



MARIN COUNTY TRANSIT DISTRICT
Audited Financial Statements,
Supplementary Information and Compliance Reports
June 30, 2014

MARIN COUNTY TRANSIT DISTRICT

Audited Financial Statements,
Supplementary Information and Compliance Reports

June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marin County Transit District
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Marin County Transit District (the District) as of and for the years ending June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
Marin County Transit District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2014 and 2013, and changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information and schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
Marin County Transit District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 5, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it along with the District's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

The District's total net position as of June 30, 2014, was \$16,438,000 which is an increase of \$2,983,000 over the prior year's balance. This amount is comprised of \$7,201,000 net investment in capital assets and unrestricted net assets of \$9,237,000.

The District's total net position as of June 30, 2013, was \$13,455,000 which was an increase of \$4,065,000 over the 2012 balance. The amount was comprised of \$6,114,000 net investment in capital assets and unrestricted assets of \$7,341,000.

The District claimed \$11,309,000 in fiscal year 2014 from the Transportation Authority of Marin as part of the voter approved Measure A sales tax, of which \$11,279,000 was for expenses related to fiscal year 2014. The District claimed \$9,912,000 in Measure A funds in fiscal year 2013.

Steady economic recovery over the past two years has improved the District's financial outlook and helped fund measured service growth. An important achievement in fiscal year 2014 was fully funding the District's reserves at the Board adopted levels while enhancing service.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: (1) government-wide financial statements and (2) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, similar to a private-sector business.

The balance sheet presents information on all of the District's assets and liabilities, with the difference between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues and expenses and changes in net position presents information showing how the District's net position changed during the fiscal year. All changes in net position are recognized on the date the underlying event that gives rise to the change occurs, regardless of the timing of the related cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marin County Transit District is a single-purpose entity that is required to account for its activity as a proprietary fund type under governmental accounting standards. Accordingly, the District presents only government-wide financial statements.

In general, the District's financial condition improved during the year ended June 30, 2014, as evidenced by the increase in net position listed below.

Changes in the District's net position were as follows:

	<u>2014</u>	<u>2013</u>	<u>2014 - 2013</u>		<u>2013 - 2012</u>	
			<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Cash	\$ 6,577,637	\$ 1,110,007	\$ 5,467,630	\$ 2,439,083	\$ (1,329,076)	
Receivables	3,660,047	7,488,809	(3,828,762)	3,908,149	3,580,660	
Prepaid expenses	48,126	87,826	(39,700)	250,000	(162,174)	
Capital assets	<u>7,201,252</u>	<u>6,113,707</u>	<u>1,087,545</u>	<u>3,595,152</u>	<u>2,518,555</u>	
Total assets	17,487,062	14,800,349	2,686,713	10,192,384	4,607,965	
Current liabilities	1,049,235	1,317,061	(267,826)	769,206	547,855	
Noncurrent liabilities	<u>-</u>	<u>28,382</u>	<u>(28,382)</u>	<u>33,494</u>	<u>(5,112)</u>	
Total liabilities	<u>1,049,235</u>	<u>1,345,443</u>	<u>(296,208)</u>	<u>802,700</u>	<u>542,743</u>	
Net investment in capital assets	7,201,252	6,113,707	1,087,545	3,595,152	2,518,555	
Unrestricted net position	<u>9,236,575</u>	<u>7,341,199</u>	<u>1,895,376</u>	<u>5,794,532</u>	<u>1,546,667</u>	
Total net position	<u>\$ 16,437,827</u>	<u>\$ 13,454,906</u>	<u>\$ 2,982,921</u>	<u>\$ 9,389,684</u>	<u>\$ 4,065,222</u>	

The overall financial position of the District improved as a result of increased intergovernmental operating revenue including Federal, State and local Measure A sales tax revenue. The District's unrestricted net position meets the requirements of the Board adopted reserve policy. Receivables decreased in 2014 due to fewer large state and federal grants billed at the year end. The decreased receivable balance also contributed to an increased cash balance. The District's capital assets increased with significant bus stop improvement projects taking place in 2014.

In fiscal year 2013, the overall financial position of the District improved as a result of increased Federal and State grant revenue, along with the newly negotiated operating contract between the District and the Golden Gate Bridge Highway & Transportation District (GGBHTD). The District's unrestricted net position continued to meet the requirements of the Board adopted reserve policy. Receivables increased in 2013 as the amounts billed to Federal and State grants at the end of the year increased compared to the prior year. The increase in receivable balance also contributed to the decrease in cash balance. The District's capital assets increased with the purchase of fourteen new transit vehicles in 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in the District's revenues were as follows:

	<u>2014</u>	<u>2013</u>	<u>2014 - 2013</u> <u>Increase</u> <u>Decrease</u>	<u>2012</u>	<u>2013 - 2012</u> <u>Increase</u> <u>Decrease</u>
Operating revenues:					
Transit fares	\$ 3,731,205	\$ 3,720,004	\$ 11,201	\$ 3,610,175	\$ 109,829
Contractual compensation	1,906,714	1,734,847	171,867	1,779,524	(44,677)
Special Fares	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total operating revenues	5,657,919	5,454,851	203,068	5,389,699	65,152
Nonoperating revenues:					
Intergovernmental	18,559,479	16,623,069	1,936,410	15,113,612	1,509,457
Property taxes	3,447,835	3,229,758	218,077	3,164,121	65,637
Advertising	344,516	334,864	9,652	464,309	(129,445)
Other revenues	-	-	-	2,844	(2,844)
Interest income	5,399	2,575	2,824	6,472	(3,897)
Gain on disposal of capital assets	<u>30,171</u>	<u>-</u>	<u>30,171</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues	22,387,400	20,190,266	2,197,134	18,751,358	1,438,908
Capital contributions (grants):					
Intergovernmental	<u>1,962,595</u>	<u>3,200,843</u>	<u>(1,238,248)</u>	<u>1,627,422</u>	<u>1,573,421</u>
Total revenues	<u>\$ 30,007,914</u>	<u>\$ 28,845,960</u>	<u>1,161,954</u>	<u>\$ 25,768,479</u>	<u>3,077,481</u>

Revenues were relatively stable with the exception of intergovernmental revenue. The District continues to see growth in intergovernmental operating revenue due to increased Measure A funds, increased federal operating grant funds, and increased state Transportation Development Act funds.

In fiscal year 2013, revenues were relatively stable with the exception of intergovernmental revenue. The District saw growth in intergovernmental revenue due to increased Measure A operating funds and increased Federal grant funding for both capital and operating projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in the District's expenses were as follows:

	<u>2014</u>	<u>2013</u>	<u>2014 - 2013</u> Increase Decrease	<u>2012</u>	<u>2013 - 2012</u> Increase Decrease
Operating expenses					
Purchased transportation services	\$ 21,720,736	\$ 20,517,322	\$ 1,203,414	\$ 21,839,008	\$ (1,321,686)
Fuel	1,355,476	953,177	402,299	704,196	248,981
Direct Labor	964,311	143,364	820,947	-	143,364
Depreciation	937,139	715,867	221,272	651,343	64,524
Professional services	486,242	351,732	134,510	354,714	(2,982)
Contract Labor	469,169	1,324,074	(854,905)	1,358,638	(34,564)
Capital costs	383,848	197,002	186,846	2,250	194,752
General & administrative	165,775	188,549	(22,774)	285,601	(97,052)
Marketing	136,455	72,424	64,031	121,743	(49,319)
Leases and rentals	100,975	155,728	(54,753)	539,051	(383,323)
Utilities	73,940	43,021	30,919	30,703	12,318
Other services	66,750	70,615	(3,865)	26,626	43,989
Maintenance costs	53,439	734	52,705	72,752	(72,018)
Casualty and liability costs	25,738	25,433	305	17,819	7,614
Total operating expenses	<u>\$ 26,939,993</u>	<u>\$ 24,759,042</u>	<u>\$ 2,180,951</u>	<u>\$ 26,004,444</u>	<u>\$ (1,245,402)</u>
Nonoperating expenses					
Pass through of Measure A to GGT	85,000	-	85,000	-	-
Loss on disposal of capital assets	-	21,696	(21,696)	-	21,696
Total nonoperating expenses	<u>85,000</u>	<u>21,696</u>	<u>63,304</u>	<u>-</u>	<u>21,696</u>
Total expenses	<u>\$ 27,024,993</u>	<u>\$ 24,780,738</u>	<u>\$ 2,244,255</u>	<u>\$ 26,004,444</u>	<u>\$ (1,223,706)</u>

The District completed the transition to a new direct employment model in 2014, accounting for the increase in direct labor and correlating decrease in contract labor for an overall net decrease in labor costs. Increased direct fuel expenses are due to a combination of rising fuel costs and the District directly purchasing more fuel rather than paying for fuel as part of a purchased transportation service contract.

