

**SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018**

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Francisco Bay Area Water Emergency Transportation Authority
San Francisco, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of net position as discussed in Note 8B.

This emphasis does not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Pleasant Hill, California
December 3, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (MD&A) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) activities and financial performance provides an introduction to the financial statements of the Authority for the fiscal year ended June 30, 2018. The information presented herein should be considered in conjunction with the accompanying financial statements.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

Statement of Net Position—presents the financial position of the Authority, including assets, deferred outflows, liabilities, deferred inflows and net position. The difference between this statement and the traditional Balance Sheet is that net position (fund equity) is shown as the difference between total assets and total liabilities.

Statement of Activities—presents revenues, expenses and changes in net position for the fiscal year. It differs from the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash inflows and outflows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

ORGANIZATION DESCRIPTION AND BUSINESS

In October 1999, the California state legislature formed the Water Transit Authority (WTA), a regional agency mandated to create a long-term plan for new and expanded water-transit and related services on the San Francisco Bay. Effective January 1, 2008, a new state law, Senate Bill 976, dissolved the WTA and replaced it with the San Francisco Bay Area Water Emergency Transportation Authority (Authority). This new regional agency is responsible for consolidating and operating public ferry services in the Bay Area, planning new service routes, and coordinating ferry transportation response to emergencies or disasters affecting the Bay Area transportation system.

In August 2008, the Authority Board of Directors (Board) adopted the following Mission Statement for the organization:

The San Francisco Bay Area Water Emergency Transportation Authority (Authority) is a regional agency with responsibility to develop and operate a comprehensive Bay Area regional public water transportation system. The Authority shall also provide water transportation services in response to natural or manmade disasters.

At the same time, the Authority Board approved a Vision for how the Authority would pursue its Mission:

Establish and operate a regional ferry system that connects communities, reduces congestion and provides an emergency response capability.

Taken together, the Mission and Vision describe and characterize the Authority's multiple functional roles in the regional transportation network.

In October 2010, the Alameda City Council and the Authority Board adopted the transition agreement for the Alameda/Oakland and Alameda Harbor Bay ferry services. The transition was completed in April 2011, transforming the Authority into a transit operating entity. In October 2011, the Vallejo City Council and the Authority Board adopted the transition agreement for the Vallejo ferry service. Transition of the Vallejo ferry service was completed on July 1, 2012. In addition to operating the three routes transitioned from the cities of Alameda and Vallejo, the Authority initiated its first expansion ferry service to South San Francisco in June 2012.

All ferry services operated by the Authority are collectively branded and marketed as "San Francisco Bay Ferry."

FINANCIAL POSITION SUMMARY

Total net position may serve as a useful indicator of the Authority's financial position. The Authority's assets and deferred outflows exceeded liabilities and deferred inflows by \$363.1 million at June 30, 2018, a \$94.7 million or 35% increase from June 30, 2017.

The following is a summary of the Authority's net position as of June 30, 2018 and 2017 along with a discussion of some of the most significant balances (in thousands):

	<u>2018</u>	<u>2017</u>
Assets:		
Current and other assets	\$129,699	\$154,805
Capital assets	344,458	252,195
Total assets	<u>\$474,157</u>	<u>\$407,000</u>
Deferred Outflows of Resources:		
	<u>\$1,288</u>	<u>\$1,214</u>
Liabilities:		
Current liabilities	\$18,429	\$26,484
Unearned/deferred revenue	93,219	112,421
Other noncurrent liabilities	403	512
Total liabilities	<u>\$112,051</u>	<u>\$139,417</u>
Deferred Inflows of Resources:		
	<u>\$270</u>	<u>\$326</u>
Net Position:		
Invested in capital assets, net of related debt	\$344,458	\$252,195
Restricted	6,460	4,476
Unrestricted	12,206	11,801
Total net assets	<u>\$363,124</u>	<u>\$268,472</u>

The increase in assets was attributed to increase in capital construction in progress and the addition of three new ferry vessels. Deferred outflows related to the Authority's pension and other post-employment benefits (OPEB) activities have also increased as a result of the Authority's pension and OPEB contributions subsequent to the valuation measurement date.

Current liabilities consisted primarily of accounts payable. The decrease was mainly attributed to the decrease in total unpaid vendor invoices as of June 30, 2018 when compared to June 30, 2017. Unearned/deferred revenues consisted primarily of voters approved Proposition 1B (Prop 1B) grant funds. The decrease in Unearned/deferred revenues was due to the reduction in unspent Prop 1B grant receipts. The decrease in Other noncurrent liabilities was due to the decrease in net pension liability.

The largest portion of the Authority's net position (95%) represents its investment in capital assets (i.e., ferries, terminals, improvements, and equipment). These capital assets are used to provide services to its passengers. Net assets invested in capital assets increased by 37% during the year.

An additional portion of the Authority's net position (2%), Restricted net position, represents resources that are subject to external restrictions imposed by grantors and contributors that restrict the use of net assets, increased \$2.0 million during the year. The remaining Unrestricted net position (3%) may be used to meet ongoing obligations.

