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December 17, 2012



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

**SUBJECT: Audited Financial Statements for Fiscal Year 2011/12**

**board of directors**

steve kinsey  
president  
supervisor district 4

barbara heller  
vice president  
city of san rafael

judy arnold  
2nd vice president  
supervisor district 5

susan l. adams  
director  
supervisor district 1

madeline kellner  
director  
city of novato

katie rice  
director  
supervisor district 2

kathrin sears  
director  
supervisor district 3

Dear Board Members:

**RECOMMENDATION:** Accept report.

**SUMMARY:**

Maher Accountancy has completed the attached annual financial audit of the Marin County Transit District for Fiscal Year 2011/12. The audit report includes the results of a detailed *single* audit as required when the expenditure of federal funds exceeds \$500,000 in a fiscal year. The auditor presented the attached report to the financial sub-committee of the Board for review on December 3, 2012. With the 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 nine month deadline.

The Financial Statements with Reports of Independent Auditors for the year ending on June 30, 2012 includes a management discussion and analysis that provides an overview of the District's financial activities, basic financial statements, and supplemental information.

Highlights from the attached statements include:

- Marin Transit's total net assets on June 30, 2011 was \$9,389,684, which includes \$3,595,152 in capital assets (primarily vehicles);
- Unrestricted net assets decreased to \$5.8 million, but reserve level remains consistent with the Board adopted reserve policy and is the equivalent of more than three months operating expenses;
- The District's decrease in unrestricted net assets is due to larger increases in contract operation costs than operating and non-operating revenue;

- Marin Transit expended \$1.3 in federal funds for Rural Operations, Muir Woods Shuttle vehicles, Muir Woods Shuttle Operations, Mobility Management, planning projects, and American Recovery and Reinvestment Act (ARRA) funded rural vehicles.

**Financial Audit Year End June 30, 2012**

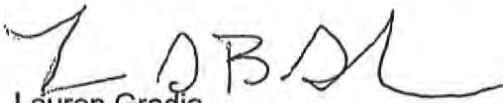
The District's financial statements were audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The audit team found no deficiencies in internal control over financial reporting or on 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, 2012. The auditor found no material weaknesses or significant deficiencies in internal control over major federal award programs.

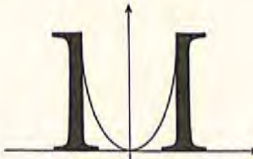
**FISCAL/STAFFING IMPACT:** None associated with this report.

Respectfully submitted,



Lauren Gradia  
Finance and Grants Manager

Attachment



Financial Plumb Line

November 6, 2012

To the Board of Directors  
Marin County Transit District

We have audited the financial statements of the Marin County Transit District (the District) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

The financial statements include capital assets, accumulated depreciation and depreciation expense. The computation of depreciation expense is based on management's estimate of the useful life of each capital asset.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.



***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

Increase fund balance by approximately \$3,200,000 and decrease expenses by approximately \$1,678,000. These misstatements were due to Merit limitations in recording capital assets and depreciation expense.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 6, 2012.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Other Information***

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Marin County Transit District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Maier Accountancy*

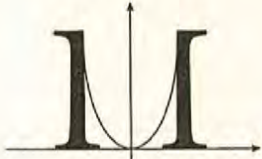


**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**With Reports of  
INDEPENDENT AUDITORS**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Marin County Transit District

We have audited the basic financial statements as listed in the accompanying table of contents of the Marin County Transit District, a component unit of the County of Marin, as of and for the year ended June 30, 2012. These financial statements are the responsibility of Marin County Transit District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the California 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 includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Marin County Transit District as of June 30, 2012, and the results of its operations and cash flows for the year then ended, in conformity 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012, on our consideration of the Marin County Transit District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.





**REPORT OF INDEPENDENT AUDITORS**  
**(Continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Marin County Transit District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 records 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Marin County Transit District's basic financial statements. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 them.

*Maher Accountancy*

November 6, 2012



## ***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, 2012. Please read it along with the District's financial statements, which begin on page 8.

### **FINANCIAL HIGHLIGHTS**

The District's total net assets as of June 30, 2012, were \$9,390,000 which is a decrease of \$236,000 over the prior year's balance. This amount is comprised of \$3,595,000 investment in capital net assets and unrestricted net assets of \$5,795,000.

The District was awarded \$9,280,000 from the Transportation Authority of Marin as a part of the voter approved Measure A sales tax.

### **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 statement of net assets presents information on all of the District's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets 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 fund net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are recognized on the date the underlying event that gives rise to the change occurs, regardless of the timing of the related cash flows.

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

*MANAGEMENT'S DISCUSSION AND ANALYSIS*

In general, the District's financial condition declined during the year ended June 30, 2012, as evidenced by the decrease in net assets listed below.