In fiscal year 2013, purchased transportation services decreased primarily as a result of the new operating agreement with GGBHTD. The new line item for direct labor represented the District's expenses for directly hired employees, a new employment model implemented by the District mid-year. Increased direct fuel expenses were due to a combination of increased service and rising fuel costs in the region. The decrease in leases and rentals was primarily due to the change in the GGBHTD operating contract and associated capital contribution calculations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET ADMINISTRATION

As of June 30, 2014 and 2013, the District owned the following buses and related assets:

2014				2013			
Number of buses	Acquisition year	Type of bus	Approximate cost	Number of buses	Acquisition year	Type of bus	Approximate cost
6	2005	El Dorado Aerotech	\$ 347,000	1	2002	Champion	\$ 49,000
2	2008	Starcraft Allstar	116,000	8	2005	El Dorado Aerotech	462,000
3	2008	El Dorado Aero Elite	317,000	2	2005	Braun Transporters	101,000
1	2009	Ford Aerotech	68,000	2	2008	Starcraft Allstar	116,000
16	2009	Starcraft Starlite	820,000	3	2008	El Dorado Aero Elite	317,000
2	2010	El Dorado XHF	615,000	2	2009	Ford Aerotech	135,000
1	2011	El Dorado Aerotech	84,000	16	2009	Starcraft Starlite	820,000
3	2011	El Dorado XHF	1,100,000	2	2010	El Dorado XHF	615,000
4	2012	El Dorado Aero Elite	436,000	1	2011	El Dorado Aerotech	84,000
5	2012	El Dorado XHF	1,878,000	3	2011	El Dorado XHF	1,100,000
9	2013	El Dorado Aerotech	932,000	4	2012	El Dorado Aero Elite	436,000
3	2014	Nova Bus (used)	46,000	5	2012	El Dorado XHF	1,876,000
				9	2013	El Dorado Aerotech	873,000
			<u>\$ 6,759,000</u>				<u>\$ 6,984,000</u>

Accumulated depreciation on the buses as of June 30, 2014 and 2013 was approximately \$2,609,000 and \$2,275,000, respectively. More information about the District's capital assets may be found on Note C on page 18.

THE FUTURE OF THE DISTRICT

Marin Transit has experienced significant growth in ridership, revenues and expenditures over the past ten years. This growth has been due primarily to the passage of Measure A, the half cent county-wide sales tax for transportation, in 2004. Fifty-five percent of the Measure A revenues are dedicated to Marin Transit services. Additional funding was made available and new mobility management programs for seniors and persons with disabilities were initiated with the passage of Measure B, the vehicle license registration fee, in 2010. Although the revenue generated by these measures fluctuates with economic activity, these measures have provided a reliable source of funding for the District and are projected to continue to be reliable sources for the next ten years.

In FY 2015 the District will prepare its 2016-2025 Short Range Transit Plan (SRTP). The SRTP provides a framework for service and capital planning for the next ten years. Financial projections are updated and a financially constrained plan and priorities for services and projects are established for potential future new revenues. The SRTP financial plan guides financial decision-making for the agency and is the basis for analyzing longer range financial impacts of changes in costs and revenues. Key issues to be addressed in the 2015 SRTP are managing the growing demand for paratransit services, controlling contract service costs, evaluating service to schools, and examining fare policies. Cost effective service expansion opportunities and strategic

MANAGEMENT'S DISCUSSION AND ANALYSIS

capital investments will be identified through the SRTP process. The Board of Directors will consider adoption of the SRTP in Spring 2015.

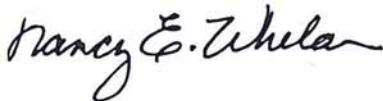
As Marin Transit has become a more independent agency over the past few years, its ability to plan for and determine its financial future has grown stronger. Marin Transit will continue to focus on long term financial sustainability by regularly monitoring costs and expenditures, planning for future needs, implementing cost containment strategies, maintaining adequate reserves, and seeking new and increased funding.

REQUESTS FOR INFORMATION

This financial report is designed to provide our residents, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to our office at 711 Grand Avenue, Suite 110, San Rafael, California 94901.

Respectfully submitted,



Nancy E. Whelan
General Manager

MARIN COUNTY TRANSIT DISTRICT

BALANCE SHEETS

June 30, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,577,637	\$ 1,110,007
Accounts receivable:		
Transportation Authority of Marin	1,901,349	2,656,998
Golden Gate Bridge Highway and Transit District	864,622	696,440
Federal grants	604,810	2,239,513
Whistlestop	115,704	
State grants	98,499	1,616,516
Other receivables	75,063	279,342
Prepaid expenses	48,126	87,826
TOTAL CURRENT ASSETS	10,285,810	8,686,642
CAPITAL ASSETS		
Capital assets not depreciated	1,024,112	701,902
Capital assets depreciated, net	6,177,140	5,411,805
TOTAL CAPITAL ASSETS	7,201,252	6,113,707
TOTAL ASSETS	\$ 17,487,062	\$ 14,800,349
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 885,423	\$ 1,189,146
Accrued payroll and benefits	93,228	25,197
Unearned revenue	46,202	87,318
Compensated absences - current portion	24,382	15,400
TOTAL CURRENT LIABILITIES	1,049,235	1,317,061
NONCURRENT LIABILITIES		
Compensated absences - noncurrent portion		28,382
TOTAL NONCURRENT LIABILITIES		28,382
TOTAL LIABILITIES	1,049,235	1,345,443
NET POSITION		
Net investment in capital assets	7,201,252	6,113,707
Unrestricted	9,236,575	7,341,199
TOTAL NET POSITION	16,437,827	13,454,906
TOTAL LIABILITIES AND NET POSITION	\$ 17,487,062	\$ 14,800,349

The accompanying notes are an integral part of these financial statements.

MARIN COUNTY TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Transit fares	\$ 3,731,205	\$ 3,720,004
Contractual compensation	1,906,714	1,734,847
Special fares	20,000	
TOTAL OPERATING REVENUES	5,657,919	5,454,851
OPERATING EXPENSES		
Purchased transportation services	21,720,736	20,517,322
Fuel	1,355,476	953,177
Direct Labor	964,311	143,364
Depreciation	937,139	715,867
Professional services	486,242	351,732
Contract Labor	469,169	1,324,074
Capital costs	383,848	197,002
General and administrative	165,775	188,549
Marketing	136,455	72,424
Leases and rentals	100,975	155,728
Utilities	73,940	43,021
Other services	66,750	70,615
Maintenance costs	53,439	734
Casualty and liability costs	25,738	25,433
TOTAL OPERATING EXPENSE	26,939,993	24,759,042
OPERATING INCOME (LOSS)	(21,282,074)	(19,304,191)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	18,559,479	16,623,069
Property tax revenue	3,447,835	3,229,758
Advertising	344,516	334,864
Pass through of Measure A to Golden Gate Transit	(85,000)	
Gain on disposal of capital assets	30,171	(21,696)
Interest income	5,399	2,575
TOTAL NONOPERATING REVENUES (EXPENSES)	22,302,400	20,168,570
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,020,326	864,379
CAPITAL CONTRIBUTIONS		
Intergovernmental revenue	1,962,595	3,200,843
TOTAL CAPITAL CONTRIBUTIONS	1,962,595	3,200,843
CHANGE IN NET POSITION	2,982,921	4,065,222
Net position at beginning of year	13,454,906	9,389,684
NET POSITION AT END OF YEAR	\$ 16,437,827	\$ 13,454,906

The accompanying notes are an integral part of these financial statements.