The Authority adopted the provisions of the Governmental Accounting Standards Board Statement No. 68 (GASB 68) and Statement No. 71 (GASB 71), which became effective during the fiscal year ended June 30, 2015. The implementation of GASB 68 requires the recognition of the Authority's net pension liability measured as of June 30, 2017. Pension contributions made in FY2017/18 are recognized as a Deferred outflow of resources. GASB 68 also requires the recognition of deferred inflows of resources for changes in the Authority's net pension liability that arises from other types of events. As a result, certain June 30, 2018 balances, including Deferred outflow of resource and Deferred inflow of resources, at June 30, 2018 are not comparable to the balances at June 30, 2017.

The Authority adopted the provisions of the Governmental Accounting Standards Board Statement No. 75 (GASB 75), which became effective during the fiscal year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (OPEB). GASB 75 requires the Authority to include the unfunded OPEB liabilities in its financial statements.

FISCAL YEAR 2018 FINANCIAL HIGHLIGHTS

- Fare revenues increased by \$1.8 million or 10% (\$20.4 million in 2018 compared to \$18.6 million in 2017). This was due, in part, to the implementation of year three, of the five year fare program adopted by the Authority Board in September 2014, in which single-ride fares are increased 3% on July 1. The increase in fare revenues was also due to the 7.7% increase in system-wide ridership.
- Operating expenses, before depreciation, increased from \$33.0 million in 2017 to \$38.0 million in 2018, a change of \$5.0 million. This increase was due to the additional costs to support the continuation of the Bay Bridge Forward Ferry Enhancement Program in 2018. The increase was also attributed to the addition of four maintenance engineers to manage and perform routine maintenance on the Authority's fleet of vessels and the increased operating hours for the Harbor Bay ferry service to maintain service capacity when the high-capacity vessel is out for scheduled repairs.
- Non-operating revenues increased from \$14.1 million in 2017 to \$17.6 million in 2018, an increase of \$3.5 million. This increase was mainly due to the following: 1) the additional \$2.9 million operating subsidies to support increased operating expenses, and 2) the \$2.0 million increase in Restricted Net Position.
- Capital contributions received in the form of grants and assistance from the Federal, State, and Local governments increased from \$89.9 million in 2017 to \$105.9 million in 2018. In 2018, the Authority was involved in major projects such as the *Purchase of Three Replacement Vessels*, *Purchase of Five Expansion Vessels*, *Major Component Rehabilitation and Quarter-Life Refurbishment of the M/V Peralta*, *the M/V Solano*, *the M/V Bay Breeze* and *the M/V Taurus*, *Completion of the North Bay Operations* and

Maintenance Facility, Construction of the Central Bay Operations and Maintenance Facility, Construction of the Downtown San Francisco Ferry Terminal Expansion and the Richmond Ferry Terminal.

- Total Assets and Deferred Outflows increased by \$67.2 million (\$475.4 million in 2018 compared to \$408.2 million in 2017) and total Liabilities and Deferred Inflows decreased by \$27.4 million (\$112.3 million in 2018 compared to \$139.7 million in 2017), resulting in an increase of total Net Assets of \$94.6 million (\$363.1 million in 2018 compared to \$268.5 million in 2017).

PROGRAM INITIATIVES AND OUTLOOK

On July 6, 2017, the Authority's Board approved a contract amendment with Power Engineering Construction for an amount of \$48.6 million to complete the Phase Two work of the *Downtown San Francisco Ferry Terminal Expansion* project.

On July 6, 2017, the Authority's Board also approved a motion to support California Senate Bill 595, a regional measure to improve mobility in Bay Area bridge corridors.

On October 5, 2017, the Authority's Board approved a contract award to Bay Ship & Yacht Co. in the amount of \$750,000 for the *Vessel Major Component Rehabilitation – M/V Solano* project.

On December 7, 2017, the Authority's Board approved a contract award to Marine Group Boat Works, LLC for the *Mid-Life Refurbishment Phase II - M/V Peralta* project in the amount of \$4.4 million.

On January 11, 2018, the Authority's Board approved a contract award for an amount not to exceed \$1.2 million to Aurora Marine Design for marine engineering and construction management services to support the implementation of several vessel rehabilitation and refurbishment projects including *Mid-Life Refurbishment Phase II – M/V Peralta*, *Quarter-Life Refurbishment – M/V Scorpio*, and *Mid-Life Refurbishment – M/V Solano*.

On February 8, 2018, the Authority's Board approved a resolution of support for the Regional Measure 3 bridge toll measure to be placed before the voters in the nine San Francisco Bay Area counties at the June 5, 2018 statewide election.

On March 1, 2018, the Authority's Board approved a contract award to Glostten, Inc. in an amount not to exceed \$730,000 for construction management services to support the construction of a new high speed commuter class vessel.

On March 1, 2018, the Authority's Board authorized staff to move forward with an exploratory study, to be conducted by an external consultant, to analyze the possibility of utilizing small vessels as part of the Authority's service.

On June 7, 2018, the Authority's Board approved a contract award to Pacific Power Group in an amount up to \$2.0 million for the purchase of main engine components for the *Mid-Life Refurbishment – M/V Solano* project.

During 2018, the Authority expended \$103.6 million on capital activities. (See Note 4 for further information.) This included the following major projects:

- San Francisco Berthing Expansion – Construction (\$31.0 million).
- Central Bay Operations and Maintenance Facility – Construction (\$29.3 million).
- Purchase of Five Expansion Vessels (\$17.0 million).
- Purchase of Three Replacement Vessels (\$10.1 million).
- Mid-Life Refurbishment – M/V Peralta (\$2.9 million).
- Quarter-Life Refurbishment – M/V Taurus (\$2.3 million).
- Vessel Engine Overhaul – M/V Bay Breeze (\$820,000).
- North Bay Operations and Maintenance Facility – Construction (\$812,000).
- Major Vessel Component Rehabilitation – M/V Solano (\$711,000).

