terms	-	-	-
Changes of Assumptions	16,918	-	-
Difference Between Expected and Actual Experience	5,746	29,833	1,395
Benefit Payments, Including Refunds of Employee Contributions	(12,184)	(11,202)	(10,614)
Net Change in Total Pension Liability	**24,740**	**33,801**	**5,233**
Total Pension Liability – Beginning	**193,057**	**159,256**	**154,023**
Total Pension Liability – Ending (a)	**$ 217,797**	**$ 193,057**	**$ 159,256**
PLAN FIDUCIARY NET POSITION			
Contributions – Employer	$ 4,174	$ 3,967	$ 3,635
Contributions – Employee	804	622	420
Net Investment Income	7,220	(835)	8,263
Other Miscellaneous Income	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(12,184)	(11,202)	(10,614)
Administrative Expense	(410)	(494)	(438)
Net Change in Fiduciary Net Position	**(396)**	**(7,942)**	**1,266**
Plan Fiduciary Net Position - Beginning	**106,970**	**114,912**	**113,646**
Plan Fiduciary Net Position – Ending (b)[2]	**$ 106,574**	**$ 106,970**	**$ 114,912**
Plan Net Pension Liability/(Asset) – Ending (a) – (b)	**$ 111,223**	**$ 86,087**	**$ 44,344**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**48.93%**	**55.41%**	**72.16%**
Covered Payroll	**$ 22,713**	**$ 22,327**	**$ 21,278**
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	**489.69%**	**385.57%**	**208.40%**
Discount rate used	**5.21%**	**5.66%**	**7.50%**

1. Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal year 2015 was the first year of implementation, therefore only three years are 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 $111.2 million.

GGTAR - Schedule of Pension Contributions (in Thousands)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially Determined Contribution	$ 6,666	$ 6,666	$ 6,351
Contributions in Relation to the Actuarially Determined Contribution	(4,174)	(3,967)	(3,635)
Contribution Deficiency (Excess)	2,492	2,699	2,716
Covered Payroll	22,713	22,327	21,278
Contributions as a Percentage of Covered-Employee Payroll	18.38%	17.77%	17.08%

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

OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS

	2017[1]
TOTAL OPEB LIABILITY	
Service cost	$ 4,155
Interest on Total OPEB Liability	12,122
Changes of benefit terms	-
Changes of Assumptions	4,661
Difference Between Expected and Actual Experience	220
Benefit Payments, Including Refunds of Employee Contributions	(10,129)
Net Change in Total OPEB Liability	**11,029**
Total OPEB Liability – Beginning	**165,712**
Total OPEB Liability – Ending (a)	**$ 176,741**
PLAN FIDUCIARY NET POSITION	
Contributions – Employer	$11,649
Contributions – Employee	-
Net Investment Income	7,083
Other Miscellaneous Income	-
Benefit Payments, Including Refunds of Employee Contributions	(10,129)
Administrative Expense	(191)
Net Change in Fiduciary Net Position	**8,412**
Plan Fiduciary Net Position - Beginning	**61,973**
Plan Fiduciary Net Position – Ending (b)	**$ 70,385**
Plan Net OPEB Liability/(Asset) – Ending (a) – (b)	**$ 106,356**
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	**39.82%**
Covered Payroll	**$ 58,269**
Plan Net OPEB Liability/(Asset) as a Percentage of Covered-Employee Payroll	**182.53%**

1. Historical information is required only for measurement periods for which GASB 74 is applicable. Fiscal year 2017 was the 1st year of implementation, therefore only one year is shown.

OPEB - Schedule of OPEB Contributions (in Thousands)

	Fiscal Year 2017
Actuarially Determined Contribution	$ 11,649
Contributions in Relation to the Actuarially Determined Contribution	(11,649)
Contribution Deficiency (Excess)	-
Covered Payroll	58,269
Contributions as a Percentage of Covered-Employee Payroll	19.99%

SCHEDULE OF OPEB FUNDING PROGRESS AND SCHEDULE OF CONTRIBUTIONS

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
7/1/15	$70,385	$176,741	$106,356	39.8%	$58,269	182.5%
7/1/14	$57,175	$159,253	$102,078	35.9%	$55,354	184.4%
7/1/13	$41,331	$158,737	$117,406	26.0%	$51,566	227.7%
7/1/12	$31,114	$190,406	$159,292	16.3%	$52,885	301.2%

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

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percent Contributed	Net OPEB Obligation
2017	$11,649	$11,649	100%	$-
2016	$11,278	$12,133	108%	$-
2015	$11,725	$11,725	100%	$-
2014	$11,332	$11,332	100%	$-
2013	$14,420	$14,420	100%	$-
2012	$15,405	$15,405	100%	$-

SCHEDULE OF MEBA AND IBU PENSION CONTRIBUTIONS

Schedule of MEBA Contributions (In Thousands)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially Determined Contribution	322	283	253
Contributions in Relation to Actuarially Determined Contribution	322	283	253
Contribution Deficiency (Excess)	-	-	-
Covered Payroll	2,283	2,172	1,888
Contributions as a Percentage of Covered Payroll	14.10%	13.03%	13.40%

Schedule of IBU Contributions (In Thousands)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially Determined Contribution	653	597	540
Contributions in Relation to Actuarially Determined Contribution	653	597	540
Contribution Deficiency (Excess)	-	-	-
Covered Payroll	3,257	2,844	2,786
Contributions as a Percentage of Covered Payroll	20.05%	20.99%	19.38%