MARIN COUNTY TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,719,719	\$ 3,721,207
Cash receipts from contracts	1,906,714	1,734,847
Cash paid for purchased transportation services	(21,904,213)	(20,282,232)
Cash paid to suppliers for goods and services	(3,398,353)	(3,017,256)
Cash paid to employees for services	(915,680)	(117,882)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(20,591,813)</u>	<u>(17,961,316)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	3,447,835	3,229,758
Intergovernmental revenues received	20,197,699	13,922,809
NET CASH PROVIDED BY NONCAPITAL FINANCIAL ACTIVITIES	<u>23,645,534</u>	<u>17,152,567</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	30,171	9,365
Acquisition of capital assets	(2,024,684)	(3,265,483)
Capital contribution revenues received	4,403,023	2,733,216
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>2,408,510</u>	<u>(522,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	5,399	2,575
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,399</u>	<u>2,575</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,467,630	(1,329,076)
Cash and cash equivalents at beginning of year	<u>1,110,007</u>	<u>2,439,083</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,577,637</u>	<u>\$ 1,110,007</u>
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Net loss from operations	\$ (21,282,074)	\$ (19,304,191)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Depreciation	937,139	715,867
(Increase) decrease in accounts receivable	(31,486)	1,203
(Increase) decrease in prepaid expenses	39,700	162,174
Increase (decrease) in accounts payable	(303,723)	438,149
Increase in accrued payroll and benefits	68,031	15,194
Increase (decrease) in compensated absences	(19,400)	10,288
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (20,591,813)</u>	<u>\$ (17,961,316)</u>

The accompanying notes are an integral part of these financial statements.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Marin County Transit District (the District) is special district created by the authority of the Marin County Transit District Act of 1964. The District's purpose is to develop, finance, organize, and provide local Marin County transit service. Revenues are derived principally from property taxes, aid from other governmental entities, transportation contract revenue, and transit fare revenue.

The District is governed by a seven member Board of Directors comprised of the members of the Board of Supervisors of the County of Marin (the County) and two members chosen from city council persons or mayors of cities within the county. The District is a component unit of the County because the County controls the District's Board of Directors and may impose its will on the District. The County is reimbursed by the District for staff support the County provides to the District, which is reported in the statement of changes in net position as contract labor.

The District contracts with four transit providers to operate transit services in Marin County:

Golden Gate Bridge Highway and Transportation District (Golden Gate): Since 1971, the District has contracted with Golden Gate to provide local transit services. In May 2006, the District made significant revisions to the contract with Golden Gate for the period May 1, 2006 through June 30, 2011. In February 2008, the contract was amended and extended through June 30, 2017. The District sets the fare structure and rates, and establishes the service levels and the frequency of local transit services. Golden Gate collects passenger fares for the District's routes and the District's portion of State funding and applies them toward the District's obligation to Golden Gate.

Under the terms of the contract, Golden Gate operates nine local fixed routes and three supplemental school routes. The total cost of local bus transit service under this contract during the fiscal year ending June 30, 2014 and 2013 was \$12,916,879 and \$14,008,765, respectively. Related fare, revenue, advertising revenue, TDA revenue, STA revenue and other revenue earned for the fiscal year ending June 30, 2014 and 2013 was \$8,745,448 and \$8,702,882, respectively. Golden Gate is compensated for operating costs based on service hours incurred multiplied by a rate per hour specified in the contract. The contract provides for a 2.7% increase in the rate per hour annually. Golden Gate is also compensated for the District's share of capital costs. Operating assets used to provide contract services are owned by Golden Gate. The agreement allows the District the option of assuming ownership of revenue vehicles purchased with the District's capital contribution to Golden Gate. The District does not record such vehicles as capital assets until ownership is assumed.

Under the local paratransit agreement, the District contracts for inter-county paratransit service on behalf of Golden Gate. With the implementation of the Americans with Disabilities Act (ADA), Golden Gate was required to provide complementary inter-county paratransit services. Golden Gate contracted with the District to be the primary public entity responsible to provide these inter-county paratransit services. The District, in turn, contracted with Marin Senior Coordinating Council to provide the actual services, with the understanding that the District would be adequately compensated by Golden Gate.

MARIN COUNTY TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marin Senior Coordinating Council, Inc.: The District has contracted with Marin Senior Coordinating Council, Inc. (MSCC, also known as “Whistlestop Wheels”) since 2009 to provide local paratransit services. Paratransit consists of demand responsive van services for the disabled, which meets the requirements of the American with Disabilities Act and other federal provisions. Under the contract, MSCC provides the paratransit services and collects all the fare revenue and remits it to the District at designated intervals. MSCC bills the District monthly for services on an agreed-upon hourly basis. The District receives reimbursement from Golden Gate for the actual cost of the inter-county (regional) portion of this service.

MV Transportation, Inc.: In November 2011, operation of the Muir Woods Shuttle, along with the rural transit service on the West Marin Stagecoach was awarded to MV Transportation, Inc. for a three year term with two optional one-year extensions. MV Transportation, Inc. now operates turn-key service on the Muir Woods Shuttle along with two rural routes established by the District and paid for in part by Federal Section 5311 Rural funding. MV Transportation also provides eight school routes. Fare revenue on the service is collected through the District's GFI fare box system and is deposited directly into the District's account. The National Park Service pays for 50% of the Muir Woods Shuttle program.

Marin Airporter: The District contracts with a Marin County private company, Marin Airporter, to provide a local shuttle service on six routes called the Community Shuttle program. Marin Airporter has operated this service since 2006, and won a competitive bid process for a new contract for the period July 1, 2009 through June 30, 2012 with up to two extensions through June 30, 2015. Fare revenue on this service is collected through the District's GFI fare box system and is deposited directly into the District's account.

Joint Ventures: The District participates in two joint ventures. One joint venture is for risk management as disclosed in Note J. The second joint venture is the Marin Emergency Radio Authority (the Authority). The Authority is responsible for acquiring, constructing, and improving and operating a countywide emergency radio system. During the year ended June 30, 1999, the Authority issued Revenue Bonds to be used for the acquisition of the radio system. The District is responsible for 1.18% share of the annual contributions to the Authority for operations, which also covers debt payments. The amount of the contribution is disclosed in Note L. The District is not directly responsible for liabilities of the Authority and only has a residual equity interest in the Authority that would result in the District's proportional share of residual assets being distributed to the District, if any, if the members vote to terminate the Authority. The Authority issues separate financial statements, which are available at: Marin Emergency Radio Authority, c/o Novato Fire Protection District, 95 Rowland Way, Novato, California 94945 or www.meraonline.org/contact.

Basis of Presentation: The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District is accounted for as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting. In addition, the District follows Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities and deferred inflows of resources associated with the operation of this fund are included on the balance sheet. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund-type operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net position.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as unearned revenues until earned. Transportation Development Act (TDA) revenues are recorded when all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for transportation services, contractual compensation and advertising. Operating expenses include the cost of purchased transportation services, contract labor, fuel, depreciation, professional services, leases and rentals, general and administrative, direct labor, marketing, utilities and other operating expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: The District defines cash and cash equivalents as cash on hand, demand deposits, and short-term investments, including the investment in the County of Marin cash and investments pool. For the purposes of reporting cash flows, the District considers all cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Additionally, one contractor who provides transportation services offsets certain types of revenue and expenses against monthly transportation service charges. Only the actual cash transactions are shown on the statement of cash flows.