The Authority will continue its efforts to support the management, operation and marketing of the current four San Francisco Bay Ferry routes: Alameda/Oakland to San Francisco, Alameda Harbor Bay to San Francisco, Alameda/Oakland to South San Francisco and Vallejo to San Francisco. Planning and operational work efforts in the coming year will focus on:

- Transition of WETA’s central bay services to the new Central Bay operations and maintenance facility;
- Final service development and launch of the new Richmond Ferry Service;
- Carrying out fleet construction and improvement projects and identifying opportunities to further green our vessel operation;
- Developing and constructing terminal improvements;
- Continued development of plans for new services including completing the Small Vessels Study and working with cities and other partners to plan for future expansion services;
- Continued emergency response training and program development; and
- Review of the Authority’s organizational structure to identify changes that will be required to support the continued growth of the Authority’s service, fleet and facilities.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, creditors and interested parties with a general overview of the Authority's finances. Questions or additional information about these statements should be directed to San Francisco Bay Area Water Emergency Transportation Authority, at 9 Pier, Suite 111, San Francisco, CA 94111.

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SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

Current Assets	
Cash and cash equivalents (Note 3)	\$114,836,182
Receivables:	
Accounts	11,261,434
Interest	152,985
Security deposit	78,722
Inventory	325,983
Prepaid expenses	2,997,269
Net OPEB Asset (Note 10)	<u>46,000</u>
Total Current Assets	<u>129,698,575</u>
Capital assets, net of accumulated depreciation (Note 4):	
Construction in progress	165,289,599
Depreciable capital assets, net	
Ferries	106,230,223
Terminal development rights	3,061,137
Floats, piers and gangways	11,218,333
Ferry terminal and facilities	58,335,624
Equipment and service vehicles	<u>323,532</u>
Total Capital Assets	<u>344,458,448</u>
Total Assets	<u>474,157,023</u>

DEFERRED OUTFLOWS OF RESOURCES

Related to pensions (Note 9)	1,199,936
Related to OPEB (Note 10)	<u>88,000</u>
Total Deferred Outflows of Resources	<u>1,287,936</u>

LIABILITIES

Current Liabilities	
Accounts payable	14,689,689
Other accrued liabilities	3,415,659
Unearned revenue - fares	181,815
Compensated absences (Note 2C)	<u>141,894</u>
Total Current Liabilities	<u>18,429,057</u>
Noncurrent Liabilities	
Compensated absences (Note 2C)	105,544
Unearned revenue - State Appropriation (Note 5A)	2,324,522
Unearned revenue - Prop 1B (Note 5C)	90,894,545
Collective net pension liability (Note 9)	<u>296,963</u>
Total Noncurrent Liabilities	<u>93,621,574</u>
Total Liabilities	<u>112,050,631</u>

DEFERRED INFLOWS OF RESOURCES

Related to pensions (Note 9)	255,933
Related to OPEB (Note 10)	<u>14,000</u>
Total Deferred Inflows of Resources	<u>269,933</u>

NET POSITION (Note 8)

Net investment in capital assets	344,458,448
Restricted	6,459,809
Unrestricted	<u>12,206,138</u>
Total Net Position	<u>\$363,124,395</u>

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES

Farebox revenue	\$20,403,076
Total Operating Revenues	20,403,076

PROGRAM OPERATING EXPENSES

Personnel costs	2,204,605
Administrative expenses	6,797,823
Legal and consulting	2,053,884
Purchased transportation	25,912,394
Insurance premiums	1,028,810
Depreciation (Note 4)	11,384,144
Total Program Operating Expenses	49,381,660

OPERATING LOSS (28,978,584)

NONOPERATING REVENUES (EXPENSE)

Intergovernmental receipts	17,461,772
Other revenue	156,186
Total Nonoperating Revenues	17,617,958

CAPITAL GRANTS 105,906,865

CHANGE IN NET POSITION 94,546,239

NET POSITION - BEGINNING AS RESTATED (Note 8B) 268,578,156

NET POSITION - ENDING \$363,124,395

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$20,494,501
Payments to vendors and consultants	(43,681,685)
Payments to or on behalf of employees	<u>(2,406,660)</u>
Net cash flows from (used for) operating activities	<u>(25,593,844)</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Intergovernmental collections	<u>22,325,653</u>
Net cash flows from noncapital and related financing activities	<u>22,325,653</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant receipts used for capital activities	86,704,872
Payments for capital assets	<u>(103,647,845)</u>
Net cash flows from (used for) capital and related financing activities	<u>(16,942,973)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest payments	<u>(91,432)</u>
Net cash flows from (used for) investing activities	<u>(91,432)</u>
Net cash flows	(20,302,596)

Cash and cash equivalents- beginning of year	<u>135,138,778</u>
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Cash and cash equivalents - end of year	<u><u>\$114,836,182</u></u>
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Reconciliation of operating loss to net cash flows from operating activities:

Operating loss	(\$28,978,584)
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Depreciation	11,384,144
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Change in assets and liabilities:

Security deposits	(109)
Prepaid expenses	234,167
Net OPEB asset	61,000
Accounts payable	(10,963,595)
Other accrued liabilities	2,779,763
Unearned fares	91,425
Compensated absences	16,342
Net Pension Liability	(88,872)
Deferred outflows/inflows	<u>(129,525)</u>

Net cash flows used for operating activities	<u><u>(\$25,593,844)</u></u>
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See accompanying notes to financial statements

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**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1 – REPORTING ENTITY

The San Francisco Bay Area Water Emergency Transportation Authority (Authority) is the regional water transportation planning and operating agency for the San Francisco Bay Area. It was established by the California State Legislature on October 14, 2007. The Authority was designated by the State Legislature to plan and operate new and existing Alameda and Vallejo ferry services and coordinate the emergency activities of all water transportation and related facilities within the Bay Area region.

