SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Report on the Financial Statements

Opinion

We have audited the accompanying financial statement of the business-type activities of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2022, but did not have a material effects on the financial statements as discussed in Note 2F and 6 to the financial statements:

Statement No. 87 – *Leases*

The emphasis of this matters does not constitute a modification to our opinions.

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 is the responsibility of management and 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 November 28, 2022, 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 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 the effectiveness of the Authority's 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.

Maze + Associates

Pleasant Hill, California
November 28, 2022

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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, 2022. The information presented herein should be considered in conjunction with the accompanying financial statements and notes.

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 OPERATIONS

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. On 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 regional transportation 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 June 2016, 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 water transportation system for the Bay Area. The Authority shall also coordinate water transportation services in response to natural disasters and transportation disruptions.*

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

> *The San Francisco Bay Area Water Emergency Transportation Authority develops, operates, and manages an expanded and enhanced region-wide ferry system that provides a reliable, state-of-the-art and attractive transportation option for the Bay Area and plays a critical role in coordinating and providing water transportation to serve emergency response and economic recovery needs.*

Taken together, the Mission and Vision Statements describe and characterize the Authority's multiple functional roles in the regional transportation network. Under the *San Francisco Bay Ferry* brand, the Authority is responsible for carrying over 1.4 million passengers annually utilizing a fleet of 16 high speed passenger-only ferry vessels. San Francisco Bay Ferry currently serves the cities of Alameda, Oakland, Richmond, San Francisco, South San Francisco, and Vallejo.

FINANCIAL POSITION SUMMARY

Total net position may serve as a useful indicator of the Authority's financial position when taking all assets and liabilities into account. The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows by $474 million on June 30, 2022, a less than 0.08% decrease from June 30, 2021.

The chart below summarizes the Authority's net position as of June 30, 2022 and compares it to the prior year. A discussion of some of the most significant balances follows the chart.

Change in Net Position

(in thousands)

	2022	2021
Assets:		
Current and other assets	$42,242	$42,788
Capital assets	443,248	447,943
Total assets	$485,491	$490,731
Deferred Outflows of Resources:	$1,797	$703
Liabilities:		
Current liabilities	$8,874	$4,995
Unearned/deferred revenue	4,637	10,618
Other noncurrent liabilities	204	1,051
Total liabilities	$13,715	$16,664
Deferred Inflows of Resources:	($381)	$444
Net Position:		
Net investment in capital assets	$443,248	$447,943
Restricted	11,857	9,606
Unrestricted	18,848	16,776
Total net position	$473,954	$474,325

The assets and deferred outflows totaled $487.3 million on June 30, 2022, consisting of $42.2 million in current assets such as cash and receivables, $443 million in capital assets, and $1,797 in pension and other post-employment benefits (OPEB)-related deferred outflows.

Net assets were essentially unchanged year over year with changes in assets and liabilities essentially matching each other. Year-end changes in Deferred Outflows and Inflows of Resources are related to investment losses in Authority funds set up to pay longevity stipends and other pension liabilities. Current liabilities increased due to timing of year end pending invoices on June 30th. These liabilities are resolved in the weeks following the close of the fiscal year.

The largest portion of the Authority's net position (94%) represents its investment in capital assets (i.e., ferries, terminals, improvements, and equipment). These capital assets are used to provide services to passengers Agency. A small (1%) decrease in capital assets are the result of the change caused by depreciation (which decreases values) and additional assets (one new ferry added to the fleet). Construction in progress also decreased over the prior year further reducing overall capital assets.

Within the Authority's net position are restricted assets, which represents resources that are subject to external restrictions imposed by grantors and contributors, which increased by $2.3 million during the year. The remaining unrestricted net position, $18.8 million, are unencumbered and may be used to meet future obligations.

Notes to the Basic Financial Statements

The notes to the basic financial statements, which follow the statements themselves in this document, provide additional information that is essential to a full understanding of the financial data provided in the financial statements. They include further description of important elements of the Authority's financial statements and implementation of new accounting standards as required by the Governmental Accounting Standards Board. Over the past several years, the Authority has implemented a number of new GASB statements related to employee pension and other post-employment benefits, referred to as OPEB. Those statements have resulted in significant pension and OPEB information reflected in the statements and notes and in the Authority's decision to create trust funds to address those obligations.

FISCAL YEAR 2022 FINANCIAL HIGHLIGHTS

The following table summarizes the Statement of Activities and the change in Net Position of governmental activities, for the year ended June 30, 2022, as compared to June 30, 2021:

Statement of Activities and Changes In Net Position
(in thousands)

	2022	2021	Favorable/ (Unfavorable) Change From 2021
Operating revenues	$8,232	$1,936	$6,296
Operating expenses	(47,392)	(33,905)	(13,486)
Loss before depreciation and other non-operating revenues and expenses	(39,160)	(31,969)	(7,191)
Depreciation	(18,241)	(18,362)	121
Operating loss	(57,401)	(50,331)	(7,070)
Other non-operating revenues and expenses, net	41,232	28,013	13,219
Loss before capital contribution	(16,168)	(22,318)	6,149
Capital contributions	15,797	27,577	(11,780)
Change in Net Position	(372)	5,259	(5,631)
Net Position, beginning	474,325	469,067	5,259
Net Position, ending	$473,954	$474,325	($372)

Revenues

A summary of revenues for the year ended June 30, 2022, and the amount of change in relation to prior year amounts (in thousands) is as follows:

	2022	2021	Increase/ (Decrease) From 2021
Operating Revenues:			
Alameda Harbor Bay Ferry Service	$453	$0	$453
Alameda / Oakland Ferry Service	2,430	545	1,886
Vallejo Ferry Service	4,048	1,256	2,792
South San Francisco Ferry Service	88	-	88
Richmond Ferry Service	605	135	470
Seaplane Lagoon	608	-	608
Total operating revenues	$8,232	$1,936	$6,296
Non-operating Revenues:			
Operating assistance	$41,131	$31,822	$9,309
Investment / Interest Income	27	71	(44)
Non-Transportation Revenue	75	-	75
Total non-operating revenues	41,232	31,893	9,340
Capital contributions:	15,797	27,577	(11,780)
Total Revenues	$65,261	$61,405	$3,856

- Revenue generated from operations (farebox revenue) increased significantly by $6.3 million or 325% from the prior year as the Authority experienced some return to ridership following two years of pandemic reductions.