Prepaid Expenses: Prepaid expenses are costs paid as of the balance sheet that are related to future accounting periods. Prepaid expenses at June 30, 2014 consisted mainly of prepaid software maintenance contract expenses. Prepaid expenses at June 30, 2013 consisted mainly of prepaid contract compensation paid to Local Government Services and prepaid software costs.

MARIN COUNTY TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are valued at historical cost. The District's policy defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Provision is made for depreciation on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buses, fare boxes and radios	5-12 years
Office equipment	8 years

Maintenance and repairs are charged to operations when incurred. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement.

Occasionally the District reimburses other organizations for the purchases of vehicles and other equipment. For the reimbursements in which the District does not own the vehicles or equipment, the transaction is recorded as capital costs on the statement of revenues, expenses and changes in fund net assets.

Unearned Revenue: Unearned revenue at June 30, 2014 and 2013 consisted mainly of an advance received from the County of Marin for the Redwood & Grant Project prior to qualifying expenses being incurred, and for an advance received from the Transportation Authority of Marin for Measure A prior to qualifying expenses being incurred.

Compensated Absences: At June 30, 2014, the District's employment policy allows employees to accumulate earned, but unused vacation leave time. Vacation accrues at a rate of 80 hours per year until the third consecutive year of employment when an additional 40 hours are earned. Administrative leave and sick leave is provided to employees, but is not payable at separation or retirement and is not accrued as part of compensated absences. The current portion of the long-term liability is estimated based on historical trends. At June 30, 2013, the District accrued compensated absences for contract employees provided by the County. All compensated absences for County employees was paid during 2014 when they were hired as direct employees of the District.

Property Taxes: The County of Marin levies taxes and places liens on real property as of January 1 on behalf of the District. Property taxes are due the following November 1 and March 1 and become delinquent April 10 and December 10, for the first and second installments, respectively. Unsecured property taxes are levied throughout the year.

In 1993, the District entered into an agreement (commonly known as the Teeter Plan) with the County of Marin. The Teeter Plan calls for the County to advance the District its share of the annual gross levy of secured property taxes and special assessments. In consideration, the District gives the County of Marin its rights to penalties and interest on delinquent secured property tax receivables and actual proceeds collected. The receivable on the balance sheet refers to unsecured property taxes.

Measure A: Marin County voters passed a ½ cent sales tax measure (Measure A) in 2004 to provide local funding and investment for transportation infrastructure and programs. Under the sales tax expenditure plan, fifty-five percent (55%) of Measure A is available for Local Transit service. The Transportation Authority of Marin (TAM) is the transportation sales tax authority in Marin County. TAM makes Measure A funding available to the District based on projections, and adjusts future years balances to

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

account for actual receipts. The District requests Measure A funds on a reimbursement basis and does not carry an unspent balance of these funds.

Measure B: In 2010, Marin’s voters approved Measure B, the Vehicle Registration Fee Initiative that collects \$10 annually for each vehicle registered in Marin for the purpose of improving transportation within the County. The Measure B Expenditure Plan designates 35% of the funds generated to be used to fund senior and disabled transportation services in Marin, and Marin Transit is the designated agency to manage this component. The District requests Measure B funds on a reimbursement basis and does not carry an unspent balance of these funds.

Net Position: Net position is categorized as the net investment in capital assets, restricted and unrestricted. The net investment in capital assets groups all capital assets into one category of net position, which is reduced by accumulated depreciation. Restrictions of net position represent amounts that are legally restricted for specific uses. Unrestricted net position represents amounts not restricted for any other project or purpose.

The District’s Board of Directors approved a reserve policy for unrestricted net position allowing for a minimum of two months and maximum of four months of operating expenses to be reserved. An emergency reserve of two months of operating expenses and contingency reserve of more than two months but less than four months of operating expenses were approved under the policy. The emergency reserve is available for one time, unanticipated expenditures or to offset unanticipated revenue fluctuations. The contingency reserve is available to maintain current transit service levels during revenue declines or slower than anticipated revenue growth.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS

The District’s cash and investments consist of bank deposits of \$2,043,633 and \$43,964 and an investment in the County of Marin cash and investments pool of \$4,534,004 and \$1,066,043 at June 30, 2014 and 2013, respectively. The District has only invested in the County of Marin cash and investments pool and bank deposits in practice.

Interest Rate Risk: The District has an investment in the County Treasury. Interest earned on the pool is allocated to participants quarterly using the average daily cash balance of each fund. Investments held in the County’s investment pool are available on demand to the District and are stated at amortized cost, which approximates fair value.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2014 and 2013, the weighted average maturity of the investments contained in the County’s investment pool was approximately 264 and 178 days, respectively.

MARIN COUNTY TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not 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. The County's investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial credit risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County's investment pool). At June 30, 2014 and 2013, the carrying amount of the District's deposits was \$2,043,633 and \$43,964 and the balance in the financial institutions was \$2,047,631 and \$43,964 respectively. Of the balances in financial institutions, \$250,000 and \$43,964 at June 30, 2014 and 2013, respectively, was covered by federal depository insurance and the remaining amount at was secured by a pledge of securities by the financial institution, but not in the name of the District.

NOTE C – CAPITAL ASSETS

Capital asset activity was as follows for the years ended June 30:

	Balance at July 1, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Nondepreciable:					
Work in Progress	\$ 701,902	\$ 814,942		\$ (492,732)	\$ 1,024,112
Capital assets, being depreciated:					
Revenue vehicles	6,987,949	104,351	\$ (333,748)		6,758,552
Facilities & stops		1,005,611		489,632	1,495,243
Communication and data equipment	984,560	78,288		3,100	1,065,948
Fare revenue collection equipment	257,913	21,492	(12,940)		266,465
Furniture and fixtures	88,351				88,351
Non-revenue vehicles	6,300				6,300
Total capital assets being depreciated	8,325,073	1,209,742	(346,688)	492,732	9,680,859
Less accumulated depreciation:					
Revenue vehicles	(2,274,742)	(667,952)	333,748		(2,608,946)
Facilities & stops		(31,514)			(31,514)
Communication and data equipment	(368,323)	(206,338)			(574,661)
Fare revenue collection equipment	(209,759)	(17,140)	12,940		(213,959)
Furniture	(57,294)	(11,045)			(68,339)
Non-revenue vehicles	(3,150)	(3,150)			(6,300)
Total accumulated depreciation	(2,913,268)	(937,139)	346,688		(3,503,719)
Total capital assets being depreciated, net	5,411,805	272,603		492,732	6,177,140
Capital assets, net	\$ 6,113,707	\$ 1,087,545	\$ -	\$ -	\$ 7,201,252

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE C – CAPITAL ASSETS (Continued)

	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Nondepreciable:					
Work in progress	\$ 515,919	\$ 537,979		\$ (351,996)	\$ 701,902
Capital assets, being depreciated:					
Revenue vehicles	4,600,270	2,679,083	\$ (291,404)		6,987,949
Communication and data equipment	616,059	16,505		351,996	984,560
Fare revenue collection equipment	257,913				257,913
Furniture and fixtures	62,735	25,616			88,351
Non-revenue vehicles		6,300			6,300
Total capital assets being depreciated	<u>5,536,977</u>	<u>2,727,504</u>	<u>(291,404)</u>	<u>351,996</u>	<u>8,325,073</u>
Less accumulated depreciation:					
Revenue vehicles	(2,027,593)	(507,492)	260,343		(2,274,742)
Communication and data equipment	(229,710)	(138,613)			(368,323)
Fare revenue collection equipment	(153,390)	(56,369)			(209,759)
Furniture	(47,051)	(10,243)			(57,294)
Non-revenue vehicles		(3,150)			(3,150)
Total accumulated depreciation	<u>(2,457,744)</u>	<u>(715,867)</u>	<u>260,343</u>		<u>(2,913,268)</u>
Total capital assets being depreciated, net	<u>3,079,233</u>	<u>2,011,637</u>	<u>(31,061)</u>	<u>351,996</u>	<u>5,411,805</u>
Capital assets, net	<u>\$ 3,595,152</u>	<u>\$ 2,549,616</u>	<u>\$ (31,061)</u>	<u>\$ -</u>	<u>\$ 6,113,707</u>