The Authority is governed by a Board of Directors comprised of appointees from the California State Governor’s Office, the State Assembly, and the State Senate subcommittees. The Board, consisting of 5 members, is responsible for general operations of the Authority, reviewing and approving the annual budget, approving future contractual agreements with vendors, and appointment of the Executive Director.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform with generally accepted accounting principles applicable to governments. The following is a summary of the significant policies:

A. *Basis of Presentation*

The Authority’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary entity (the Authority). These statements include the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority’s business-type activities. Program Operating Expenses are those that are specifically associated with a program or function. Nonoperating Revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as Nonoperating Revenues are presented as Operating Revenues.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

The Authority uses an enterprise fund format to report its activities for financial statement purposes. The Authority's financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Grant reimbursements are recognized in the period the grant expenditures are made. Expenditures in excess of reimbursement are recorded as receivables if allowable under the grant, while excess reimbursements are recorded as deferred revenues.

C. Compensated Absences

Compensated absences comprise vacations and administration leave and are recorded as an expense when earned. The accrued liability for unused compensated absences is computed using current employee pay rates. Sick pay does not vest and is not accrued.

The changes in compensated absences were as follows:

Balance at June 30, 2017	\$231,096
Additions	193,512
Payments	<u>(177,170)</u>
Balance at June 30, 2018	247,438
Due within one year	<u>141,894</u>
Due in more than one year	<u><u>\$105,544</u></u>

D. Estimates

The Authority's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

F. Implementation of New GASB Pronouncements

GASB Statement No. 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement required the restatement of net position and additional footnote disclosures as noted in Notes 8B and 10.

GASB Statement No. 81 – Irrevocable Split-Interest Agreements. This 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, this 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. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement had no significant effect on the financial statements.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 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]). This Statement had no significant effect on the financial statements.

GASB 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. This Statement had no significant effect on the financial statements.

NOTE 3 - CASH AND INVESTMENTS

A. Carrying Amount and Fair Value

Cash and investments are recorded at fair value, which is the same as fair market value. The Authority’s cash and investments were composed of cash in banks and the California Local Agency Investment Fund (LAIF), each of which is described below.

Cash and investments comprised of the following at June 30, 2018:

Investment Type	Total
California Local Agency Investment Fund	\$11,127,412
<i>Held by Trustees:</i>	
Money Market Mutual Fund	103,389,348
Total Investments	114,516,760
Cash in banks and on hand	319,422
Total Cash and investments	\$114,836,182

The California Local Agency Investment Fund (LAIF) and money market mutual funds are exempt from the fair value hierarchy.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by the Authority

The California Government Code allows the Authority to invest in the following types of investments.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 years	N/A	No Limit	No Limit
U.S. Government Agency Securities and U.S. Government Sponsored Enterprise Agencies	N/A	N/A	No Limit	No Limit
State Local Agency Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Obligations	5 years	N/A	No Limit	No Limit
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Non-negotiable Certificates of Deposit	5 years	N/A	No Limit	No Limit
Mutual Funds and Money Market Mutual Funds	N/A	Highest	20%	10%
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper - Pooled Funds	270 Days	A/A-1	40%	10%
Commercial Paper - Non-Pooled Funds	270 Days	A/A-1	25%	10%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$65,000,000 per account	\$65,000,000 per account
Local Agency Bonds	5 years	N/A	No Limit	No Limit
Placement Service Deposits	5 years	N/A	30%	No Limit
Placement Service Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	No Limit	No Limit
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	N/A	20%	No Limit
Medium-Term Notes	5 years	A	30%	No Limit
Collateralized Bank Deposits	5 years	N/A	No Limit	No Limit
Mortgage Pass-Through Securities	5 years	AA	20%	No Limit
County Pooled Investment Funds	N/A	N/A	No Limit	No Limit
Joint Powers Authority Pool	N/A	Multiple	No Limit	No Limit
Voluntary Investment Program Funds	N/A	N/A	No Limit	No Limit
Supranational Obligations	5 years	AA	30%	No Limit

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of the Authority's investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments in the LAIF investment pool, and the money market mutual funds, is approximately 193 and 45 days, respectively.

D. *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment fails to fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of year end, the money market mutual funds were rated AAAM by S&P. LAIF is not rated by a nationally recognized statistical rating organization.

E. *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority may not be able to recover its deposits or may not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 110% to 150% of the Authority's cash on deposit. All of the Authority's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the Authority's name.