- Non-operating revenues increased by $9.3 million or 29%. This increase was attributed to the increased reliance on Federal assistance to support operations due to ridership and fare revenue decreases brought on by continued impacts of the COVID-19 pandemic.

- Capital grants and contributions from Federal, State, and Local governments decreased by $11.8 million, or 43% attributed primarily to an overall reduction capital activities and specific delays in vessel construction projects brought on by the pandemic.

Expenses

The chart below shows a summary of expenses for the year ended June 30, 2022 by category related to the Bay Ferry service and management of that service. It also shows the change in relation to prior year amounts (in thousands). The chart excludes depreciation and other financial statement required adjustments in order to provide a table that is comparable to the revenue table.

	2022	2021	Increase/ (Decrease) From 2021
Operating Expenses:			
Alameda Harbor Bay Ferry Service	$4,225	$1,683	$2,542
Alameda / Oakland Ferry Service	10,602	8,546	2,056
Vallejo Ferry Service	17,769	15,549	2,220
South San Francisco Ferry Service	2,548	1,333	1,215
Richmond Ferry Service	7,250	4,157	3,093
Seaplane Lagoon Ferry Service	4,493	124	4,370
Planning & Administration	2,550	2,367	183
Total Operating Expenses	**$ 49,438**	**$ 33,758**	**$ 15,679**

Total operating expenses, before depreciation, increased by $15.7 million, or 46%, over the prior year as a result of a number of factors: an increase in service starting July 1 as part of the Authority's Pandemic Recovery Program, a full year of service to South San Francisco, significant increases in fuel costs in the second half of the fiscal year, and increased labor costs related to staffing challenges during the pandemic.

CAPITAL INVESTMENT ACTIVITIES

During the year ending June 30, 2022, the Authority expended $13.5 million on capital activities. (See Note 4 for further information.) This included the following notable project expenses:

- Construction of Two 445-Passenger Expansion Vessels ($6.4 million)
- Gemini Class Engine Conversions – ($3 million)
- Purchase/Construct Two Replacement Vessels – Bay Breeze and Solano ($1.2 million)
- Passenger Float Rehabilitation - South San Francisco Terminal ($1.3 million)
- Terminal Rehabilitation Alameda Main Street – ($485,987)
- Multiple Vessel Smaller Rehabilitation Projects – ($437,366)

PROGRAM INITIATIVES AND OUTLOOK

Although fiscal year 2021-22 was a challenging one due to continued negative impacts of the pandemic, the Authority will continue its efforts at pandemic recovery as the trends in ridership were very positive at the close of the fiscal year. The Authority chose to continue with a fare program adopted at the beginning of the fiscal year that reduced fares overall by 20% in order to rebuild ridership on all six San Francisco Bay Ferry routes: Alameda/Oakland to San Francisco, Alameda Harbor Bay to San Francisco, Alameda/Oakland to South San Francisco, Vallejo to San Francisco, Richmond to San Francisco, and Alameda Seaplane Lagoon to San Francisco. Continued federal COVID-19 operative support will be essential to that effort and is anticipated to provide support into fiscal year 2023-24.

Planning, administration, and development efforts in the coming year will focus on:

- **Budget Planning:** The Authority's post-pandemic fare revenue has been challenged by the change in commuting patterns across the Bay Area while costs have increased due to inflation significantly impacting labor and fuel. The Authority was successful at competing for additional federal funding through the American Rescue Plan for operating needs which will provide needed revenue support through Fiscal year 2023-24. At that time, new revenues from Regional Measure 3 (Bridge Tolls) are anticipated to be received of up to $35 million annually for ferry service. However, receipt of those funds has been stalled by litigation for over three years. The Authority will continue to undertake prudent planning for scenarios related to the outcome.

- **Business Plan:** The Authority will continue work on a business plan that is a far-reaching effort to define a service vision for the Authority to guide development and operational policy over the next 30 years. The effort emphasizes outreach and engagement, reaching out to a broad range of stakeholders and interest groups to help define a future vision for the agency. For the coming year, the Authority anticipates utilizing technical consultants to support the overall business plan effort in areas such as transportation planning, emergency response, vessel technology and organizational management.

- **System Planning and Service Development** - Significant effort will be focused on monitoring system operation and ridership and developing and refining services based on new post-pandemic travel patterns. Depending on those patterns, staff will be presenting a Five-Year Fare Program that has been delayed for two years as impacts of the pandemic have lingered.

- **Zero Emission Fleet Development** – In addition to supporting the Authority's ongoing fleet construction and rehabilitation program, staff have begun to implement capital programs funded by State and Federal grants that will invest in five new electric vessels and related charging infrastructure. This will mean significant progress toward State mandated emissions standard with the operation of zero emissions vessels in approximately three years.

- **Emergency Response Program/Training** – Authority staff will continue to participate in local, regional, and state emergency exercises, meetings and planning discussions and efforts to improve internal training exercises including in-person emergency simulations.

- **Passenger Experience –** Several customer experience improvements are being implemented in the coming year, including improved customer-facing mobile application functionality, enhanced integration of real-time transit information, upgraded terminal and onboard signage, the addition of passenger information carts at the Downtown San Francisco Terminal, improved concessions options, and more efficient dwell times. The FY 2022-23 budget includes more frequent and more advanced surveying of passengers to inform future service decisions and passenger experience upgrades.

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 Pier 9, Suite 111, San Francisco, CA 94111.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
Current Assets	
Cash and cash equivalents (Note 3)	$25,183,125
Receivables:	
Accounts	10,950,712
Interest	4,611
Security deposit	76,432
Inventory	93,215
Prepaid expenses	5,340,108
Total Current Assets	41,648,203
Noncurrent Assets	
Net OPEB Asset (Note 10)	524,028
Collective net pension Asset (Note 9)	70,008
Capital assets, net of accumulated depreciation (Note 4):	
Construction in progress	24,444,460
Depreciable capital assets, net	
Ferries	168,517,104
Terminal development rights	2,794,955
Floats, piers and gangways	8,523,863
Ferry terminal and facilities	238,664,982
Equipment and service vehicles	303,116
Total Capital Assets	443,248,480
Total Noncurrent Assets	443,842,516
Total Assets	485,490,719
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions (Note 9)	1,647,478
Related to OPEB (Note 10)	149,144
Total Deferred Outflows of Resources	1,796,622
LIABILITIES	
Current Liabilities	
Accounts payable	8,369,090
Other accrued liabilities	396,346
Compensated absences (Note 2C)	108,500
Total Current Liabilities	8,873,936
Noncurrent Liabilities	
Compensated absences (Note 2C)	204,463
Unearned revenue - State Appropriation (Note 5A)	1,061,044
Unearned revenue - Prop 1B (Note 5C)	1,517,542
Unearned revenue -STA-SGR (Note 5E)	956,240
Unearned revenue -LCTOP (Note 5F)	1,101,957
Total Noncurrent Liabilities	4,841,246
Total Liabilities	13,715,182
DEFERRED INFLOWS OF RESOURCES	
Related to pensions (Note 9)	(668,727)
Related to OPEB (Note 10)	287,289
Total Deferred Inflows of Resources	(381,438)
NET POSITION (Note 8)	
Net investment in capital assets	443,248,480
Restricted	11,857,244
Unrestricted	18,847,873
Total Net Position	$473,953,597