NOTE D – COMPENSATED ABSENCES

Compensated absences activity was as follows for the year ended June 30:

	Balance at July 1, 2013	Additions	Repayments	Balance at June 30, 2014	Due within One Year
Compensated absences	\$ 43,782	\$ 44,553	\$ (63,953)	\$ 24,382	\$ 24,382
	<u>\$ 43,782</u>	<u>\$ 44,553</u>	<u>\$ (63,953)</u>	<u>\$ 24,382</u>	<u>\$ 24,382</u>
	Balance at July 1, 2012	Additions	Repayments	Balance at June 30, 2013	Due within One Year
Compensated absences	\$ 33,494	\$ 22,069	\$ (11,781)	\$ 43,782	\$ 15,400
	<u>\$ 33,494</u>	<u>\$ 22,069</u>	<u>\$ (11,781)</u>	<u>\$ 43,782</u>	<u>\$ 15,400</u>

The repayments in 2014 included \$40,084 paid to contract employees under their employment agreements when hired by the District.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE E – INTERGOVERNMENTAL REVENUE

The following is the detail of intergovernmental revenues at June 30:

	2014		Total
	Non-operating	Capital	
Federal revenue:			
Federal Transit Administration:			
Section 5304 (Planning grants)	\$ 22,673		\$ 22,673
Section 5307 (American Disabilities Act Set-Aside)	668,628		668,628
Section 5307 (Local Operating)	144,622		144,622
Section 5307 (Vehicle Purchase)		\$ 6,697	6,697
Section 5309 (State of Good Repair)		308,384	308,384
Section 5311 (Stagecoach operating)	251,673		251,673
Section 5311 (Rural Transportation Assistance Program scholarships)	720		720
Section 5316 (Local Operating)	94,245		94,245
Section 5316 (Technology)		7,965	7,965
Section 5317 (New Freedom Cycle 4 Funding)	192,526		192,526
United States Department of the Interior - National Parks Service	159,028		159,028
Total federal revenue	<u>1,534,115</u>	<u>323,046</u>	<u>1,857,161</u>
State revenue:			
Transportation Development Act	4,015,345		4,015,345
State Transit Assistance			
Operating	1,094,956		1,094,956
Lifeline	185,587		185,587
Paratransit	80,194		80,194
Home Owner Property Tax Relief	19,500		19,500
Caltrans	253		253
State Transportation Improvement Program		998,676	998,676
Public Transportation Modernization, Improvement and Service Enhancement Account		70,879	70,879
Total state revenue	<u>5,395,835</u>	<u>1,069,555</u>	<u>6,465,390</u>
Local revenue:			
Measure A			
Strategy 1.1 (Local)	7,824,594		7,824,594
Strategy 1.2 (Rural)	570,757		570,757
Strategy 1.3 (Special)	1,949,564		1,949,564
Strategy 1.4 (Capital)	504,547	429,846	934,393
Interest	85,000		85,000
Measure B	671,308		671,308
Miscellaneous	23,759	140,148	163,907
Total local revenue	<u>11,629,529</u>	<u>569,994</u>	<u>12,199,523</u>
Total intergovernmental revenue	<u>\$ 18,559,479</u>	<u>\$ 1,962,595</u>	<u>\$ 20,522,074</u>

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE E – INTERGOVERNMENTAL REVENUE (Continued)

	2013		
	Non-operating	Capital	Total
Federal revenue:			
Federal Transit Administration:			
Section 5304 (Planning grants)	\$ 100,372		\$ 100,372
Section 5307 (American Disabilities Act Set-Aside)	673,378		673,378
Section 5307 (American Recovery and Reinvestment Act Technology)		\$ 39,684	39,684
Section 5309 (State of Good Repair)		104,731	104,731
Section 5311 (Stagecoach operating)	265,119		265,119
Section 5311 (Rural Transportation Assistance Program scholarships)	2,317		2,317
Section 5317 (New Freedom Cycle 4 Funding)	29,024		29,024
Section 5320 (Paul Sarbanes)		1,154,847	1,154,847
United States Department of the Interior - National Parks Service	126,276		126,276
Total federal revenue	<u>1,196,486</u>	<u>1,299,262</u>	<u>2,495,748</u>
State revenue:			
Transportation Development Act	3,591,333		3,591,333
State Transit Assistance			
Operating	1,159,696		1,159,696
Lifeline	361,602		361,602
Paratransit	81,456		81,456
Home Owner Property Tax Relief	19,661		19,661
Caltrans	232		232
State Transportation Improvement Program		194,357	194,357
Public Transportation Modernization, Improvement and Service Enhancement Account		1,442,136	1,442,136
Total state revenue	<u>5,213,980</u>	<u>1,636,493</u>	<u>6,850,473</u>
Local revenue:			
Measure A			
Strategy 1.1 (Local)	6,811,502		6,811,502
Strategy 1.2 (Rural)	554,086		554,086
Strategy 1.3 (Special)	1,875,095		1,875,095
Strategy 1.4 (Capital)	431,229	240,432	671,661
Measure B	534,025		534,025
Metropolitan Transportation Commission	6,666		6,666
Miscellaneous		24,656	24,656
Total local revenue	<u>10,212,603</u>	<u>265,088</u>	<u>10,477,691</u>
Total intergovernmental revenue	<u>\$ 16,623,069</u>	<u>\$ 3,200,843</u>	<u>\$ 19,823,912</u>

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE F – OPERATING LEASE

The District leases its office space under a non-cancellable operating lease. In July 2012, the District entered into a three-year lease. The lease contains one three-year option to renew at market rates, with minimum rent no less than the rent at the end of the original term. As of June 30, 2014, future minimum lease payments under the operating lease were as follows:

Fiscal Year Ending June 30:	
2015	\$ 92,417
2016	<u>23,239</u>
Total minimum lease commitments	<u>\$ 115,656</u>

Lease expense for the years ended June 30, 2014 and 2013 totaled \$90,075 and \$93,541, respectively.

NOTE G – RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS

The District established the Marin County Transit District Governmental 401(a) single employer defined benefit pension plan (the Plan) in October 2013, which is available to all of its employees who have attained twenty-one years of age and have more than 1,000 hours of service. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the District's Board of Directors. The District is required to contribute 10% to 15% of each employee's compensation, depending on the number of years of service, to an individual employee account under the Plan. Employees are not allowed to contribute to the Plan. Pension expense for the year ended June 30, 2014 was \$126,748. Employees are fully vested in employer contributions after six months of service and receive the maximum employer contribution of 15% in years after 4 years of service have been obtained. Any non-vested forfeitures are first used to pay plan administrative expenses and any remaining forfeitures are used to reduce the required employer contribution. There were no forfeitures during the years ended June 30, 2014 and 2013.

The District provided a Simplified Employee Pension Plan (SEP Plan) until the Section 401(a) plan was established and provides a Section 457 deferred compensation plan (Section 457 Plan) to its directly hired employees. The District contributed 10% of each employee's salary to the SEP Plan during the year ended June 30, 2013 and in 2014 until the Section 401(a) plan was established, which amounted to \$6,283 and \$10,772, respectively. Employees are allowed to contribute to the Section 457 plan, but the District does not typically contribute to the Section 457 plan. During the year ended June 30, 2014 the District contributed \$10,000 to the Section 457 plan as part of an employment agreement. The District does not currently provide other postemployment benefits (OPEB) to directly hired employees.