F. *Local Agency Investment Fund*

The Authority is a voluntary participant in LAIF. LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The carrying value of LAIF approximates fair value.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 4 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation expense is calculated on the straight line method over the estimated useful lives of assets, which are as follows:

Ferries	25 years
Ferry Terminal/Facilities	50 years
Terminal Development Rights	55 years

Capital assets activity was as follows for the year ended June 30, 2018:

	Balance as of June 30, 2017	Additions	Transfers/ Adjustments	Balance as of June 30, 2018
Capital assets not being depreciated:				
Construction in progress	\$131,690,503	\$103,647,845	(\$70,048,749)	\$165,289,599
Total assets not being depreciated	131,690,503	103,647,845	(70,048,749)	165,289,599
Capital assets being depreciated:				
Ferries	111,994,707		35,480,544	147,475,251
Terminal development rights	3,660,000			3,660,000
Floats, piers and gangways	15,676,990			15,676,990
Ferry terminal and facilities	30,458,586		34,541,117	64,999,703
Equipment and service vehicles	1,541,430		27,088	1,568,518
Total assets being depreciated	163,331,713		70,048,749	233,380,462
Less accumulated depreciation for:				
Ferries	(32,673,330)	(8,571,698)		(41,245,028)
Terminal development rights	(532,317)	(66,546)		(598,863)
Floats, piers and gangways	(3,410,430)	(1,048,227)		(4,458,657)
Ferry terminal and facilities	(5,045,572)	(1,618,507)		(6,664,079)
Equipment and service vehicles	(1,165,820)	(79,166)		(1,244,986)
Total accumulated depreciation	(42,827,469)	(11,384,144)		(54,211,613)
Net capital assets being depreciated	120,504,244	(11,384,144)	70,048,749	179,168,849
Capital Assets, Net	\$252,194,747	\$92,263,701		\$344,458,448

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 5 – MAJOR FUNDING SOURCES

A. State Appropriation

In October 1999, the California State legislature formed the Water Transit Authority (WTA) and received a single \$12,000,000 appropriation as initial funding for the study and planning of water transportation services in the San Francisco Bay. On October 14, 2007, Senate Bill stated that WTA funds will be transferred to the Authority. As of June 30, 2018, the appropriation has a balance as follows:

Original appropriation	\$12,000,000
Net expenses as of June 30, 2018	<u>(9,708,153)</u>
Unearned appropriation as of beginning of period	2,291,847
Fiscal year 2018:	
Interest income	<u>32,675</u>
Unearned appropriation as of period end	<u><u>\$2,324,522</u></u>

B. Bridge Tolls

Regional Measure 1 (RM1) - In November 1988, Bay Area voters approved Regional Measure 1 (RM1), which authorized a standard auto toll of \$1 for all seven state-owned Bay Area toll bridges. The additional revenues generated by the toll increase were identified for use for congestion-relieving transit operations and capital projects in the bridge corridors. The Authority receives the portion of RM1 funding intended for transit operation and ferry capital projects. As of June 30, 2018, the Authority expended a total of \$607,147 for capital. The Authority received \$502,955 in cash and had a receivable balance of \$104,192.

Regional Measure 2 (RM2): On March 2, 2004, voters passed Regional Measure 2 (RM2), raising the toll on the seven State-owned toll bridges in the San Francisco Bay Area by \$1.00. This extra dollar is to fund various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916 (Chapter 715, Statutes of 2004). Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding. The Authority was allocated \$18,300,000 to be used for operations in the fiscal year 2017-18. As of June 30, 2018, the Authority has expended total current allocated operating funds of \$17,461,772 and an additional \$17,668,670 of current and previously allocated capital funds. The Authority received \$27,728,442 in cash and had a receivable balance of \$7,402,000.

AB664 is named for the 1975 enabling legislation that established the reserves. Funds are collected from the Dumbarton, San Mateo-Hayward and San Francisco-Oakland Bay bridges and are used to fund capital projects that further the development of public transit in the vicinity of the bridges. Most AB 664 funding is programmed to various transit agencies as a match for federal funds to cover the cost of replacing buses and improving capital facilities. As of June 30, 2018, the Authority had expended total allocated funds of \$1,501,435, had received \$683,487 in cash and had a receivable balance of \$817,948.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

C. Proposition 1B (CTSGP-RPWT) Projects

Pursuant to State Proposition 1B, the Authority is the eligible recipient of funds from the California Transit Grant Program, Regional Public Waterborne Transit (CTSGP-RPWT) for public transportation ferries and related facilities and services and emergency water transportation disaster recovery within the Bay Area region. As of June 30, 2018, the Authority had been awarded \$245 million in Proposition 1B allocations.

Assembly Bill 1203 (AB 1203), chaptered into law on October 11, 2009, provided clarifying language that allow the Authority to receive all awarded Proposition 1B allocations not previously invoiced or paid and as of April 2010, the Authority received \$44,679,939. The Authority received an additional \$25 million in fiscal year 2010-11 and \$50 million in the fiscal year ended June 30, 2014, \$25 million in fiscal year June 30, 2017 and \$45 million in fiscal year ended June 30, 2018. Unspent grant receipts have been reported as unearned revenue in the accompanying financial statements.