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Farebox revenue	$8,232,071
Total Operating Revenues	8,232,071
PROGRAM OPERATING EXPENSES	
Personnel costs	1,436,558
Administrative expenses	16,133,033
Legal and consulting	2,277,182
Purchased transportation	25,535,901
Insurance premiums	2,009,033
Depreciation (Note 4)	18,241,102
Total Program Operating Expenses	65,632,809
OPERATING LOSS	(57,400,738)
NON-OPERATING REVENUES (EXPENSE)	
Metropolitan Transportation Commission	15,554,999
Federal Transit Administration	21,924,452
Contra Costa Transportation Authority	3,651,299
Interest/Investment earnings	101,576
Total Non-operating Revenues	41,232,326
CAPITAL GRANTS AND CONTRIBUTIONS	37,721,134
State of California	10,106,297
Federal Transit Administration	2,656,020
Alameda County Transportation Commission	2,197,322
City of Alameda	619,705
Metropolitan Transportation Commission	217,338
Total capital grants and contributions	15,796,682
CHANGE IN NET POSITION	(371,730)
NET POSITION - BEGINNING	474,325,327
NET POSITION - ENDING	$473,953,597

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$8,230,147
Payments to vendors and consultants	(42,043,632)
Payments to or on behalf of employees	(3,558,749)
Net cash flows from (used for) operating activities	(37,372,234)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Intergovernmental collections	35,292,027
Net cash flows from noncapital and related financing activities	35,292,027
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant receipts used for capital activities	9,077,261
Payments for capital assets	(13,546,798)
Net cash flows from (used for) capital and related financing activities	(4,469,537)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest receipts	110,812
Net cash flows from (used for) investing activities	110,812
Net cash flows	(6,438,932)
Cash and cash equivalents- beginning of year	31,622,057
Cash and cash equivalents - end of year	$25,183,125
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	($57,400,738)
Depreciation	18,241,102
Change in assets and liabilities:	
Security deposits	
Inventory	
Prepaid expenses	(118,856)
Net OPEB asset	124,846
Accounts payable	3,977,832
Other accrued liabilities	(72,305)
Unearned fares	(1,924)
Compensated absences	48,508
Net Pension asset	(251,324)
Deferred outflows/inflows	(1,919,375)
Net cash flows used for operating activities	($37,372,234)

See accompanying notes to financial statements

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 created by the State Legislature to plan, manage, 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 Governor of California, the State Assembly, and the State Senate Subcommittee on Rules. 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.

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, 2021	$264,455
Additions	284,539
Payments	(236,031)
Balance at June 30, 2022	312,963
Due within one year	108,500
Due in more than one year	$204,463

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Lease

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

The Authority's policy sets a lease amortization threshold based on 1% of the Authority's total annual assets for lease contracts to be recorded under the GASB 87. Any lease with a present value at inception less than 1% of the Authority's total annual assets will be deemed immaterial in relation to the financial statements as a whole and, thereby excluded from an amortization schedule.

As of June 30, 2022, the Authority does not have any leases that qualify under this threshold. See Note 6 for additional information.

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, 2022:

Investment Type	Total
California Local Agency Investment Fund	$11,900,217
Held by Trustees:	
Money Market Mutual Fund	11,162,178
Total Investments	23,062,395
Cash in banks and on hand	2,120,730
Total Cash and investments	$25,183,125

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

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 Obligations	5 years	N/A	No Limit	No Limit
State Obligations: CA and Others	5 years	N/A	No Limit	No Limit
CA 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	Multiple	20%	10%
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper - Pooled Funds	270 Days	Highest	40%	10%
Commercial Paper - Non-Pooled Funds	270 Days	Highest	25%	10%
Local Agency Investment Program Fund (LAIF)	N/A	N/A	No limit	No Limit
Local Agency Bonds	5 years	N/A	No Limit	No Limit
Placement Service Deposits	5 years	N/A	50%	No Limit
Placement Service Certificates of Deposit	5 years	N/A	50%	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
Public Bank Obligations	5 years	N/A	No Limit	No Limit

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 311 and 19 days, respectively.

NOTE 3 – CASH AND INVESTMENTS (Continued)

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.

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

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity was as follows for the year ended June 30, 2022:

	Balance as of June 30, 2021	Additions	Deletions	Transfers/ Adjustments	Balance as of June 30, 2022
Capital assets not being depreciated:					
Construction in progress	$26,128,888	$13,546,798		($15,231,226)	$24,444,460
Total assets not being depreciated	26,128,888	13,546,798		(15,231,226)	24,444,460
Capital assets being depreciated:					
Ferries	231,256,132			15,231,226	246,487,358
Terminal development rights	3,660,000				3,660,000
Floats, piers and gangways	16,077,607				16,077,607
Ferry terminal and facilities	265,855,052				265,855,052
Equipment and service vehicles	1,631,777				1,631,777
Total assets being depreciated	518,480,568			15,231,226	533,711,794
Less accumulated depreciation for:					
Ferries	(66,612,239)	(11,358,015)			(77,970,254)
Terminal development rights	(798,500)	(66,545)			(865,045)
Floats, piers and gangways	(7,094,932)	(458,812)			(7,553,744)
Ferry terminal and facilities	(20,886,930)	(6,303,140)			(27,190,070)
Equipment and service vehicles	(1,274,071)	(54,590)			(1,328,661)
Total accumulated depreciation	(96,666,672)	(18,241,102)			(114,907,774)
Net capital assets being depreciated	421,813,896	(18,241,102)		$15,231,226	418,804,020
Capital Assets, Net	$447,942,784	($4,694,304)			$443,248,480

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, 2022, the appropriation has a balance as follows:

Original appropriation	$12,000,000
Net expenses as of June 30, 2022	(10,941,179)
Unearned appropriation as of beginning of period	1,058,821
Fiscal year 2022:	
Add: Interest income	2,223
Less: Expended	-
Unearned appropriation as of period end	$1,061,044

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

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, 2022, the Authority expended a total of $155,526 for capital. Of the total 2021 receivable balance and 2022 expenditures, the Authority received $479,448 in cash and had a receivable balance of $73,309.