The District also contracted with the County and an independent entity called Local Government Services (LGS) for staffing until all contract employees were hired by the District during the year ended June 30, 2014. Pension and OPEB benefits were available to County and LGS contract employees. The District does not currently have a contract with the County that defines responsibility for any unfunded retirement and OPEB benefits for County employees used by the District that may be payable upon separation. However, all former County employees retired or left the County's and District's service and the District does not believe a separation liability is applicable to the District. The contract with LGS stated that LGS is responsible for retirement and OPEB benefits for its employees used by the District.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE H – COMMITMENTS AND CONTINGENCIES

Commitments: The District had the following contract commitments as of June 30:

Contractor	Purpose	2014	2013
Golden Gate Bridge Highway and Transportation District	Local fixed route service	\$ 24,038,047	\$ 35,665,368
Whistlestop	Paratransit service	5,779,120	5,279,930
Marin Airporter	Shuttle	5,575,200	8,406,400
MV Transportation, Inc.	Rural and seasonal transit service	3,889,738	4,538,066
MV Transportation, Inc.	Catch a ride	577,392	
Whistlestop	Volunteer driver program	133,500	111,600
Ghilotti Bros, Inc.	South Novato bus stop improvements project		624,374
Local Government Services Authority	Salaries and benefits		296,510
Kimley Horn & Associates, Inc.	Bus stop improvements		273,294
Mark Thomas & Company, Inc.	Redesign Downtown Novato Transit Center		270,500
Corporate Logistics Efficiency Group	Catch a ride		144,394
		\$ 39,992,997	\$ 55,610,436

Contingencies: The District receives grants from federal and state agencies that are subject to grant compliance audits by the awarding agency. No such audits occurred during the year and the District's management does not believe that any such audits would result in material disallowed costs. However, it is possible that ineligible costs would be identified by the awarding agencies during any such audits in the future.

The Golden Gate Bridge and Transportation District (Golden Gate) changed its interpretation of the "revenue hours" that may be billed to the District under the contract for transit service for the year ended June 30, 2013 to include certain hours that the District does not believe are eligible under the definition in the contract. This issue was not resolved during the year ended June 30, 2014. The District and its legal counsel believe the excess amount billed by Golden Gate of \$593,024 for the year ended June 30, 2013 will not be paid and the District has not accrued a liability for this amount. Golden Gate did not issue a final invoice for service for the year ended June 30, 2014 and the District recorded costs based on the best available revenue hour data from Golden Gate and consultations with the National Transit Database analysts. However, an independent audit of revenue hours is underway and the ultimate resolution of this issue is not assured.

The Cities of San Rafael and Novato notified the District that they will be filing a lawsuit against the State of California, County of Marin and all other taxing agencies that receive property taxes from the San Rafael and Novato Redevelopment Project Area. This includes the District. The notification indicated they expect a resolution of this lawsuit through a stipulated judgment with the State of California with no fiscal impact to the District.

Concentration: Over 50% of the District's contracted transit services are provided by Golden Gate. A change in this relationship could have a significant impact on the District.

NOTE I – PTMISEA

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.25 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public

MARIN COUNTY TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE I – PTMISEA (Continued)

Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety of modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

As of June 30, 2014 and 2013, the District applied for and was awarded \$3,691,367 and \$4,299,999, respectively, from the State's PTMISEA account for the projects listed in the tables below. The tables below disclose the amounts expended, received and unexpended for each approved project as of June 30:

Project Name	Grant Amount	Received through June 30, 2014	Expended through June 30, 2014	Unexpended at June 30, 2014
Local bus stop revitalization	\$ 400,000	\$ 92,489	\$ 97,551	\$ 302,449
Bus stop improvements	985,000			985,000
Purchase fourteen buses	1,157,651			1,157,651
Purchase eight shuttles	681,000	681,000	681,000	
Purchase one bus	365,000	365,000	365,000	
Purchase one shuttle	102,716	102,716	102,716	
	<u>\$ 3,691,367</u>	<u>\$ 1,241,205</u>	<u>\$ 1,246,267</u>	<u>\$ 2,445,100</u>

Project Name	Grant Amount	Received through June 30, 2013	Expended through June 30, 2013	Unexpended at June 30, 2013
Local bus stop revitalization	\$ 400,000		\$ 26,672	\$ 373,328
Bus stop improvements	985,000			985,000
Purchase fourteen buses	1,157,651			1,157,651
Purchase eight shuttles	681,000		681,000	
Purchase one bus	365,000		365,000	
Purchase one shuttle	102,716		102,716	
Purchase two buses	608,632	\$ 608,632	608,632	
	<u>\$ 4,299,999</u>	<u>\$ 608,632</u>	<u>\$ 1,784,020</u>	<u>\$ 2,515,979</u>

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees, and errors and omissions, and natural disaster. The risk of loss is managed by requiring contract operators to indemnify and hold harmless the District as well as maintain minimum specified levels of coverage. Additional coverage is provided by the County for errors and omissions, injuries to employees, and natural disaster. The District's insurance coverage is carried through CSAC (California State Association of Counties) Excess Insurance Authority (CSAC) in pooled programs and through a commercial insurance carrier.

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE J – RISK MANAGEMENT (Continued)

CSAC is a public entity risk pool currently operating as a common risk management and insurance program for counties located throughout California. The purpose of CSAC is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group. The District's general liability insurance limit through CSAC was \$25,000,000 with a \$25,000 deductible at June 30, 2014 and 2013. The District's claims have not exceeded the maximum insurance coverage and there have been no reductions in insurance limits during the past three fiscal years.

The District is not directly responsible for liabilities of CSAC and only has a residual equity interest in CSAC that would result in the District's proportional share of residual assets being distributed to the District or its proportional share of additional premiums being required to be paid to CSAC if assets are not adequate to satisfy liabilities, if any, if the members vote to terminate CSAC. The financial statements of CSAC are available at CSAC's office at: 75 Iron Point Circle, Folsom, California 95630 or at www.csac-eia.org.

NOTE K – FARE REVENUE RATIO

Transit operators are required to maintain a fare revenue to operating expenses ratio in order to be eligible for Transportation Development Act (TDA) funding. The fare revenue ratio for the District's services funded with TDA revenues is calculated on a consolidated basis with the Golden Gate Bridge Highway and Transit District (Golden Gate) since the District's TDA allocation is received through Golden Gate.

NOTE L – RELATED PARTY TRANSACTIONS

The District's Board of Directors include members of the governing bodies of the County of Marin (the County) and City of San Rafael (the City). The District has various transactions with the County, City and other agencies that have City and County governing body representatives on their governing bodies.

Receivables from Golden Gate Bridge and Highway District (Golden Gate) and Transportation Authority of Marin (TAM) are listed on the face of the balance sheet. TDA and STA revenues listed in Note E are received from Golden Gate as well as various FTA and State grants. Measure A and Measure B revenues listed in Note E are received from TAM.