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY DIVISION (NON-GAAP BASIS), YEAR ENDED JUNE 30, 2017 AND 2016 (In thousands)

	Total		Bridge Division		Bus Division		Ferry Division	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating Revenues								
Bridge tolls	$ 143,011	$ 137,618	$ 143,011	$ 137,618	$ -	$ -	$ -	$ -
Transit fares	35,426	35,341	-	-	15,105	15,646	20,321	19,695
Marin Transit revenues	10,210	11,973	-	-	10,210	11,973	-	-
Other operating revenues	3,149	3,341	1,175	765	688	794	1,286	1,782
Total operating revenues	191,796	188,273	144,186	138,383	26,003	28,413	21,607	21,477
Operations	90,260	87,903	17,961	16,706	54,286	54,463	18,013	16,734
Maintenance	42,297	41,766	22,397	21,610	15,102	14,497	4,798	5,659
General and administrative	56,915	46,065	12,246	9,153	35,263	27,674	9,406	9,238
Depreciation	33,343	31,264	14,440	14,157	10,384	9,801	8,519	7,306
Total operating expenses	222,815	206,998	67,044	61,626	115,035	106,435	40,736	38,937
Operating Income (Loss)	(31,019)	(18,725)	77,142	76,757	(89,032)	(78,022)	(19,129)	(17,460)
Non-operating Revenues (Expenses):								
Operating assistance:								
State operating assistance	18,737	16,317	-	-	15,414	13,581	3,323	2,736
Federal operating assistance	232	211	-	-	216	-	16	211
Local operating assistance	2,968	2,777	-	-	2,968	2,777	-	-
Total operating assistance	21,937	19,305	-	-	18,598	16,358	3,339	2,947
Investment income	1,831	3,822	1,831	3,822	-	-	-	-
Interest expense	(426)	(81)	(426)	(81)	-	-	-	-
Gain (Loss) on disposal of assets	8	1	8	(9)	-	10	-	-
Contribution to capital	(21,000)	(19,000)	(15,000)	(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)	1,050	2,747	(14,887)	(10,568)	16,598	14,368	(661)	(1,053)
Net Income (Loss)	(29,969)	(15,978)	62,255	66,189	(72,434)	(63,654)	(19,790)	(18,513)
Depreciation and Gain/Loss on Capital Assets	24,371	22,662	8,702	8,614	9,132	8,292	6,537	5,756
Excess Revenues (Loss)	**$ (5,598)**	**$ 6,684**	**$ 70,957**	**$ 74,803**	**$ (63,302)**	**$ (55,362)**	**$ (13,253)**	**$ (12,757)**

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES BY DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016 (in thousands):

	2017	2016
Contribution to capital reserve and Bridge self-insurance considered as an expense on the financial statements	$ 22,300	$ 20,300
Depreciation and gain/(loss) on capital assets acquired with capital grants	(24,371)	(22,662)
Capital contribution to other agencies	(2,217)	(76,123)
Capital contributions	13,213	33,298
Total differences	8,925	(45,187)
Excess revenue (loss)	(5,598)	6,684
Net increase in Net Position	**$ 3,327**	**$ (38,503)**

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.

CONTENTS **Page**

FINANCIAL TRENDS

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

REVENUE CAPACITY

These schedules contain information to help the reader assess the District's local revenue sources (tolls and transit fares).

DEBT CAPACITY

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.

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

OPERATING INFORMATION

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.

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OPERATING REVENUES										
Bridge tolls	$ 85,416	$ 97,121	$ 100,569	$ 100,776	$ 102,814	$ 102,307	$ 112,668	$ 129,500	$ 137,619	$ 143,011
Bus Transit fares	11,589	11,804	11,750	11,960	12,367	13,547	14,520	14,994	15,646	15,105
Bus concessions with Marin Transit	13,898	14,790	15,638	15,511	16,363	14,580	13,320	10,442	11,973	10,210
Ferry Transit fares	9,864	10,067	10,697	11,979	13,712	15,227	17,167	18,392	19,695	20,321
Visitor concession services[1]	3,268	3,142	3,082	3,352	1,882	-	-	-	-	-
Other	2,287	2,811	1,734	2,132	2,437	3,720	2,483	2,981	3,341	3,149
OPERATING REVENUES	**$ 126,322**	**$ 139,735**	**$ 143,470**	**$ 145,710**	**$ 149,575**	**$ 149,381**	**$ 160,158**	**$ 176,309**	**$ 188,274**	**$ 191,796**
State operating grants	16,234	13,587	9,858	14,999	15,923	15,757	16,001	18,368	16,317	18,737
Federal operating grants	482	403	50	4,717	550	190	94	8	211	232
Local operating grants	3,018	2,935	3,039	2,898	2,780	2,434	2,596	2,492	2,777	2,968
Investment income	8,868	8,774	5,634	2,789	2,800	813	3,039	2,408	3,822	1,831
Capital contributions[2]	13,536	28,287	55,372	66,670	67,126	35,648	36,030	48,742	33,298	13,213
TOTAL REVENUES	**$ 168,460**	**$ 193,721**	**$ 217,423**	**$ 237,783**	**$ 238,754**	**$ 204,223**	**$ 217,918**	**$ 248,327**	**$ 244,699**	**$ 228,777**