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

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Cash	\$ 2,439,083	\$ 2,520,975	\$ (81,892)
Prepaid expenses	250,000	301,000	(51,000)
Receivables	3,908,149	5,404,608	(1,496,459)
Capital assets	<u>3,595,152</u>	<u>2,249,366</u>	<u>1,345,786</u>
Total assets	10,192,384	10,475,949	(283,565)
Current liabilities	769,206	826,762	(57,556)
Noncurrent liabilities	<u>33,494</u>	<u>23,538</u>	<u>9,956</u>
Total liabilities	<u>802,700</u>	<u>850,300</u>	<u>(47,600)</u>
Invested in capital assets	3,595,152	2,249,366	1,345,786
Unrestricted net assets	<u>5,794,532</u>	<u>7,376,283</u>	<u>(1,581,751)</u>
Total net assets	<u>\$ 9,389,684</u>	<u>\$ 9,625,649</u>	<u>\$ (235,965)</u>

The overall financial position of the District decreased for the third straight year as a result of greater increases in purchased transportation costs than associated operating and non-operating revenues. The District's unrestricted net assets still exceed the Board adopted level of two months operating revenue. Receivables decreased in 2012 as the amount owed to the District by Golden Gate Transit at the end of the year decreased compared to last year. The District's capital assets increased with the purchase of seven new transit vehicles in 2012.

*MANAGEMENT'S DISCUSSION AND ANALYSIS*

Changes in the District's revenues were as follows:

	2012	2011	Increase (Decrease)
Operating revenues:			
Transit fares	\$ 3,610,175	\$ 3,640,913	\$ (30,738)
Contractual compensation	1,779,524	1,760,645	18,879
Advertising	464,309	453,219	11,090
Miscellaneous	-	45,637	(45,637)
Total operating revenues	5,854,008	5,900,414	(46,406)
Nonoperating revenues:			
Property taxes	3,164,121	3,141,177	22,944
Intergovernmental	15,113,612	14,289,797	823,815
Other revenues	2,844		2,844
Interest income	6,472	23,628	(17,156)
Total nonoperating revenue:	18,287,049	17,454,602	832,447
Capital contributions (grants)			
Intergovernmental	1,627,422	240,260	1,387,162
Total revenues	25,768,479	23,595,276	2,173,203

Revenues were relatively stable with the exception of intergovernmental revenue. The District received more intergovernmental revenue from Federal and State grants to reimburse for capital project expenses.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in the District's expenses were as follows:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Operating expenses			
Purchased transportation services	\$ 21,839,008	\$ 20,826,032	\$ 1,012,976
Staff compensation	1,358,638	1,013,098	345,540
Other services	26,626	10,638	15,988
Fuel	704,196	567,028	137,168
Professional services	354,714	368,026	(13,312)
Utilities	30,703	30,326	377
Casualty and liability costs	17,819	15,491	2,328
Maintenance costs	72,752	33,979	38,773
Capital costs	2,250	58,140	(55,890)
Leases and rentals	539,051	523,283	15,768
General & administrative	285,601	262,693	22,908
Depreciation	651,343	511,521	139,822
Marketing	121,743	91,248	30,495
Total expenses	<u>\$ 26,004,444</u>	<u>\$ 24,311,503</u>	<u>\$ 1,692,941</u>

Purchased transportation services increased primarily as a result of the scheduled five percent annual rate increase for services provided by Golden Gate Transit. Personnel costs for the District increased with the addition of a grant funded position and reflect a full year without any unfilled positions. Increased direct fuel expenses are primarily from a change in the Rural and Seasonal contract terms to unbundle fuel expenses, rather than an increase in fuel prices. The increase in depreciation expense is a result of additions to the bus fleet.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSET ADMINISTRATION

As of June 30, 2012, the District owned the following buses and related assets:

<u>Number of buses</u>	<u>Acquisition year</u>	<u>Type of bus</u>	<u>Approximate cost</u>
4	2002	Champion	\$ 200,000
8	2005	ElDorado Aerotech	462,000
2	2005	Braun Transporters	101,000
2	2008	Starcraft Allstar	116,000
3	2008	ElDorado AeroElite	317,000
4	2008	Dodge Grand Caravan	143,000
2	2009	Ford Aerotech	135,000
16	2009	Starcraft Starlite	820,000
2	2010	ElDorado XHF	615,000
1	2011	ElDorado Aerotech	84,000
3	2011	ElDorado XHF	1,100,000
4	2012	ElDorado Aero Elite	436,000
5		Fareboxes	71,000
			<u>\$ 4,600,000</u>

Accumulated depreciation on the buses as of June 30, 2012 was approximately \$2,028,000.