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 $13,005,500 to be used for operations in the fiscal year 2021-22. As of June 30, 2022, the Authority has expended total current allocated operating funds of $13,005,000. RM2 funding is also provided for Planning and Administration of ferry service and $2,550,000 was allocated and spent in the fiscal year 2021-22.

AB664 – This source is named for the 1975 enabling legislation that established certain reserves from the original base toll. 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 AB664 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, 2022, the Authority had expended total allocated funds of $61,849. Of the total 2021 receivable balance and 2022 expenditures, the Authority received $19,737 in cash and had a receivable balance of $61,318 at June 30, 2022.

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, 2022, the Authority had been awarded $245 million in Proposition 1B allocations. Unspent grant receipts are reported as unearned revenue in the accompanying financial statements.

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

A summary of the Authority's Proposition 1B projects for the fiscal year ended June 30, 2022 are as follows:

Project Name	Grant Allocations	Interest Applied	Expended in Fiscal Year: Prior years	Expended in Fiscal Year: 2021-2022	Unearned Revenue at 06/30/22
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		(9,617,037)		
Maintenance Barge/Facility and Emergency Floats	5,686,442		(5,686,442)		
Central Bay and North Bay Maintenance Facilities	76,176,210		(75,183,428)	($373,268)	$619,513
San Francisco Berthing Expansion	61,474,530	$544,340	(62,018,870)		
WETA Ferry Vessels	73,525,470		(66,769,358)	(6,416,076)	340,036
East Bay Ferry Terminals	16,000,000		(16,000,000)		
Total	$245,000,000	$544,340	($237,795,446)	($6,789,344)	959,549
Add interest earned in prior years					1,101,598
Add interest earned in current year					736
Less interest applied to projects					(544,341)
Unearned Revenues					$1,517,542

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).

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

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, 2022, the Measure B and Measure BB program activity was as follows:

	Measure B	Measure BB
Program Revenues:		
Direct Local Program Distribution Allocation	$1,046,606	$1,148,884
Interest Earned - Measure B/BB Distribution	1,097	736
Total Measure B/BB Revenues	1,047,703	1,149,620
Program Expenditures:		
Construction / Capital:		
Terminal Rehabilitation - Alameda Main Street	(98,037)	
Replacement Vessel - M/V Bay Breeze		(77,019)
Engines Conversion - Gemini Class Vessels		(392,087)
Total Direct Local Distribution Program Expenditures	(98,037)	(469,106)
Revenue Over Expenditures/ Excess Net Change in Fund Balance	949,666	680,514
Fund Balance:		
Beginning Fund Balance	1,657,517	1,993,487
Ending Fund Balance	$2,607,183	$2,674,001
Reserves:		
Restricted for Measure B and Measure BB programs and projects	$2,607,183	$2,674,001
Unspent Funds as of the End of the Year:	$2,607,183	$2,674,001

E. State Transit Assistance – State of Good Repair (STA-SGR)

The Road Repair and Accountability Act of 2017, Senate Bill 1 (SB 1), signed by the Governor on April 28, 2017, includes a program that will provide additional revenues for transit infrastructure repair and service improvements. This investment in public transit will be referred to as the State of Good Repair (SGR) program. This program provides funding of approximately $105 million annually to the State Transit Assistance (STA) Account. These funds are to be made available for eligible transit maintenance, rehabilitation and capital projects. Funds are distributed by formula on a population basis in the region and on a revenue basis.

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

During the fiscal year, the Authority received $336,587 in SGR funding and incurred $453,998 SGR expenditures. The Authority recorded a balance of unspent SGR proceeds and interest of $956,240 as of June 30, 2022. Total funding allocated to the Authority as of June 30, 2022 is $1,392,683.

Program Fund Balance - FY2020-21	$1,071,480
Program Revenues:	
Allocation Received - FY2021-22	336,587
Interest Earned	2,171
Total Program Revenues	338,758
Program Expenditures:	
Terminal Dredging - Vallejo	(406,920)
Vessel Replacement - M/V Bay Breeze	(47,078)
Total Program Expenditures	(453,998)
Ending Program Fund Balance	$956,240

F. *Low Carbon Transit Operations Program (LCTOP)*

The Low Carbon Transit Operations Program (LCTOP) is one of several programs funded by auction proceeds from the California Air Resource Board’s Cap-and-Trade Program. LCTOP receives a five percent continuous appropriation of the annual auction proceeds beginning in FY2015/16. Funding is allocated annually to public transit operators in the State based on the existing State Transit Assistance revenue based formulas. The LCTOP program provides operating and capital assistance for transit agencies to reduce greenhouse gas (GHG) emissions and improve mobility, with a priority on serving disadvantaged communities.

During the fiscal year, the Authority received $283,450 in LCTOP funding and incurred $103,052 LCTOP expenditures. Total funding allocated from the LCTOP program to the Authority is $1,822,735 as of June 30, 2022. The Authority recorded a balance of unspent LCTOP funding and interest of $1,101,957 as of June 30, 2022.

G. *Federal Funding Programs*

The majority of federal funds received and utilized by the Authority to support its annual capital program are Federal Section 5307 Urbanized Area Formula Grants and Section 5337 State of Good Repair Grants programmed annually by the Metropolitan Transportation Commission (MTC) and secured through direct grant applications and contracts with the Federal Transit Administration (FTA). These funds are currently available to support high priority capital rehabilitation and replacement projects. The Authority also receives Federal Highway Administration (FHWA) Ferry Boat Program funds and is eligible to receive FTA Passenger Ferry Grant Program funds for the construction of ferry boat and ferry terminal facilities. In fiscal year 2022, the Authority utilized $2,656,020 in federal funds for capital repair and replacement projects.