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:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bridge										
Operations	$ 15,436	$ 15,260	$ 16,506	$ 17,193	$ 16,821	$ 15,891	$ 17,554	$ 17,057	$ 16,706	$ 17,961
Maintenance	16,221	15,301	17,589	18,277	19,226	20,006	20,032	19,841	21,610	22,397
General & administrative	12,046	13,451	10,340	10,790	9,980	10,200	12,110	11,317	9,153	12,246
Depreciation	6,073	6,937	13,966	10,395	10,349	10,498	11,239	13,286	14,157	14,440
Bridge	$ 49,776	$ 50,949	$ 58,401	$ 56,655	$ 56,376	$ 56,595	$ 60,935	$ 61,501	$ 61,626	$ 67,044
Bus										
Operations	$ 46,815	$ 48,343	$ 48,974	$ 50,796	$ 52,015	$ 53,938	$ 52,030	$ 54,215	$ 54,463	$ 54,286
Maintenance	11,213	12,702	12,303	12,788	13,085	14,152	13,256	12,842	14,497	15,102
General & administrative	12,101	12,265	12,167	14,220	14,896	13,426	14,911	14,336	27,674	35,263
Depreciation	7,432	7,557	6,559	7,560	8,186	7,530	8,152	8,503	9,801	10,384
Bus	$ 77,561	$ 80,867	$ 80,003	$ 85,364	$ 88,182	$ 89,046	$ 88,349	$ 89,896	$ 106,435	$ 115,035
Ferry										
Operations	$ 12,899	$ 12,900	$ 12,627	$ 14,687	$ 15,659	$ 16,778	$ 18,031	$ 17,768	$ 16,734	$ 18,013
Maintenance	3,557	3,393	3,015	3,955	3,659	3,583	5,364	4,861	5,659	4,798
General & administrative	6,486	8,290	5,866	6,991	7,374	7,100	7,398	8,636	9,238	9,406
Depreciation	4,142	4,196	4,400	3,126	8,153	7,674	7,758	6,464	7,306	8,519
Ferry	$ 27,084	$ 28,779	$ 25,908	$ 28,759	$ 34,845	$ 35,135	$ 38,551	$ 37,729	$ 38,937	$ 40,736
Total Operating Expenses	**$ 154,421**	**$ 160,595**	**$ 164,312**	**$ 170,778**	**$ 179,403**	**$ 180,776**	**$ 187,835**	**$ 189,126**	**$ 206,998**	**$ 222,815**
Non Operating Expenses										
Capital contributions to other agencies[1]	-	-	-	16,256	9,096	3,315	2,337	783	76,123	2,217
Interest	1,726	751	179	183	100	106	60	45	81	426
Other	(3,407)	(96)	28	(37)	(148)	22	71	(21)	(1)	(8)
Special item[2]	14,850	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	**$ 167,590**	**$ 161,250**	**$ 164,519**	**$ 187,180**	**$ 188,451**	**$ 184,219**	**$ 190,303**	**$ 189,933**	**$ 283,201**	**$ 225,450**

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating revenues	$126,322	$139,735	$143,470	$145,710	$149,576	$149,381	$160,158	$176,309	$188,272	$191,796
Operating expenses	(136,774)	(141,905)	(139,387)	(149,697)	(152,715)	(155,074)	(160,686)	(160,873)	(175,741)	(189,472)
Income before depreciation and other nonoperating revenues and expenses	(10,452)	(2,170)	4,083	(3,987)	(3,139)	(5,693)	(528)	15,436	12,531	2,324
Depreciation	(17,647)	(18,690)	(24,925)	(21,081)	(26,688)	(25,702)	(27,149)	(28,253)	(31,256)	(33,343)
Operating loss	(28,099)	(20,860)	(20,842)	(25,068)	(29,827)	(31,395)	(27,677)	(12,817)	(18,725)	(31,019)
Other nonoperating revenues and expenses, net	30,283	25,044	18,374	9,001	13,005	15,751	19,262	22,469	(53,076)	21,133
Income/(loss) before capital contributions and special item	2,184	4,184	(2,468)	(16,067)	(16,822)	(15,644)	(8,415)	9,652	(71,801)	(9,886)
Capital contributions[1]	13,536	28,287	55,372	66,670	67,126	35,648	36,030	48,742	33,298	13,213
Special item[2]	(14,850)	-	-	-	-	-	-	-	-	-
Restatement of beginning net position[3]	-	-	-	-	-	-	-	(145,011)	-	-
CHANGES IN NET POSITION	**$ 870**	**$ 32,471**	**$ 52,904**	**$ 50,603**	**$ 50,304**	**$ 20,004**	**$ 27,615**	**$ (86,617)**	**$ (38,503)**	**$ 3,327**

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ASSETS										
Current assets and other assets	$ 190,901	$ 206,238	$ 238,007	$ 240,088	$ 249,211	$ 269,254	$ 269,603	$ 304,919	$ 266,412	$ 294,999
Capital assets	461,363	478,642	513,844	549,160	592,585	608,247	624,087	657,307	663,318	649,179
Total Assets and Deferred Outflows	$ 652,264	$ 684,880	$ 751,851	$ 789,248	$ 841,796	$ 877,501	$ 893,690	$ 962,226	$ 929,730	$ 944,178
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	10,830	39,168	66,179
LIABILITIES										
Current liabilities	27,461	29,167	40,824	26,815	29,100	43,178	32,267	40,176	38,499	33,108
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	30,875	29,314	31,724	32,527	32,487	34,110	33,595	172,099	221,358	265,924
Total Liabilities and Deferred Inflows	$ 119,336	$ 119,481	$ 133,548	$ 120,342	$ 122,587	$ 138,288	$ 126,862	$ 273,275	$ 320,857	$ 360,032
DEFERRED INFLOWS OF RESOURCES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,570	$ 6,333	$ 5,290
NET POSITION										
Net investment in capital assets	400,362	417,641	452,844	488,159	531,585	547,246	563,087	596,307	602,318	588,179
Restricted										
Debt service requirements	12,791	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]	119,775	134,967	152,668	167,956	174,833	179,176	190,950	(3,887)	26,599	44,065
TOTAL NET POSITION	**$ 532,928**	**$ 565,399**	**$ 618,303**	**$ 668,906**	**$ 719,209**	**$ 739,213**	**$ 766,828**	**$ 680,211**	**$ 641,708**	**$ 645,035**