The following table represents revenues, expenses, accounts payable and unearned revenue to related agencies not separately reported in the balance sheet, statement of revenues, expenses and changes in net position or Note E:

MARIN COUNTY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

NOTE L – RELATED PARTY TRANSACTIONS (Continued)

	2014	2013
Revenues from related parties:		
Golden Gate Bridge Highway and Transit District:		
Fares	\$ 2,583,910	\$ 2,928,849
Paratransit contribution	706,720	688,139
Advertising	278,001	271,785
Other revenues	66,515	63,080
	<u>\$ 3,635,146</u>	<u>\$ 3,951,853</u>
Total revenues from related parties not separately reported		
Expenses to related parties:		
Golden Gate Bridge Highway and Transit District - transit contract	\$ 12,916,879	\$ 14,008,765
County of Marin - fuel	1,039,147	752,113
County of Marin - contract labor and benefits	288,777	534,691
County of Marin - other expenses	167,011	86,279
Marin Emergency Radio Authority - emergency radio system payments	43,739	43,158
Transportation Authority of Marin - rent and office expenses		76,227
City of San Rafael - ADA- DOJ curb ramps project		23,965
	<u>\$ 14,455,553</u>	<u>\$ 15,525,198</u>
Total expenses to related parties		
Accounts payable to related parties:		
Golden Gate Bridge Highway and Transit District:		
Pass through of Measure A	\$ 85,000	
Transit contract		\$ 482,510
County of Marin - miscellaneous	13,814	1,444
	<u>\$ 98,814</u>	<u>\$ 483,954</u>
Total accounts payable to related parties		
Unearned revenue from related parties:		
Transportation Authority of Marin - Measure A	\$ 30,044	
County of Marin - Redwood & Grant project	16,158	\$ 87,318
	<u>\$ 46,202</u>	<u>\$ 87,318</u>
Total unearned revenue from related parties		

NOTE M – SUBSEQUENT EVENTS

The District's Board of Directors approved the purchase of seven 40 foot and four 30 foot hybrid electric low-floor vehicles for \$7,900,000 in June 2014 and approved the purchase of nine Class A 20 foot and seven Class B 22 foot Paratransit vehicles for \$1,200,000 in October 2014. The cost of vehicle inspections, decaling, staff time and ancillary equipment was approved in addition to these amounts. The purchases will be funded by Federal Transit Administration Section 5307 grants, state infrastructure bond funds, PTMISEA and Measure A funds.

SUPPLEMENTARY INFORMATION

MARIN COUNTY TRANSIT DISTRICT
BUDGETARY COMPARISON SCHEDULE – OPERATIONS

For the Year Ended June 30, 2014

	Original Budget	Revised Budget	Actual	Variance Over (Under)
REVENUES				
Fares	\$ 3,736,866	\$ 3,736,866	\$ 3,751,205	\$ 14,339
Advertising and other revenues	222,092	222,092	344,516	122,424
Fees for service	1,950,103	1,950,103	1,865,052	(85,051)
Interest	1,000	1,000	5,399	4,399
Measure A	11,212,890	11,212,890	10,429,915	(782,975)
Measure B	808,178	808,178	671,308	(136,870)
Property taxes	3,213,918	3,213,918	3,427,936	214,018
Redevelopment area (RDA) fees	24,000	24,000	19,898	(4,102)
State Transit Assistance (STA)	1,378,824	1,378,824	1,360,737	(18,087)
Transit Development Act (TDA)	3,908,269	3,908,269	4,015,345	107,076
Other state revenue	20,071	20,071	19,753	(318)
FTA funds	1,108,337	1,108,337	1,375,087	266,750
National Park Service grant	165,000	165,000	159,063	(5,937)
Cost center transfers			(26,502)	(26,502)
Total revenues	<u>27,749,548</u>	<u>27,749,548</u>	<u>27,418,712</u>	<u>(330,836)</u>
EXPENDITURES				
Salaries and benefits	1,751,181	1,751,181	1,535,517	(215,664)
Consultant services	490,796	490,796	478,775	(12,021)
Partner agency pass through			85,000	85,000
Indirect county overhead	50,000	50,000	36,888	(13,112)
Mobility management support	64,420	74,420	45,377	(29,043)
Communication	107,170	107,170	98,970	(8,200)
Directly purchased fuel	1,339,094	1,339,094	1,355,476	16,382
Office supplies and materials	107,751	107,751	92,647	(15,104)
General insurance	28,000	28,000	25,738	(2,262)
Contract service operation	22,331,974	22,331,974	21,675,359	(656,615)
Memberships & professional development	27,000	27,000	14,442	(12,558)
Mileage and travel	18,400	18,400	11,613	(6,787)
Marketing materials	225,068	225,068	136,453	(88,615)
Miscellaneous services	25,000	25,000	21,851	(3,149)
Building and plant	95,000	95,000	90,075	(4,925)
Transfer of administrative expense to capital	(188,191)	(188,191)	(180,845)	7,346
Total expenditures	<u>26,472,663</u>	<u>26,482,663</u>	<u>25,523,336</u>	<u>(959,327)</u>
Excess of revenues over (under) expenditures	<u>\$ 1,276,885</u>	<u>\$ 1,266,885</u>	<u>\$ 1,895,376</u>	<u>\$ 628,491</u>

MARIN COUNTY TRANSIT DISTRICT
BUDGETARY COMPARISON SCHEDULE – CAPITAL PROGRAM

For the Year Ended June 30, 2014

	Original Budget	Revised Budget	Actual	Variance Over (Under)
REVENUES				
Fee for Service	\$ 166,667	\$ 166,667	\$ 143,257	\$ (23,410)
Measure A Sales Tax	1,258,397	1,258,397	504,547	(753,850)
Measure A Sales Tax - Capitalized			429,846	429,846
Proposition 1B	1,347,922	1,347,922	70,879	(1,277,043)
STIP Program	608,000	608,000	998,676	390,676
FTA 5309 State of Good Repair	1,490,517	1,490,517	308,384	(1,182,133)
FTA 5307 Urbanized Area Formula	4,253,604	4,253,604	6,697	(4,246,907)
FTA 5307 ARRA				
FTA 5316 JARC	300,000	300,000	7,965	(292,035)
FTA 5320 Transit in the Parks	638,000	638,000		(638,000)
Misc.-Reimbursement			62,265	62,265
Sale of Assets			30,171	30,171
Property Tax Transfer			26,502	26,502
Total revenues	<u>10,063,107</u>	<u>10,063,107</u>	<u>2,589,189</u>	<u>(7,473,918)</u>
EXPENDITURES				
<i>Vehicles</i>				
Novato DAR Vehicles			1,753	1,753
Purchase of Used Vehicles	21,000	21,000	46,148	25,148
Seven 40ft Vehicles	5,033,000	5,033,000	8,372	(5,024,628)
Local Vehicle Replacement 4 30ft			1,955	1,955
NPS - Muir Woods	36,000	36,000	10,900	(25,100)
Paratransit Vehicles (3)	244,872	244,872	117	(244,755)
Shuttle Vehicles			56,449	56,449
<i>Facilities & Stops</i>				
Bus Stop Improvements SGR	1,863,146	1,863,146	391,980	(1,471,166)
Muir Woods Infrastructure Improvements	638,000	638,000	233	(637,767)
Downtown Novato Bus Facilities	200,000	200,000	213,582	13,582
South Novato Bus Stop Improvements	608,000	608,000	998,676	390,676
<i>Communication and Data</i>				
AVL	40,000	40,000		(40,000)
Mobile Data Terminals			11,004	11,004
MERA	26,000	26,000	25,032	(968)
Scheduling Software		100,000	65,956	(34,044)
Mobility Management Technology Backbone	375,000	375,000	181,867	(193,133)
Clipper	100,000	100,000	17,185	(82,815)
<i>Fare Revenue Collection</i>				
Fareboxes	20,000	20,000	31,712	11,712
<i>Other</i>				
Bus Stop Maintenance	100,000	100,000	22,882	(77,118)
Golden Gate Capital Costs	419,898	419,898	383,848	(36,050)
Infrastructure Support	238,191	138,191	97,447	(40,744)
Major Vehicle Repairs	100,000	100,000	22,091	(77,909)
Total expenditures	<u>10,063,107</u>	<u>10,063,107</u>	<u>2,589,189</u>	<u>(7,473,918)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MARIN COUNTY TRANSIT DISTRICT
BUDGETARY COMPARISON SCHEDULE
RECONCILIATION TO STATEMENT OF REVENUES
AND EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2014

Excess of revenues over (under) expenditures - budgetary basis (operations)	\$ 1,895,376
Excess of revenues over (under) expenditures - budgetary basis (capital program)	
Capital asset additions	2,024,684
Depreciation expense not included in budget	<u>(937,139)</u>
Increase (decrease) in net assets	<u>\$ 2,982,921</u>

COMPLIANCE REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS* AND THE PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT
AND SERVICES ENHANCEMENT ACCOUNT (PTMISEA) GUIDELINES

To the Board of Directors
Marin County Transit District
San Rafael, California

We have audited, 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, the financial statements of the Marin County Transit District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2014.