A summary of the Authority's Proposition 1B projects for the fiscal year ended June 30, 2018 are as follows:

Project Name	Grant Allocations	Interest Applied	Expended in Fiscal Year		Unearned Revenue at 06/30/18
			Prior years	2017-2018	
Preliminary Studies & Bridging Design of Redwood City, Richmond, Antioch and Martinez	\$2,299,792		\$2,299,792		
Final Design for Berkeley and Hercules Terminals	220,519		220,519		
South San Francisco Terminal and Vessel Construction	9,617,037		9,317,037		
Maintenance Barge/Facility and Emergency Floats	5,686,442		5,686,442		
Central Bay and North Bay Maintenance Facilities	80,176,210	\$171,304	(41,610,307)	(\$30,103,621)	\$8,633,586
San Francisco Berthing Expansion	68,500,000	149,377	(7,778,194)	(14,257,008)	46,614,175
WETA Ferry Vessels	62,500,000		(22,902,170)	(14,278,671)	25,319,159
East Bay Ferry Terminals	16,000,000		(695,021)	(6,068,426)	9,236,553
Total	\$245,000,000	\$320,681	(\$55,461,902)	(\$64,707,726)	89,803,473
Add interest earned in prior years					673,879
Add interest earned in current year					737,874
Less interest applied to projects					(320,681)
Unearned Revenues					\$90,894,545

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

D. Measure B and Measure BB Programs

Measure B was approved by the voters of Alameda County in 2000. This measure authorized a half-cent transportation sales tax to finance improvements to the County’s mass transit and road improvements. Measure B funds are to be collected for a duration of 20 years; sales tax collection began on April 1, 2002 and will extend through March 31, 2022.

On November 4, 2014, the voters of Alameda County approved Measure BB, authorizing Alameda County Transportation Commission (CTC) to administer the proceeds from the extension of an existing one-half of one percent transaction and use tax scheduled to terminate on March 31, 2022 and the augmentation of the tax by one-half of one percent. The duration of the tax will be for 30 years from the initial year of collection, expiring on March 31, 2045. The tax proceeds will be used to pay for investments outlined in the 2014 Alameda County Transportation Expenditure Plan (2014 TEP).

The Authority uses Measure B and Measure BB funds for the maintenance and operations of the Alameda ferry services. During the fiscal year ended June 30, 2018, the Measure B and Measure BB program activity was as follows:

	<u>Measure B</u>	<u>Measure BB</u>
Program Revenues:		
Direct Local Program Distribution Allocation	\$1,122,020	\$729,401
Interest Earned - Measure B/BB Distribution	8,048	2,577
Total Measure B/BB Revenues	<u>1,130,068</u>	<u>731,978</u>
Program Expenditures:		
Construction / Capital:		
Mid-Life refurbishment - M/V Peralta	(586,075)	
Total Direct Local Distribution Program Expenditures	<u>(586,075)</u>	
Revenue Over Expenditures/ Excess Net Change in Fund Balance	<u>543,993</u>	<u>731,978</u>
Fund Balance:		
Beginning Fund Balance	942,696	104,279
Ending Fund Balance	<u>\$1,486,689</u>	<u>\$836,257</u>
Reserves:		
Restricted for Measure B and Measure BB programs and projects	<u>\$1,486,689</u>	<u>\$836,257</u>
Unspent Funds as of the End of the Year:	<u>\$1,486,689</u>	<u>\$836,257</u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

E. *Low Carbon Transit Program*

The Low Carbon Transit Operations Program (LCTOP) was created by California Senate Bill 862 to provide funding for operational or capital expansion projects to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. The LCTOP funds are derived from California’s Cap-and-Trade Program and are the results of quarterly auctions of emission credits for greenhouse gas emitters regulated under Assembly Bill 32. The State Controller’s Office allocates five percent of the annual auction proceeds to the LCTOP and distributes these funds to transit operators on a formula basis. As of June 30, 2018, the Authority received an allocation from the FY16/17 program to support the construction of two new Richmond ferry vessels.

Prior Year Program Unearned Revenue	\$264,815
Allocation - FY16/17 Program	122,301
Less bank fees as of 6/30/18	(175)
Program Expenditures	(386,941)
Unearned Revenues	\$0

NOTE 6 – LEASE OBLIGATION

A. *Port of San Francisco*

The Authority and Port of San Francisco entered into a lease agreement on December 1, 2011. The agreement allows the Authority to lease three parcels for office space, nonexclusive apron space and the exclusive use of lay berth area for ferry berthing. The annual lease payment is \$244,170 and each parcel amount is subject to a 3% annual adjustment with a minimum adjustment of \$0.01 (1 cent). On September 29, 2016 the Authority and the Port of San Francisco entered into a new lease extending the original lease by 5 years. It expires November 30, 2021. The annual lease payment is \$341,517, and each parcel is subject to a 3% annual adjustment with a minimum adjustment

B. *Lennar Mare Island, LLC*

The Authority and Lennar Mare Island entered into a lease agreement on April 22, 2013. The agreement allows the Authority to lease facilities for the purposes of continued ferry maintenance operations at the Temporary Ferry Facility Area and Permanent Ferry Facility Area. The Authority is obligated to make monthly payments for the Temporary Ferry Facility Area and Permanent Ferry Facility Area of \$9,000 and \$2,500, respectively. The Permanent Ferry Facility Area shall increase the monthly base rent by 2.5% over the prior year’s base rent amount on an annual basis. The lease expires after 50 years.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 6 – LEASE OBLIGATION (Continued)

C. City of Alameda

The Authority and the City of Alameda entered into a lease agreement on February 15, 2015. The agreement allows the Authority to lease facilities for the Central Bay Operations and Maintenance Facility. The Authority is obligated to make monthly base rent payments equal to \$5,125, adjusted annually by the Consumer Price Index Rent Adjustment, and expires after 60 years.