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TRAFFIC/PATRON COUNT:										
Bridge traffic (southbound)[1]	19,658	19,066	19,295	19,084	19,417	19,376	20,014	20,086	20,557	20,592
Bus passengers - regional[2]	-	-	-	-	-	-	-	3613	3499	3,137
Bus passengers - Local services under contract[2]	-	-	-	-	-	-	-	N/A	N/A	N/A
Bus passengers - combined	7,373	7,166	6,514	6,568	6,527	6,628	6,385	N/A	N/A	N/A
Ferry passengers	1,980	1,949	1,931	2,031	2,195	2,326	2,471	2,540	2,545	2,523
Club Bus passengers[3]	48	50	49	40	31	14	-	-	-	-
TOLL/FARE PER VEHICLE/PATRON[1]:										
Average toll	$ 4.35	$ 5.09	$ 5.21	$ 5.28	$ 5.30	$ 5.28	$ 5.63	$ 6.45	$ 6.69	$ 6.95
Average bus fare (regional services)	-	-	-	-	-	-	-	$ 4.14	$ 4.49	$ 4.81
Average bus fare (local services under contract)[2]	-	-	-	-	-	-	-	N/A	N/A	N/A
Average bus fare (combined)	$ 2.04	$ 2.10	$ 2.27	$ 2.29	$ 2.39	$ 2.49	$ 2.69	N/A	N/A	N/A
Average ferry fare	$ 4.98	$ 5.17	$ 5.54	$ 5.90	$ 6.25	$ 6.55	$ 6.95	$ 7.24	$ 7.74	$ 8.05

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)

	2008		2009		2010		2011		2012	
CATEGORY	**COUNT**	**%**	**COUNT**	**%**	**COUNT**	**%**	**COUNT**	**%**	**COUNT**	**%**
Two-Axle Vehicles - Cash	7,846	39.9%	7,107	37.3%	6,890	35.7%	6,244	32.7%	6,177	31.8%
Two-Axle Vehicles - Electronic/Tickets	11,106	56.4%	11,271	59.1%	11,736	60.8%	12,448	65.2%	12,821	66.1%
Other Revenue	128	0.7%	103	0.5%	101	0.5%	99	0.5%	105	0.5%
Carpool	428	2.2%	439	2.3%	421	2.2%	144	0.8%	134	0.7%
Non Revenue	150	0.8%	146	0.8%	148	0.8%	149	0.8%	180	0.9%
TOTAL VEHICLES[1]	**19,658**	**100.0%**	**19,066**	**100.0%**	**19,296**	**100.0%**	**19,084**	**100.0%**	**19,417**	**100.0%**

	2013	
CATEGORY	**COUNT**	**%**
Two-Axle Vehicles - Cash	4,376	22.6%
Two-Axle Vehicles - Electronic/Tickets	14,612	75.4%
Other Revenue	97	0.5%
Carpool	150	0.8%
Non Revenue	141	0.7%
TOTAL VEHICLES[1]	**19,376**	**100.0%**

	2014		2015		2016		2017	
CATEGORY	**COUNT**	**%**	**COUNT**	**%**	**COUNT**	**%**	**COUNT**	**%**
Two-Axle Vehicles	19,454	97.2%	19,408	96.6%	19,805	96.6%	19,798	96.1%
Three + Axle Vehicles	103	0.5%	105	0.5%	107	0.5%	105	0.5%
Discount - Carpools	269	1.3%	384	1.9%	459	1.9%	507	2.5%
Discount - Other	30	0.1%	30	0.1%	29	0.1%	28	0.1%
Non Revenue	158	0.8%	159	0.8%	157	0.8%	154	0.7%
TOTAL VEHICLES[2]	**20,014**	**100.0%**	**20,086**	**100.0%**	**20,557**	**100.0%**	**20,592**	**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 YEARS[1]