Internal Control Over Financial Reporting

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

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

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

To the Board of Directors
Marin County Transit District

Compliance and Other Matters (including PTMISEA)

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also tested the receipt and appropriate expenditure of bond funds, as presented in Note I to the financial statements, in accordance with the PTMISEA statutes and guidelines. 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* or the PTMISEA.

Purpose of this Report

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

Richardson & Company, LLP

November 5, 2014

Richardson & Company, LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Marin County Transit District
San Rafael, California

Report on Compliance for Each Major Federal Program

We have audited the Marin County Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

To the Board of Directors
Marin County Transit District

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended June 30, 2014, and have issued our report thereon dated November 5, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

To the Board of Directors
Marin County Transit District

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

Richardson & Company, LLP

November 5, 2014

MARIN COUNTY TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

A. Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |
| 4. Identification of major programs: | |

- | <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|---|--|
| 20.500 and 20.507 | Federal Transit Cluster: Federal Transit Capital Investment Grants, 20.500, and Federal Transit Formula Grants, 20.507 |
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

MARIN COUNTY TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2014

B. Current Year Findings – Financial Statements

None

C. Current year Findings and Questioned Costs – Federal Awards Programs

None

D. Prior Year Findings – Financial Statements

None

E. Prior Year Findings and Questioned Costs – Federal Awards Programs

None

MARIN COUNTY TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor, if Applicable/ Program Title/Grant or Pass-through Number	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S Department of the Interior, National Park Service			
National Resource Stewardship - Direct Program			
(Muir Woods Shuttle)	15.944	P12AC10973	\$ 131,802
(Fort Baker Pilot Program)	15.944	P12AC10481	27,226
Total National Resource Stewardship			<u>159,028</u>
U. S. Department of Transportation, Federal Transit Administration			
Federal Transit Cluster - 20.500 and 20.507			
Passed-through Golden Gate Bridge, Highway and Transportation District			
Federal Transit Capital Investment Grants			
(State of Good Repair Bus Stop Improvements)	20.500	CA-04-0187	308,384
Federal Transit Formula Grants - Direct Program			
(5307 Operating)	20.507	CA-90-Z068	144,622
(Urbanized Area Formula Grant)	20.507	CA-90-Z068	6,697
(ADA Set-Aside)	20.507	CA-90-Z068	668,627
Total Federal Transit Formula Grants			<u>819,946</u>
Total Federal Transit Cluster - 20.500 and 20.507			<u>1,128,330</u>
Passed-through California State Transportation Agency, Department of Transportation			
Formula Grants for Other Than Urbanized Areas			
(5311 Rural Operating Service)	20.509	642146	251,673 a
Passed-through California Association for Coordinated Transportation			
Formula Grants for Other Than Urbanized Areas			
(5311 CalACT Scholarship Program)	20.509		720
Total Formula Grants for Other Than Urbanized Areas			<u>252,393</u>
Job Access Reverse Commute - Direct Program			
(Mobility Management Technology)	20.516	CA-37-X164-00	7,965
(JARC Service Operation)	20.516	CA-37-X183-00	94,245
Total Job Access Reverse Commute			<u>102,210</u>
Passed-through the Metropolitan Transportation Commission			
State Planning and Research			
(Intern 5304)	20.515	None	10,676 b
Passed-through California State Transportation Agency, Department of Transportation			
State Planning and Research			
(County-wide Market Assessment)	20.515	74A0631	11,997 a
Total State Planning and Research			<u>22,673</u>
Passed-through the Metropolitan Transportation Commission			
New Freedom Program			
(Cycle 4 County-wide Transportation Guide)	20.521	None	107,040
(Cycle 4 Premium ADA)	20.521	None	85,485
Total New Freedom Program			<u>192,525 b</u>
Total U.S. Department of Transportation, Federal Transit Administration			<u>1,698,131</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,857,159</u>
Total Passed-through California State Transportation Agency, Department of Transportation		Sum of a	<u>\$ 263,670</u>
Total Passed-through the Metropolitan Transportation Commission		Sum of b	<u>\$ 203,201</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

MARIN COUNTY TRANSIT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Marin County Transit District is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.



marin transit

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November 17, 2014

Honorable Board of Directors
Marin County Transit District
3501 Civic Center Drive
San Rafael, CA 94903



SUBJECT: Audited Financial Statements for Fiscal Year 2013/14 and Year End Financial Report

Dear Board Members:

RECOMMENDATION: Accept report.

board of directors

judy arnold
president
supervisor district 5

kathrin sears
vice president
supervisor district 3

madeline kellner
2nd vice president
city of novato

susan l. adams
director
supervisor district 1

steve kinsey
director
supervisor district 4

stephanie moulton-peters
director
city of mill valley

katie rice
director
supervisor district 2

SUMMARY: Richardson & Company has completed the attached annual financial audit of the Marin County Transit District for Fiscal Year 2013/14. The audit report includes the results of a detailed *single* audit as required when the expenditure of federal funds in a fiscal year exceeds \$500,000. The auditor presented the attached report to the ad hoc Audit Subcommittee of your Board for review on November 5, 2014. With acceptance of this report, the District will be up-to-date with all independent audits and will submit the required federal single audit well within the required March 30, 2015.

For the year ending June 30, 2014, the Financial Statements with reports of Independent Auditors has three main components. These include a management discussion and analysis that provides an overview of the District's financial activities, basic financial statements, and supplemental information. Also attached to this report is the supplemental year end Financial report prepared by District staff.

Financial Audit Year End June 30, 2014

The District's financial statements were audited 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. The audit team found no deficiencies in internal control over financial reporting or in compliance that they considered to be material weaknesses.

Federal Single Audit

The auditor found the District complied in all material respects with the requirements applicable to its major federal programs for the year ending June 30, 2014. The auditor found no material weaknesses or significant deficiencies in internal control over major federal award programs.

Annual Financial Report

This attached report presents Marin County Transit District's (Marin Transit's) Year End Financial Report for Fiscal Year 2013/14. The report shows the final audited numbers in the more detailed budget format.

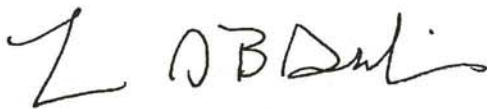
Highlights from the attached report include:

- Marin Transit's total expenditures between July 1, 2013 and June 30, 2014 (Fiscal Year 2013/14) for Operations and Capital was \$28,112,527;
- The District has a fully funded emergency reserve, and the contingency reserve is between the target of 2-4 months of operating funds (2.2 months);
- Measure A sales tax revenue for Operations increased by \$1.2 million due a one-time carry forward of sales tax receipts making more available for allocation to operating programs;
- Marin Transit expanded fixed route services with minimal cost increases and experienced increased ridership on community shuttle, Muir Woods, and rural services;
- Marin Transit increased mobility of seniors and persons with disabilities, but continual growth in highly subsidized paratransit service is a significant long term financial challenge for the District; and
- The District implemented a \$2.4 million capital program focused on vehicle replacements, bus stop improvements, and technology projects and increased the District's capital assets by \$1.8 million.

The attached financial audit and report provide a snapshot of Marin Transit's financial condition. In FY2014/15 Marin Transit will prepare its 2016-2025 Short Range Transit Plan (SRTP). The SRTP's ten-year projections provide the framework to evaluate longer range financial decisions.

FISCAL/STAFFING IMPACT: None associated with this report.

Respectfully submitted,



Lauren Gradia
Director of Finance and Capital Programs

Attachment A Marin Transit FY 2013/14 Financial Audit
Attachment B Marin Transit Year End Financial Report