D. City of Richmond

The Authority and the City of Richmond entered into a lease agreement on August 24, 2017. The agreement allows the Authority to lease landside and waterside facilities for the Richmond ferry service. The Authority is obligated to make an annual base rent payment of \$1. The lease expires on August 31, 2017.

NOTE 7 – RISK MANAGEMENT

The Authority purchased the following insurance policy coverage at June 30, 2018:

<u>Type of Coverage</u>	<u>Limit</u>	<u>Deductible</u>
General liability	\$1,000,000 to 3,000,000	\$2,500
Workers compensation	1,000,000	N/A
Public officials management & Employment practices liability	3,000,000	15,000 to 25,000
Crime Insurance	1,000,000	2,500
 <u>Type of Coverage (related to Ferry Services)</u>		
Marine commercial liability, Terminal operators liability and Auto liability	\$1,000,000 to 3,000,000	\$2,500
Docks, pilings & ramps Pier 9, Harbor Bay, Alameda Main Street, Vallejo, Vallejo Ferry Ticket Office, South San Francisco Terminal, North Bay Operations and Maintenance Facility, Mare Island Terminals and Oakland Clay Street	86,407,500	10,000 to 250,000
Excess marine liability	24,000,000	N/A

The Authority did not have any claims in fiscal year 2018.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 8 – NET POSITION

A. Net Position

Net Position is the excess of all the Authority's assets and deferred outflows of resources over all its liabilities and deferred inflows, regardless of fund. The Authority's Net Position is reported under the captions described below:

Net Investment in Capital Assets is the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes unexpended Measure B revenues, unexpended Measure BB revenues and Alameda Local Property Tax/Assessments.

Unrestricted describes the portion of Net Position which may be used for any Authority purpose.

B. Net Position Restatements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*, which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the Authority to make prior period adjustments. As a result, the beginning net position of the Business-Type Activities was restated and reduced by \$107,000.

NOTE 9 – PENSION PLAN

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 the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Authority’s Miscellaneous Employee Pension Rate Plan. The Authority’s Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan, which is administered by the California Public Employees’ Retirement System (CalPERS). The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 Public Employees’ Retirement Law.

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.0% - 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.110%	6.533%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. In fiscal year 2018, the Authority made a lump sum payment totaling \$335,500 for the unfunded liability and side fund.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

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 shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority’s is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
	Tier I & Tier II
Contributions - employer	\$516,162
Contributions - employee (paid by employer)	131,404

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

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 the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2018, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$296,963
Total Net Pension Liability	\$296,963

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.0111%
Proportion - June 30, 2017	0.0075%
Change - Increase (Decrease)	<u>-0.003567%</u>

For the year ended June 30, 2018, the Authority recognized a negative pension expense of \$516,712. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made after the measurement date	\$516,162	
Differences between actual and expected experience	1,811	\$25,953
Changes in assumptions	224,761	17,138
Net differences in actual contributions and proportionate contributions	406,370	
Net differences between projected and actual earnings on pension plan investments	50,832	
Adjustments due to changes in proportion		212,842
Total	<u>\$1,199,936</u>	<u>\$255,933</u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

Deferred outflows of \$516,162 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous	
Year Ended June 30	Annual Amortization
2019	\$198,427
2020	152,288
2021	107,309
2022	(30,183)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

Change of Assumptions – In 2017 the accounting discount rate reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each 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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 9 – PENSION PLAN (Continued)

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 geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of 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:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$1,037,841
Current Discount Rate	7.15%
Net Pension Liability	\$296,963
1% Increase	8.15%
Net Pension Asset	(\$316,645)

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

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS

A. General Information about the Authority’s Other Post Employment Benefit (OPEB) Plan

Plan Description – The Authority’s Post Employment Benefit Plan San Francisco Bay Area Water Emergency Transportation Authority Retiree Healthcare Plan is an agent multiple-employer defined benefit OPEB plan. By Board resolution, the Authority provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans.

Benefits Provided – The Authority pays the minimum of PEMHCA community rated plans for retired employees’ medical premiums, in which the benefits continue to the surviving spouse. The Authority will also provide a longevity stipend for retired employees who have at least 10 years of service, by paying up to the PERSC are single premium for single coverage only.

For the year ended June 30, 2018, the Authority’s contributions to the Plan were \$88,000.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2017:

Active plan members	13
Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	1
Total	16

B. Net OPEB Liability

Actuarial Methods and Assumptions – The Authority’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward using standard update procedures to determine the Authority’s total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	6.75%
Long-Term Net Rate of Return	6.75%
Inflation	2.75%
Payroll Growth	3.00%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 experience study
Mortality Improvement	Scale MP-2017
	-Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
	-Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Medical Trend	

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which 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	Long-Term Expected Real Rate of Return
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that City 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 and beneficiaries. 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.

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2017	\$571,000	\$484,000	\$87,000
Changes Recognized for the Measurement Period:			
Service cost	67,000		67,000
Interest	44,000		44,000
Benefit changes			
Difference between expected and actual experience			
Changes of assumptions			
Contributions from the employer		194,000	(194,000)
Net investment income		50,000	(50,000)
Benefit payments and refunds	(10,000)	(10,000)	
Administrative expenses			
Net Changes	<u>101,000</u>	<u>234,000</u>	<u>(133,000)</u>
Balance at June 30, 2018	<u>\$672,000</u>	<u>\$718,000</u>	<u>(\$46,000)</u>

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued plan financial report that may be obtained from CERBT. The benefit payments and refunds include implied subsidy benefit payments in the amount of \$7,000.