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AVERAGE PASSENGER FARES										
Bus - regional services	-	-	-	-	-	-	-	4.14	$ 4.49	$ 4.81
Bus - local services under contract	-	-	-	-	-	-	-	N/A	N/A	N/A
Bus - combined	$ 2.04	$ 2.10	$ 2.27	$ 2.29	$ 2.39	$ 2.49	$ 2.69	N/A	N/A	N/A
Ferry	$ 4.98	$ 5.17	$ 5.54	$ 5.90	$ 6.25	$ 6.55	$ 6.95	$ 7.24	$ 7.74	$ 8.05
PASSENGER COUNT*										
Bus - regional services	-	-	-	-	-	-	-	3613	3,499	3,137
Bus - local services under contract	-	-	-	-	-	-	-	N/A	N/A	N/A
Bus - combined	7,373	7,166	6,514	6,568	6,527	6,628	6,385	N/A	N/A	N/A
Ferry	1,980	1,949	1,931	2,031	2,195	2,326	2,471	2,540	2,545	2,523
OPERATING COSTS* (excluding depreciation)										
Bus - combined	$ 70,129	$ 73,310	$73,444	$ 77,804	$ 79,996	$ 81,516	$ 80,197	$ 81,393	$ 96,634	$ 104,651
Ferry	$ 22,942	$ 24,583	$21,508	$ 25,633	$ 26,692	$ 27,461	$ 30,793	$ 31,265	$ 31,631	$ 32,217
PASSENGER MILES*										
Bus - regional services	-	-	-	-	-	-	-	67,807	63,440	58,500
Bus - local services under contract	-	-	-	-	-	-	-	N/A	N/A	N/A
Bus - combined	61,348	61,141	61,773	81,690	75,262	72,941	26,909	N/A	N/A	N/A
Ferry	22,036	21,535	21,209	22,541	24,211	25,539	26,911	27,687	27,885	27,370
REVENUE VEHICLE MILES*										
Bus - regional services	-	-	-	-	-	-	-	4,162	4,266	4,249
Bus - local services under contract	-	-	-	-	-	-	-	N/A	N/A	N/A
Bus - combined	5,284	5,385	5,447	5,182	5,171	5,108	5,033	N/A	N/A	N/A
Ferry	188	187	187	185	181	177	181	187	190	196
NUMBER OF ACTIVE BUSES/VESSELS										
Bus - regional services	-	-	-	-	-	-	-	176	160	159
Bus - local services under contract	-	-	-	-	-	-	-	17	17	17
Bus - combined	198	201	201	197	188	188	180	193	177	176
Ferry	5	6	6	7	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.

N/A - 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total revenues (less capital contribution)	$ 154,924	$ 165,434	$ 162,052	$ 171,115	$ 171,629	$ 168,575	$ 181,888	$ 199,585	$ 211,400	$ 215,564
Less:										
Total operating expenses (less depreciation)	(136,774)	(141,905)	(139,387)	(149,696)	(152,715)	(155,074)	(160,686)	(160,873)	(175,734)	(189,472)
Total Net Revenues	18,150	23,529	22,665	21,419	18,914	13,501	21,202	38,712	35,666	26,092
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	25,470	30,849	29,985	28,739	26,234	20,821	28,522	46,032	42,986	33,412
Actual Commercial Paper debt service	$ 1,726	$ 751	$ 179	$ 183	$ 100	$ 106	$ 60	$ 45	$ 81	$ 426
Coverage (with operating reserve)	14.8	41.1	167.5	157.0	262.3	196.4	475.4	1022.9	530.7	78.4
Coverage (without operating reserve)	10.5	31.3	126.6	117.0	189.1	127.4	353.4	860.3	440.3	61.2

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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]	0.0581%	0.0603%	0.0615%	0.0600%	0.0579%	0.0550%	0.0540%	0.0540%	0.0540%	0.0438%
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	$ 2.16	$ 2.20	$ 2.20	$ 2.17	$ 2.15	$ 2.11	$ 2.13	$ 2.12	$ 2.32
DEBT SERVICE:	$ 1,726	$ 751	$ 179	$ 183	$ 100	$ 106	$ 60	$ 45	$ 81	$ 426
Percentage of Personal Income (Three County Region)[1]	0.0016%	0.0007%	0.0002%	0.0002%	0.0001%	0.0001%	0.0001%	0.0000%	0.00007%	0.00031%
Per Capita (Three County Region)[2]	$ 0.00112	$ 0.00048	$ 0.00012	$ 0.00012	$ 0.00006	$ 0.00007	$ 0.00004	$ 0.00003	$ 0.00005	$ 0.00026
Total Outstanding Debt Service Per Traffic/Passenger Count[3]	$ 0.059	$ 0.027	$ 0.006	$ 0.007	$ 0.004	$ 0.004	$ 0.002	$ 0.002	$ 0.003	$ 0.016

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):

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Traffic Vehicle Count	19,658	19,066	19,295	19,084	19,417	19,376	20,014	20,086	20,557	20,592
Number of Transit Passengers[4]	9,401	9,165	8,494	8,639	8,753	8,968	8,856	6,153	6,044	5,660
Total Traffic/Regional Passenger Count	**29,059**	**28,231**	**27,789**	**27,723**	**28,170**	**28,344**	**28,870**	**26,239**	**26,601**	**26,252**

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	Average Unemployment Rate
2008	248,345	$ 23,161,297	$ 93,263	4.7%
2009	250,750	22,351,575	89,139	8.1%
2010	252,789	20,854,466	82,498	8.2%
2011	255,031	21,871,623	85,761	8.1%
2012	256,069	23,918,732	93,407	7.0%
2013	258,365	25,093,401	97,124	5.4%
2014	260,750	25,716,754	98,626	4.2%
2015	261,221	28,492,821	109,076	3.5%
2016	260,651	*	*	3.5%
2017	*	*	*	3.1%

		City/County of San Francisco[2]		
	Population	Personal Income (In Thousands)	Per Capita Personal Income	Average Unemployment Rate
2008	808,001	$ 58,199,006	$ 72,028	4.6%
2009	815,358	56,037,063	68,727	7.4%
2010	805,235	56,665,228	70,371	9.7%
2011	812,826	58,619,926	72,119	9.2%
2012	825,863	60,059,972	72,724	8.1%
2013	841,138	63,777,061	75,822	6.5%
2014	852,469	63,775,311	74,812	5.2%
2015	864,421	65,635,719	75,930	3.9%
2016	876,799	84,010,283	95,815	3.4%
2017	*	*	*	3.2%