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Appropriations Act of 2021 (CRRSAA), and the American Rescue Plan Act of 2021 (ARP) provided supplemental funding to transit agencies to help prevent, prepare for, and respond to the COVID-19 pandemic. The total amount made available to each agency was based on funding appropriated under the Acts and metrics developed by MTC. In fiscal year 2022, the Authority utilized a total of $21,924,452 from those three funding sources to support operating expenses during continued impact from the COVID-19 pandemic. The breakdown for fiscal year 2021-22 is as follows:

CARES Act:	$ 1,275,813
CRRSAA:	$18,353,738
ARP:	$ 2,294,901

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 expired on November 30, 2021. The annual lease payment is $341,517, and each parcel is subject to a 3% annual adjustment with a minimum adjustment. On August 26, 2021, the Authority and the Port of San Francisco entered into a new lease extending the original lease by 5 years at a reduced rate. It expires November 30, 2026. The annual lease payment is $306,948, 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.

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.

NOTE 6 – LEASE OBLIGATION (Continued)

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, 2027.

NOTE 7 – RISK MANAGEMENT

The Authority purchased the following insurance policy coverage for fiscal year 2022:

Type of Coverage	Limit	Deductible
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	5,000 to 25,000
Crime Insurance	1,000,000	2,500
Type of Coverage (related to Ferry Services)		
Marine commercial liability, Terminal operators liability and Wharfingers liability	$1,000,000 to 3,000,000	$2,500
Property Insurance	193,725,290	50,000 to 250,000
Excess marine liability	24,000,000	N/A

The Authority did not have any claims in fiscal year 2022.

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.

NOTE 9 – PENSION PLAN

A. Plan Descriptions and Summary of Balances by Plan

Plan Descriptions – The Authority has three defined benefit pension plans, a Miscellaneous Plan (Plan), a Water Emergency Transportation Authority Plan and Replacement Benefit Plan. The Miscellaneous Plan is a public agency cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The Water Emergency Transportation Authority Plan and Replacement Benefit Plan are both Single Employer Plan administered by the Authority. Benefit provisions under the Plans are established by State statute and Authority Ordinance.

Miscellaneous Plan – The Plan is administered by the California Public Employees' Retirement System ("CalPERS"). Benefit provisions under the Plans are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Water Emergency Transportation Authority Plan and Replacement Benefit Plan – These plans were implemented on September 5, 2019 and are closed to new participants hired after January 1, 2013. These plans are separate from CalPERS and are established as a 401(a) Defined Benefit Plan. Both plans are administered by the Authority.

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 or the Trust. 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.

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by plan:

Plan	Deferred Outflows of Resources	Net Pension Liability (Asset)/Proportionate Share of Net Pension Liability (Asset)	Deferred Inflows of Resources
CalPERS Plans:			
Miscellaneous	$1,021,375	($971,774)	($668,727)
Water Emergency Transportation Authority Plan	581,858	775,730	
Replacement Benefit Plan	44,245	126,036	
	$1,647,478	($70,008)	($668,727)

Each plan is discussed in detail below.

NOTE 9 – PENSION PLAN (Continued)

B. General Information about the CalPERS 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, 2022 are summarized as follows:

	Miscellaneous	
Hire date	Tier 1 - Prior to January 1, 2013	Tier 2 - On or after January 1, 2013
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%	6.75%
Required employer contribution rates	12.20%	7.59%

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.

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.

NOTE 9 – PENSION PLAN (Continued)

For the year ended June 30, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
	Tier I & Tier II
Contributions - employer	$268,997
Contributions - employee (paid by employer)	190,183

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, 2022, 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 (Asset)
Miscellaneous	($971,774)
Total Net Pension Liability (Asset)	($971,774)

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 was as follows:

	Miscellaneous
Proportion - June 30, 2020	0.0065%
Proportion - June 30, 2021	-0.0512%
Change - Increase (Decrease)	-0.057656%

NOTE 9 – PENSION PLAN (Continued)

For the year ended June 30, 2022, the Authority recognized a negative pension expense of $2,132,527. At June 30, 2022, the Authority reported deferr28ed outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$268,997	
Differences between actual and expected experience	(108,974)	
Changes in assumptions		
Net differences in actual contributions and proportionate contributions		($179,580)
Net differences between projected and actual earnings on pension plan investments		848,307
Adjustments due to changes in proportion	861,352	
Total	$1,021,375	$668,727

Deferred outflows of $268,997 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, 2023. 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
2023	$429,574
2024	411,181
2025	345,920
2026	234,430
Total	$1,421,105

NOTE 9 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2020 and June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre- retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 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.

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

NOTE 9 – PENSION PLAN (Continued)

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+ 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 rounded 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 equivalent to the single equal rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rate of return by asset class.

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1 - 10[2]	Real Return Years 11+[3]
Public Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

(1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

NOTE 9 – PENSION PLAN (Continued)

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability (Asset)	$277,400
Current Discount Rate	7.15%
Net Pension Liability (Asset)	($971,774)
1% Increase	8.15%
Net Pension Liability (Asset)	($2,004,448)

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

C. General Information about the Water Emergency Transportation Authority Retirement Plan and the Water Emergency Transportation Authority Replacement Benefit Pension Plans

Plan Description – In September 2019, the Authority's Board of Directors (Board) adopted the San Francisco Bay Area Water Emergency Transportation Authority Retirement Plan (Retirement Plan), the San Francisco Bay Area Water Emergency Transportation Authority Replacement Benefits Plan (Replacement Benefits Plan) and related Trust Agreements to restructure funding of the Authority's existing longevity stipend benefits. The Board also authorized staff to take actions to support the implementation of these plans, which provide monthly stipend to eligible retirees to support medical costs in retirement.

Benefits Provided – The Retirement Plan and Replacement Benefit Plan provides Longevity Stipend benefits for eligible employees who were hired prior to January 1, 2013.