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
\$54,000	(\$46,000)	(\$128,000)

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
Decrease -1%	Current Healthcare Cost Trend Rates	Increase +1%
(\$145,000)	(\$46,000)	\$78,000

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$75,000. At June 30, 2018, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$88,000	
Difference between expected and actual experience		
Changes in assumptions		
Net difference between projected and actual earnings on plan investments		(\$14,000)
Total	\$88,000	(\$14,000)

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

The \$88,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Measurement Period Ended June 30	Annual Amortization
2019	(\$3,000)
2020	(3,000)
2021	(3,000)
2022	(5,000)

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Authority participates in Federal and State and local grant programs. These programs have been audited by the Authority’s independent auditors, in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Authority expects such amounts, if any, to be immaterial.

At June 30, 2018, the Authority had made commitments for the following projects:

Mid-Life Refurbishment - M/V Peralta	\$1,969,943
Purchase Replacement Vessel - MV Vallejo	8,463,818
Purchase Two Expansion (Waterjet) Vessels	23,816,352
Purchase Two Expansion (Propeller) Vessels	4,615,770
Purchase New Commuter Class High-Speed Vessel	121,265
Terminal Dredging - Vallejo and South San Francisco Terminals	153,984
Central Bay Operations & Maintenance Facility	2,474,281
Richmond Ferry Terminal	8,504,125
San Francisco Downtown Ferry Terminal Expansion	43,871,377
Total	\$93,990,915

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REQUIRED SUPPLEMENTARY INFORMATION

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan

As of fiscal year ending June 30, 2018

Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's Proportion of the Net Pension Liability/Asset	0.010204%	0.016026%	0.011107%	0.007533%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$748,940	\$439,655	\$385,835	\$296,963
Plan's Covered Payroll	\$1,217,627	\$1,363,751	\$1,453,752	\$1,597,597
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	61.51%	32.24%	26.54%	18.59%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.15%	79.89%	75.87%	75.39%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Fiscal Year Ended:				
Actuarially determined contribution	\$222,396	\$434,477	\$391,333	\$516,162
Contributions in relation to the actuarially determined contributions	(222,396)	(434,477)	(391,333)	(516,162)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$1,363,751	\$1,453,752	\$1,597,597	\$1,744,351
Contributions as a percentage of covered payroll	16.31%	29.89%	24.50%	29.59%

Notes to Schedule

Valuation date:

6/30/2013

6/30/2014

6/30/2015

6/30/2016

Methods and assumptions used to determine contribution rates:

	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment rate of return	7.5%, net of pension plan investment and administrative expenses, including inflation 55 yrs. Misc., 62 yrs. Tier 2	7.5%, net of pension plan investment and administrative expenses, including inflation 55 yrs. Misc., 62 yrs. Tier 2	7.65%, net of pension plan investment and administrative expenses, including inflation 55 yrs. Misc., 62 yrs. Tier 2	7.15%, net of pension plan investment and administrative expenses, including inflation 55 yrs. Misc., 62 yrs. Tier 2
Retirement age	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale A.A.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale A.A.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.
Mortality				

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
For the Year Ended June 30, 2018

Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB)

Measurement period	June 30, 2017
Total OPEB liability	
Service cost	\$67,000
Interest	44,000
Benefit changes	
Differences between expected and actual experience	
Assumption changes	
Benefit payments	(10,000)
Changes of benefit terms	
	101,000
Net change in total OPEB liability	101,000
Total OPEB liability - beginning	571,000
Total OPEB liability - ending (a)	\$672,000
OPEB fiduciary net position	
Contributions - employer	\$194,000
Contributions - employee	
Net investment income	50,000
Benefit payments	(10,000)
Administrative expense	
Other changes	
	234,000
Net change in plan fiduciary net position	234,000
Plan fiduciary net position - beginning	484,000
Plan fiduciary net position - ending (b)	\$718,000
Plan net OPEB liability (asset) - ending (a) - (b)	(\$46,000)
Plan fiduciary net position as a percentage of the total OPEB liability	106.85%
Covered-employee payroll	\$1,598,000
Plan net OPEB liability as a percentage of covered-employee payroll	N/A

*Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

**SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

For the Year Ended June 30, 2018

Last Ten Fiscal Years *
Other Post-Employment Benefits (OPEB)

	2017-18
Actuarially determined contribution	\$74,000
Contributions in relation to the actuarially determined contribution	88,000
Contribution deficiency (excess)	(\$14,000)
Covered-employee payroll	\$1,746,000
Contributions as a percentage of covered-employee payroll	5.04%

*Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
	Investment gains and losses spread over 5- year rolling period
Actuarial Value of Assets	Not less than 80% not more than 120% of the Market Value of Assets
Discount Rate	6.75%
General Inflation	2.75%
Aggregate Payroll Increases	3.00%
	Non-Medicare - 7.0% for 2017/18, decreasing to an ultimate rate of 5.5% in 2020/21
	Medicare - 7.2% for 2017/18, decreasing to an ultimate rate of 5.6% in 2020/21
Medical Trend	
Mortality, Retirement, Termination & Disability	CalPERS 1997-2011 experience study
Mortality Improvement	Scale MP-2017

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