		Sonoma County[3]		
	Population	Personal Income (In Thousands)	Per Capita Personal Income	Average Unemployment Rate
2008	484,470	$ 23,663,256	$ 48,844	5.5%
2009	486,630	22,787,716	46,828	10.1%
2010	493,285	21,701,296	43,993	10.6%
2011	487,125	21,142,471	43,403	10.1%
2012	487,011	21,417,425	43,977	9.0%
2013	490,423	22,126,957	45,118	7.1%
2014	490,486	23,548,182	48,010	5.7%
2015	502,146	24,606,709	49,003	4.3%
2016	501,959	26,874,652	53,340	4.1%
2017	*	*	*	3.6%

1. County of Marin June 30, 2016, CAFR, with additional information as follows:
   a) Average unemployment rate for 2017 provided by California Employment Development Department.
   b) Population for 2016 provided by U.S. Census Bureau.
2. City and County of San Francisco June 30, 2016, CAFR, with additional information as follows:
   a) Average unemployment rate for 2017 provided by California Employment Development Department.
3. County of Sonoma June 30, 2016, CAFR, with additional information as follows:
   a) Average unemployment rate for 2017 provided by California Employment Development Department.

*Information not available

TABLE 11: PRINCIPAL EMPLOYERS, CURRENT AND PREVIOUS PERIOD COMPARISON

Marin County

Principal Employers[1,3]	Type of Entity	Employees in 2015	Rank	% of Total County Employment	Employees in 2008	Rank	% of Total County Employment
County of Marin	Government	2,194	1	1.61%	3,031	1	2.43%
San Quentin State Prison	Government	1,750	2	1.28%	-	-	-
Kaiser Permanente Med. Ctr	Hospital	1,340	3	0.98%	1,398	4	1.12%
Marin General Hospital	Hospital	1,229	4	0.90%	1,450	3	1.16%
BioMarin Pharmaceutical	Medical	850	5	0.62%	-	-	-
Novato Unified School District	School	800	6	0.59%	875	9	0.70%
Autodesk, Inc.	Technology	748	7	0.55%	1,141	5	0.91%
Fireman's Fund Insurance Co	Insurance	721	8	0.53%	1,018	6	0.82%
San Rafael City Schools	School	650	9	0.48%	-	-	-
Dominican University	School	422	10	0.31%	884	8	0.71%
State of California	Government	-	-	-	1,999	2	1.60%
Safeway, Inc.	Grocery	-	-	-	930	7	0.75%
Golden Gate Transit	Government	-	-	-	838	10	0.67%
Total		**10,704**		**7.85%**	**13,564**		**10.87%**

City/County of San Francisco (SF)

Principal Employers[2,3]	Type of Entity	Employees in 2015	Rank	% of Total County Employment	Employees in 2008	Rank	% of Total County Employment
City and County of SF	Government	28,846	1	5.46%	29,500	1	5.66%
University of Calif, SF	School	24,304	2	4.60%	17,500	2	3.36%
SF Unified School District	School	9,483	3	1.80%	5,557	6	1.07%
Wells Fargo & Co	Banking	8,245	4	1.56%	8,139	3	1.56%
California Pacific Med. Ctr	Hospital	6,000	5	1.14%	6,115	5	1.17%
Salesforce	Software	5,331	6	1.01%	-	-	-
Kaiser Permanente Med. Ctr	Hospital	5,249	7	0.99%	3,918	10	0.75%
PG&E Corporation	Utility	4,381	8	0.83%	4,800	8	0.92%
Gap, Inc.	Retail	4,268	9	0.81%	4,075	9	0.78%
Dignity Health	Health Care	2,550	10	0.48%	-	-	-
State of California	Government	-	-	-	6,226	4	1.20%
United States Postal Service	Government	-	-	-	4,935	7	0.95%
Total		**98,657**		**18.68%**	**90,765**		**17.42%**

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, 2016, CAFR.
2. Data Source: City and County of San Francisco, June 30, 2016, CAFR.
3. Data Source: Golden Gate Bridge, Highway & Transportation District, June 30, 2008, CAFR.

Sonoma County

Principal Employers[1,2]	Type of Entity	Employees in 2016	Rank	% of Total County Employment	Employees in 2008	Rank	% of Total County Employment
County of Sonoma	Government	3,855	1	1.43%	3,797	1	1.50%
Santa Rosa Junior College	School	3,733	2	1.39%	3,387	2	1.33%
Kaiser Permanente Med. Ctr	Hospital	2,640	3	0.98%	2,325	5	0.92%
Graton Resort and Casino	Casino	2,000	4	0.74%	-	-	-
St. Joseph Health System	Health Care	1,578	5	0.59%	2,800	4	1.10%
Sonoma State University	School	1,505	6	0.56%	1,638	7	0.65%
Keysight Technologies	Technology	1,300	7	0.48%	-	-	-
City of Santa Rosa	Government	1,254	8	0.47%	-	-	-
Sutter Santa Rosa Hospital	Hospital	936	9	0.35%	-	-	-
Amy's Kitchen	Retail	870	10	0.32%	-	-	-
State of California	Government	-	-	-	3,274	3	1.29%
United States Government	Government	-	-	-	1,929	6	0.76%
Santa Rosa School District	School	-	-	-	1,549	8	0.61%
Agilent Technologies	Technology	-	-	-	1,500	9	0.59%
Sonoma Development Center	Health Care	-	-	-	1,500	10	0.59%
Total		**19,671**		**7.31%**	**23,699**		**9.34%**