Employees Covered by Benefit Terms – Membership in the Retirement Plan consisted of the following at the measurement date of June 30, 2022:

Active plan members	5
Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	
Total	8

NOTE 9 – PENSION PLAN (Continued)

Employees Covered by Benefit Terms – Membership in the Replacement Benefit Plan consisted of the following at the measurement date of June 30, 2021:

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

Actuarial Methods and Assumptions – The Authority's net pension liability (asset) was measured as of June 30, 2022 and the total Pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions for, both the Retirement Plan and Replacement Benefit Plan, respectively:

	Retirement Plan
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Contribution Policy	Authority contributes full ADC
Actuarial Assumptions:	
Discount Rate	5.50%
Long-Term Net Rate of Return	6.00%
Inflation	2.50%
Salary Increases	Aggregate - 2.7% annually CalPERS 1997-2015 Experience Study
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2020
Participation at Retirement	PEMHCA - 100% Non-PEMHCA - 0%
Medical Trend	Non-Medicare - 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076
PEMHCA Minimum Increases	3.75%

NOTE 9 – PENSION PLAN (Continued)

	Replacement Benefit Plan
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Contribution Policy	Authority contributes full ADC
Actuarial Assumptions:	
Discount Rate	5.50%
Long-Term Net Rate of Return	6.00%
Inflation	2.50%
Salary Increases	Aggregate - 2.7% annually CalPERS 1997-2015 Experience Study
Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2020
Participation at Retirement	PEMHCA - 100% Non-PEMHCA - 0%
Medical Trend	Non-Medicare - 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076
PEMHCA Minimum Increases	3.75%

The long-term expected rate of return on Retirement Plan and Replacement Benefit Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of Pension 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	45%	4.56%
Fixed Income	50%	0.78%
REITs	3%	4.06%
Cash	2%	-0.50%
Total	100%	
Assumed Long-Term Rate of Inflation		2.50%
Assumed Long-Term Net Rate of Return, Rounded		5.50%

NOTE 9 – PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total Pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Pension plan's fiduciary net position was projected to be available to make all projected pension payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on Pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Changes in Net Pension Liability (Asset)

The changes in the net pension liability (asset) for the Retirement Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021 (June 30, 2021 measurement date)	$1,689,514	$1,787,738	($98,224)
Changes Recognized for the Measurement Period:			
Service cost	93,700		93,700
Interest	105,776		105,776
Benefit changes			-
Difference between expected and actual experience	332,922		332,922
Changes of assumptions	80,856		80,856
Contributions from the employer			-
Net investment income		(250,700)	250,700
Benefit payments and refunds	(40,579)	(40,579)	-
Administrative expenses		(10,000)	10,000
Net Changes	572,675	(301,279)	873,954
Balance at June 30, 2022 (June 30, 2022 measurement date)	$2,262,189	$1,486,459	$775,730

NOTE 9 – PENSION PLAN (Continued)

The changes in the net Pension liability (asset) for the Replacement Benefit Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021 (June 30, 2021 measurement date)	$357,289	$350,994	$6,295
Changes Recognized for the Measurement Period:			
Service cost	11,782		11,782
Interest	21,721		21,721
Benefit changes			-
Difference between expected and actual experience	28,639		28,639
Changes of assumptions	12,513		12,513
Contributions from the employer		14,110	(14,110)
Net investment income		(49,196)	49,196
Benefit payments and refunds	(14,110)	(14,110)	-
Administrative expenses		(10,000)	10,000
Net Changes	60,545	(59,196)	119,741
Balance at June 30, 2022 (June 30, 2022 measurement date)	$417,834	$291,798	$126,036

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net Pension asset of the Authority for both Retirement Plan and Replacement Benefits Plan, respectively, as well as what the Authority's net Pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current discount rate:

	Retirement Plan's Net Pension Liability/(Asset)		
	Discount Rate -1% (4.50%)	Current Discount Rate (5.50%)	Discount Rate +1% (6.50%)
Net Pension Liability (Asset)	$1,207,285	$775,730	$433,860

	Replacement Benefit Plan's Net Pension Liability/(Asset)		
	Discount Rate -1% (4.50%)	Current Discount Rate (5.50%)	Discount Rate +1% (6.50%)
Net Pension Liability (Asset)	$195,645	$126,036	$70,293

NOTE 9 – PENSION PLAN (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2022, the Authority recognized Pension expense of $216,106 related to the Retirement Plan. At June 30, 2022, the Authority reported deferred outflows and inflows of resources related to Pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date		
Difference between expected and actual experience	$284,672	
Changes in assumptions	69,138	
Net difference between projected and actual earnings on plan investments	228,048	
Total	$581,858	$0

For the year ended June 30, 2022, the Authority recognized Pension expense of $73,980 related to the Replacement Benefit Plan. At June 30, 2022, the Authority reported deferred outflows and inflows of resources related to Pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date		
Difference between expected and actual experience		
Changes in assumptions		
Net difference between projected and actual earnings on plan investments	$44,245	
Total	$44,245	$0

NOTE 9 – PENSION PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Pension will be recognized as part of Pension expense as follows:

Retirement Plan	
Measurement Period Ended June 30	Annual Amortization
2023	$112,231
2024	112,231
2025	112,229
2026	131,229
2027	59,968
Thereafter	53,970
Total	$581,858

Replacement Benefit Plan	
Measurement Period Ended June 30	Annual Amortization
2023	$10,085
2024	10,085
2025	10,083
2026	13,992
2027	-
Thereafter	-
Total	$44,245

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 PERS Care single premium for single coverage only.

For the year ended June 30, 2022, the Authority's contributions to the Plan were $14,916.

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2022:

Active plan members	18
Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	5
Total	27

B. Net OPEB Asset

Actuarial Methods and Assumptions – The Authority's net OPEB asset was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Assumptions:	
Discount Rate	6.25%
Long-Term Net Rate of Return	6.75%
Inflation	2.50%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 experience study
Mortality Improvement	Scale MP-2020
Medical Trend	-Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 and later years -Medicare (None Kaiser) - 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076 and later years -Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 and later years

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:

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49%	4.56%
Long US Treasuries	5%	0.29%
Mortgage-Backed Securities	5%	0.49%
Investment Grade Corporates	4%	1.56%
High Yield	4%	3.00%
Sorvereigns	5%	2.76%
TIPS	5%	-0.08%
Commodities	3%	1.22%
REITs	20%	4.06%
Total	100%	
Assumed Long-Term Rate of Inflation		2.50%
Assumed Long-Term Net Rate of Return, Rounded		6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that Authority 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 (Asset)

The changes in the net OPEB liability (asset) follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/(Asset) (c) = (a) - (b)**
Balance at June 30, 2021 (June 30, 2021 measurement date)	$833,487	$1,482,361	($648,874)
Changes Recognized for the Measurement Period:			
Service cost	130,914		130,914
Interest	64,597		64,597
Benefit changes			-
Difference between expected and actual experienc	(265,379)		(265,379)
Changes of assumptions	10,493		10,493
Contributions from the employer		14,916	(14,916)
Net investment income		(198,327)	198,327
Benefit payments and refunds	(14,826)	(14,826)	-
Administrative expenses		(810)	810
Net Changes	(74,201)	(199,047)	124,846
Balance at June 30, 2022 (June 30, 2022 measurement date)	$759,286	$1,283,314	($524,028)

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 $7,818.