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 Sonoma, June 30, 2016, CAFR.
2. Data Source: Golden Gate Bridge, Highway & Transportation District, June 30, 2008, CAFR.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
Traffic:										
Bridge structure	1	1	1	1	1	1	1	1	1	1
Visitor Services building[1]	1	1	1	1	-	-	-	-	-	-
Maintenance buildings	1	1	1	1	1	1	1	1	1	1
Service vehicles	N/A	N/A	50	50	53	49	48	48	51	53
Total capital expenditures for Bridge, related buildings and equipment (not being depreciated)[2]	$ 269,069	$ 269,429	$ 454,800	$ 458,365	$ 460,179	$ 464,771	$ 580,506	$ 609,129	$ 637,731	$ 643,306
Bus Transit[3]:										
Number of active buses - regional services								176	160	159
Number of active buses - local services under contract								17	17	17
Number of active buses - combined	198	201	201	197	188	188	180	193	177	176
Service vehicles	N/A	N/A	31	27	30	-	26	30	30	29
Operating yards	3	3	3	3	3	3	3	3	3	3
Total capital expenditures for Bus Transit property and equipment (not being depreciated)	$ 117,026	$ 114,400	$ 119,273	$ 137,828	$ 145,731	$ 147,012	$ 150,409	$ 173,878	$ 175,621	$ 159,366
Ferry Transit:										
Number of active ferry vessels	5	6	6	7	7	7	7	7	7	7
Passenger stations	4	4	4	4	4	4	4	4	4	5
Service vehicles	N/A	N/A	9	10	10	-	10	10	9	10
Service crafts	N/A	N/A	2	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)	$ 93,572	$ 92,036	$ 97,878	$ 94,171	$ 127,628	$ 131,015	$ 134,449	$ 135,451	$ 138,287	$ 148,755

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.

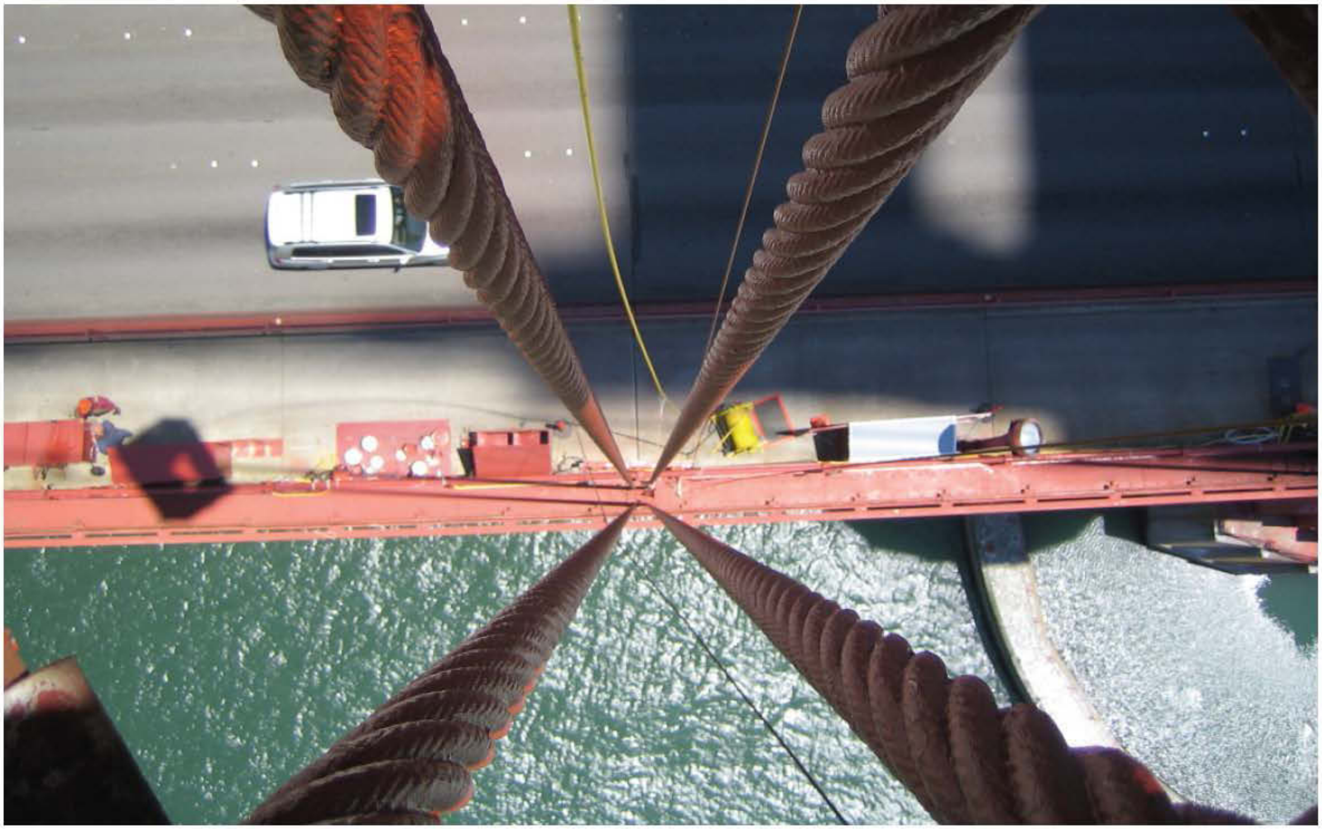
Data Source: District records, Annual Reports and Comprehensive Annual Financial Reports