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

The following presents the net OPEB asset of the Authority, as well as what the Authority's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current discount rate:

	Plan's Net OPEB Liability/(Asset)		
	Discount Rate -1% (5.25%)	**Current Discount Rate (6.25%)**	**Discount Rate +1% (7.25%)**
Net OPEB Liability	($381,252)	($524,028)	($637,273)

The following presents the net OPEB liability/(asset) of the Authority, as well as what the Authority's net OPEB liability/(asset) 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%**
Net OPEB Liability	($668,971)	($524,028)	($331,087)

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

For the year ended June 30, 2022, the Authority recognized OPEB expense of $79,046. At June 30, 2022, 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		
Difference between expected and actual experience		$282,792
Changes in assumptions	$28,406	4,497
Net difference between projected and actual earnings on plan investments	120,738	
Total	$149,144	$287,289

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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
2023	($12,241)
2024	(10,817)
2025	(11,362)
2026	27,846
2027	(31,828)
Thereafter	(99,743)
Total	($138,145)

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, 2022, the Authority had made commitments for the following projects:

Purchase New Commuter Class High-Speed Vessel	$2,196,648
Purchase Replacement Vessel - MV Bay Breeze & MV Vallejo	23,521,393
Vessel Engine Overhaul - MV Argo & MV Carina	903,081
Intintoli Replacement Vessel	1,321,700
South San Francisco Float Refurbishment	513,255
Electric Vessel and Infrastructure	223,798
Business Plan	321,182
Total	$29,001,057

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REQUIRED SUPPLEMENTARY INFORMATION

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San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2022
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Plan's Proportion of the Net Pension Liability/(Asset)	0.010204%	0.016026%	0.011107%	0.007533%	-0.002877%	0.002546%	0.006478%	-0.015118%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$748,940	$439,655	$385,835	$296,963	($108,435)	$101,947	$273,245	($971,774)
Plan's Covered Payroll	$1,217,627	$1,363,751	$1,453,752	$1,597,597	$1,744,351	$1,890,469	$2,184,929	$2,113,621
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of it's Covered-Employee Payroll	61.51%	32.24%	26.54%	18.59%	-6.22%	5.39%	12.51%	-45.98%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	81.15%	79.89%	75.87%	75.39%	77.69%	77.73%	81.14%	90.49%

* Fiscal year 2015 was the 1st year of implementation

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2022
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended :	6/30/2015	6/30/2016	6/30/2017	6/30/2018
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:				
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	7.5%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.15%, net of pension plan investment and administrative expenses, including inflation
Retirement age	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2
Mortality	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 AA.	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 AA.	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.

* Fiscal year 2015 was the 1st year of implementation.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,

a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2022
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended :	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Actuarially determined contribution	$202,432	$245,274	$254,421	$268,997
Contributions in relation to the actuarially determined contributions	(202,432)	(245,274)	(254,421)	(268,997)
Contribution deficiency (excess)	$0	$0	$0	$0
Covered payroll	$1,890,469	$2,184,929	$2,113,621	$2,382,444
Contributions as a percentage of covered payroll	10.71%	11.23%	12.04%	11.29%
Notes to Schedule				
Valuation date:	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Methods and assumptions used to determine contribution rates:				
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	2.50%	2.50%	2.50%	2.50%
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	7.15%, net of pension plan investment and administrative expenses, including inflation	7.15%, net of pension plan investment and administrative expenses, including inflation	7.15%, net of pension plan investment and administrative expenses, including inflation	7.15%, net of pension plan investment and administrative expenses, including inflation
Retirement age	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2017 CalPERS Experience Study. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016..	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2017 CalPERS Experience Study. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016..	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2017 CalPERS Experience Study. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016..	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2017 CalPERS Experience Study. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016..

* Fiscal year 2015 was the 1st year of implementation.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
For the Year Ended June 30, 2022

Last Ten Fiscal Years *

Retirement Plan
Single Employer Plan

Measurement Date	June 30, 2021	June 30, 2022
Total Pension liability		
Service cost	$193,544	$93,700
Interest	181,668	105,776
Benefit changes	-	-
Differences between expected and actual experience	-	332,922
Assumption changes	-	80,856
Benefit payments	(15,107)	(40,579)
Changes of benefit terms	-	-
Net change in total Pension liability	360,105	572,675
Total Pension liability - beginning	1,329,409	1,689,514
Total Pension liability - ending (a)	$1,689,514	$2,262,189
Pension fiduciary net position		
Contributions - employer	$1,635,933	$0
Contributions - employee	-	-
Net investment income	173,135	(250,700)
Benefit payments	(15,107)	(40,579)
Administrative expense	(6,223)	(10,000)
Other changes	-	-
Net change in plan fiduciary net position	1,787,738	(301,279)
Plan fiduciary net position - beginning	-	1,787,738
Plan fiduciary net position - ending (b)	$1,787,738	$1,486,459
Plan net Pension liability (asset) - ending (a) - (b)	($98,224)	$775,730
Plan fiduciary net position as a percentage of the total Pension liability	105.81%	65.71%
Covered payroll	$1,209,976	$810,595
Plan net Pension liability as a percentage of covered payroll	-8.10%	95.70%

*Fiscal year 2021 was the 1st year of implementation.

SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2022

Last Ten Fiscal Years *
Retirement - Single Employer Plan

	2020-2021	2021-2022
Actuarially determined contribution	$124,700	$100,839
Contributions in relation to the actuarially determined contribution	1,635,933	-
Contribution deficiency (excess)	($1,511,233)	$100,839
Covered payroll	$1,209,976	$810,595
Contributions as a percentage of covered payroll	135.20%	0.00%

*Fiscal year 2021 was the 1st year of implementation.