TABLE 13: MISCELLANEOUS OPERATING INFORMATION, LAST TEN YEARS (UPDATED AS OF JUNE 30, 2017)

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Golden Gate Bridge Division	Annual traffic volume (Southbound only)*	19,657	19,066	19,295	19,084	19,417	19,376	20,014	20,086	20,557	20,592
	Bridge employees - Operations[1]	101	101	101	99	90	58	61	58	58	66
	Bridge employees - Maintenance & Administration	108	108	108	108	107	107	111	113	114	113
	Bridge employees - Total	209	209	209	207	197	165	172	171	172	179
Golden Gate Transit Division[2]	Number of active buses (regional)	-	-	-	-	-	-	-	176	160	159
	Number of active buses (local services under contract)	-	-	-	-	-	-	-	17	17	17
	Number of active buses (combined)	198	201	201	197	188	188	180	193	177	176
	Annual revenue vehicle miles (regional)*	-	-	-	-	-	-	-	4,162	4,266	4,249
	Annual revenue vehicle miles (local services under contract)	-	-	-	-	-	-	-	N/A	N/A	N/A
	Annual revenue vehicle miles (combined)*	5,284	5,385	5,447	5,182	5,171	5,108	4,946	N/A	N/A	N/A
	Annual revenue vehicle hours (regional)*	-	-	-	-	-	-	-	242	249	248
	Annual revenue vehicle hours (local services under contract)	-	-	-	-	-	-	-	N/A	N/A	N/A
	Annual revenue vehicle hours (combined)*	341	349	343	333	325	341	315	N/A	N/A	N/A
	Bus employees - Bus Operators (regional)	280	280	280	280	280	280	280	206	215	228
	Bus employees - Bus Operators (local services under contract)	-	-	-	-	-	-	-	74	65	52
	Bus employees - Bus Operators (combined)	-	-	-	-	-	-	-	280	280	280
	Bus Employees - Maintenance & Administration	118	120	120	120	119	119	120	120	121	121
	Bus employees - Total	398	400	400	400	399	399	400	400	401	401
Golden Gate Ferry Division	Number of active vessels in fleet	5	6	6	7	7	7	7	7	7	7
	Annual revenue vessel miles*	188	187	187	185	181	177	181	187	190	196
	Annual revenue vessel hours*	14	14	14	14	13	13	13	14	14	14
	Ferry employees - Operations[3]	63	63	63	63	56	56	63	63	76	76
	Ferry Employees - Maintenance & Administration	16	16	16	16	15	17	17	17	17	21
	Ferry employees - Total	79	79	79	79	71	73	80	80	93	97
Golden Gate Bridge Administrative Staff (including Finance, Information Systems, Human Resources, Planning, etc.)		151	151	151	145	142	136	134	133	136	143
Total number of Districtwide employees		837	839	839	831	809	773	786	784	802	820
Service Area Provided by Golden Gate Transit											
	Square Miles	325	160	160	160	160	160	160	160	145	145
	Population	590	815	815	869	869	869	869	869	869	887

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



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2017. Our report included an emphasis-of-matter regarding the District's adoption of Government Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as of July 1, 2016.

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.

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

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
October 18, 2017

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

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2017.

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

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
October 18, 2017

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

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2017

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	$ 3,851,606
Larkspur Ferry Fuel System Improvements	20.205	CA-70-X015	980
Subtotal - Highway Planning and Construction			3,852,586
Federal Transit Cluster:			
Federal Transit Capital Investment Grants:			
Direct Grants:			
FY 2007 FG MOD	20.500	CA-05-0222	357,066
FY 2009 FG MOD	20.500	CA-05-0231	(155)
FY 2010 Marin Transit Bus Stop Improvements	20.500	CA-04-0187	2,351
Subtotal			359,262
Federal Transit Formula Grants:			
Direct Grants:			
FY 2008 Capital	20.507	CA-90-Y600	383,089
FY 2010 Capital	20.507	CA-90-Y800	994,956
FY 2016 Capital	20.507	CA-2016-120	38,431
FY 2007 Capital (Flex Funds)	20.507	CA-95-X024	98,324
Subtotal			1,514,800
Federal State of Good Repair Formula			
Direct Grants:			
FY 2016 Capital	20.525	CA-2016-120	239,242
Subtotal			239,242
Subtotal - Federal Transit Cluster			2,113,304
Total from U.S. Department of Transportation			5,965,890
NATIONAL SCIENCE FOUNDATION			
Direct Grant:			
GGB Informal Science Education	47.076		235,323
TOTAL FEDERAL AWARDS			**$ 6,201,213**

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, 2017

(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	$ 2,351
Metropolitan Transportation Commission	CA-2016-120	FY 2016 Capital	20.525	239,241
Total Federal Awards to Subrecipients				**$ 241,592**

GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT

SUMMARY OF AUDITORS RESULTS
YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.500, 20.507	Federal transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 700,000
Auditee qualified as low-risk auditee?	Yes

SUMMARY OF PRIOR YEAR'S FINDINGS

Financial statements	None
Federal awards	None