Notes to Schedule:

<u>Methods and assumptions used to determine contribution rates:</u>

Valuation Date	June 30, 2019	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of pay	Level percentage of pay
Discount Rate	6.00%	5.50%
General Inflation	2.75%	2.50%
Mortality, Retirement, Termination & Disability	CalPERS 1997-2015 experience study	CalPERS 1997-2015 experience study
Mortality Improvement	Scale MP-2019	Scale MP-2020

*Fiscal year 2021 was the 1st year of implementation.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
For the Year Ended June 30, 2022

Last Ten Fiscal Years *

Replacement Benefits Plan
Single Employer Plan

Measurement period	June 30, 2021	June 30, 2022
Total Pension liability		
Service cost	$33,022	$11,782
Interest	39,018	21,721
Benefit changes	-	-
Differences between expected and actual experience	-	28,639
Assumption changes	-	12,513
Benefit payments	(6,473)	(14,110)
Changes of benefit terms	-	-
Net change in total Pension liability	65,567	60,545
Total Pension liability - beginning	291,722	357,289
Total Pension liability - ending (a)	$357,289	$417,834
Pension fiduciary net position		
Contributions - employer	$327,270	$14,110
Contributions - employee	-	-
Net investment income	36,420	(49,196)
Benefit payments	(6,473)	(14,110)
Administrative expense	(6,223)	(10,000)
Other changes	-	-
Net change in plan fiduciary net position	350,994	(59,196)
Plan fiduciary net position - beginning	-	350,994
Plan fiduciary net position - ending (b)	$350,994	$291,798
Plan net Pension liability (asset) - ending (a) - (b)	$6,295	$126,036
Plan fiduciary net position as a percentage of the total Pension liability	98.24%	69.84%
Covered payroll	$162,225	$0
Plan net Pension liability as a percentage of covered payroll	3.90%	N/A

*Fiscal year 2021 was the 1st year of implementation.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2022

Last Ten Fiscal Years *
Replacement Benefits Plan

	2021-2022
Actuarially determined contribution	$14,943
Contributions in relation to the actuarially determined contribution	14,110
Contribution deficiency (excess)	$833
Covered payroll	$0
Contributions as a percentage of covered payroll	N/A

*Fiscal year 2021 was the 1st year of implementation.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Discount Rate	5.50%
General Inflation	2.50%
Mortality, Retirement, Termination & Disability	CalPERS 1997-2015 experience study
Mortality Improvement	Scale MP-2020

*Fiscal year 2021 was the 1st year of implementation.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
For the Year Ended June 30, 2022

Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB)
Agent Multiple Employer Plan

Measurement period	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB liability					
Service cost	$67,000	$69,097	$71,170	$222,993	$130,914
Interest	44,000	49,653		96,368	64,597
Benefit changes			(318,925)		
Differences between expected and actual experience			(69,195)		(265,379)
Assumption changes			29,188	(5,747)	10,493
Benefit payments	(10,000)	(11,000)	(7,919)	(21,366)	(14,826)
Changes of benefit terms			57,170		
Net change in total OPEB liability	101,000	107,750	(238,511)	292,248	(74,201)
Total OPEB liability - beginning	571,000	672,000	779,750	541,239	833,487
Total OPEB liability - ending (a)	$672,000	$779,750	$541,239	$833,487	$759,286
OPEB fiduciary net position					
Contributions - employer	$194,000	$88,000	$91,319	$180,327	$14,916
Contributions - employee					
Net investment income	50,000	55,796	54,997	336,991	(198,327)
Benefit payments	(10,000)	(11,000)	(7,919)	(21,366)	(14,826)
Administrative expense		(1,335)	(229)	(1,220)	(810)
Other changes					
Net change in plan fiduciary net position	234,000	131,461	138,168	494,732	(199,047)
Plan fiduciary net position - beginning	484,000	718,000	849,461	987,629	1,482,361
Plan fiduciary net position - ending (b)	$718,000	849,461	$987,629	$1,482,361	$1,283,314
Plan net OPEB liability (asset) - ending (a) - (b)	($46,000)	($69,711)	($446,390)	($648,874)	($524,028)
Plan fiduciary net position as a percentage of the total OPEB liability	106.85%	108.94%	182.48%	177.85%	169.02%
Covered payroll	$1,598,000	$1,746,000	$1,890,469	$2,185,976	$2,113,620
Plan net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

*Fiscal year 2018 was the 1st year of implementation.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2022

Last Ten Fiscal Years *
Other Post-Employment Benefits (OPEB) - Agent Multiple Employer Plan

	2017-18	2018-19	2019-20	2020-2021	2021-2022
Actuarially determined contribution	$74,000	$83,354	$69,147	$85,500	$76,610
Contributions in relation to the actuarially determined contribution	88,000	91,319	82,310	98,017	14,916
Contribution deficiency (excess)	($14,000)	($7,965)	($13,163)	($12,517)	$61,694
Covered payroll	$1,746,000	$1,890,469	$2,185,976	$2,113,620	$2,281,712
Contributions as a percentage of covered payroll	5.04%	4.83%	3.77%	4.64%	0.65%

*Fiscal year 2018 was the 1st year of implementation.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2017	June 30, 2017	June 30, 2019	June 30, 2019	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay
Actuarial Value of Assets	Investment gains and losses spread over 5-year rolling period Not less than 80% not more than 120% of the Market Value of Assets	Investment gains and losses spread over 5-year rolling period	Investment gains and losses spread over 5-year rolling period	Investment gains and losses spread over 5-year rolling period	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%	6.75%	6.75%	6.75%	6.75%
General Inflation	2.75%	2.75%	2.75%	2.75%	2.50%
Aggregate Payroll Increases	3.00%	3.00%	3.00%	3.00%	3.00%
Medical Trend	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	Non-Medicare - 7.0% for 2019, decreasing to an ultimate rate of 4% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4% in 2076	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4% in 2076	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4% in 2076	-Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 and later years -Medicare (None Kaiser) - 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076 and later years -Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 and later years
Mortality, Retirement, Termination & Disability	CalPERS 1997-2011 experience study	CalPERS 1997-2011 experience study	CalPERS 1997-2015 experience study	CalPERS 1997-2015 experience study	CalPERS 1997-2015 experience study
Mortality Improvement	Scale MP-2017	Scale MP-2017	Scale MP-2019	Scale MP-2019	Scale MP-2020

*Fiscal year 2018 was the 1st year of implementation.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
San Francisco Bay Area Water Emergency Transportation Authority
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 basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Our procedures included the applicable audit procedures contained in §6666 and §6667 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission. 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*.

We have also issued a separate Memorandum on Internal Control dated November 28, 2022 which is an integral part of our audit and should be read in conjunction with this report.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Metropolitan Transportation Commission, management, Board of Directors, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze + Associates

Pleasant Hill, California
November 28, 2022