### THE FUTURE OF THE DISTRICT

After many successful years for Marin Transit, which included continued ridership growth and service expansion, this agency has faced financial challenges due to declining revenue sources and increasing contract costs. To evaluate the financial sustainability of Marin Transit, the Board of Directors appointed a three member Strategic Planning Advisory Subcommittee and held a public workshop on September 26, 2011. After determining that Marin Transit's financial concerns cannot be resolved through increased revenues and should not lead to cuts in services, Marin Transit focused on alternative service delivery methods that may be able to reduce the costs of contracted service.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Three of the District's four service contracts were re-scoped and awarded by Marin Transit's Board, achieving both costs savings and greater operational efficiency. The District and the Golden Gate Bridge, Highway and Transportation District (GGBHTD), the provider of its fourth and largest contract, began negotiations on a new intergovernmental agreement in December 2011. A new agreement would replace the existing 10 year agreement and is expected to produce cost savings and operating improvement to allow the District to re-balance revenues and expenditures.

One area of good fortune for the agency is the continued supported from Marin County voters. In 2011 voters approved a \$10 vehicle registration fee of which 35% will go to improve Transit for Seniors and People with Disabilities. This initiative is consistent with the County's previously approved one-half percent sales tax increase (Measure A) in November 2004. This revenue source continues to provide a substantial dedicated resource for Marin Transit to carry out the agency's Mission.

Marin Transit hired a dedicated General Manager in June 2008, which has allowed the agency to mature and decrease its dependence on the County of Marin and GGBHTD. In 2012, the District requested that the Federal Transit Administration make the District a direct federal grant recipient. This change will improve the efficiency related to claiming and reporting federal funding. Additional dedicated staff, like a grant funded Mobility Manager, has allowed the agency to add programs and complete several planning efforts. Such programs and planning efforts include the Muir Woods Shuttle, the Volunteer Driver Program, Catch-A-Ride and transit needs assessments in Tiburon, and a new Transit Market Assessment.

### **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 the address on our letterhead.

Respectfully submitted,

*David Rzepinski*

General Manager

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## Basic Financial Statements



**MARIN COUNTY TRANSIT DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 2,439,083
Prepaid expenses	250,000

Receivables:

Transportation Authority of Marin	2,544,393
Golden Gate Bridge District	839,935
Federal grants	82,282
State grants	257,243
Other organizations	<u>184,296</u>

Total receivables	<u>3,908,149</u>
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Total current assets	6,597,232
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Capital assets, net of accumulated depreciation	<u>3,595,152</u>
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Total assets	<u><u>10,192,384</u></u>
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**LIABILITIES**

Current liabilities:

Accounts payable	750,997
Accrued payroll and benefits	10,003
Deferred revenue	<u>8,206</u>

Total current liabilities	769,206
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Noncurrent liabilities:

Accrued compensated absences	<u>33,494</u>
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Total liabilities	<u><u>802,700</u></u>
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**NET ASSETS**

Invested in capital assets	3,595,152
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Unrestricted	<u>5,794,532</u>
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Total net assets	<u><u>\$ 9,389,684</u></u>
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**MARIN COUNTY TRANSIT DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2012**

**OPERATING REVENUES:**

Transit fares	\$ 3,610,175
Contractual compensation	1,779,524
Advertising	464,309
	5,854,008
Total operating revenues	5,854,008

**OPERATING EXPENSES:**

Purchased transportation services	21,839,008
Staff compensation	1,358,638
Other services	26,626
Fuel	704,196
Professional services	354,714
Utilities	30,703
Casualty and liability costs	17,819
Maintenance costs	72,752
Capital costs	2,250
Leases and rentals	539,051
General and administrative	285,601
Depreciation	651,343
Marketing	121,743
	26,004,444
Total operating expense	26,004,444
Operating income (loss)	(20,150,436)

**NONOPERATING REVENUES:**

Property tax revenue	3,164,121
Intergovernmental revenue	15,113,612
Other revenues	2,844
Interest income	6,472
	18,287,049
Total nonoperating revenues (expenses)	18,287,049
Income (loss) before contributions /grants	(1,863,387)

**CAPITAL CONTRIBUTIONS / GRANTS:**

Intergovernmental revenue	1,627,422
	1,627,422
Change in net assets	(235,965)
Net assets at beginning of the year	9,625,649
Net assets at end of the year	\$ 9,389,684

**MARIN COUNTY TRANSIT DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Transit fares	\$ 620,703
Contractual compensation	1,728,475
Advertising	8,010
Purchased transportation services	(12,669,703)
Staff compensation	(1,456,829)
Other services	(27,620)
Fuel	(721,241)
Professional services	(350,208)
Utilities	(22,785)
Casualty and liability costs	(17,819)
Maintenance costs	(73,620)
Capital costs	(2,250)
Leases and rentals	(550,684)
General and administrative	(295,423)
Marketing	(104,266)
	<hr/>
Net cash provided by (used for) operating activities	(13,935,260)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Property taxes received	3,161,611
Intergovernmental revenues	11,052,148
	<hr/>
Net cash provided by noncapital financing activities	14,213,759

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Sale of buses	2,844
Acquisition of buses	(1,606,182)
Acquisition of terminals, locator and management system	(390,947)
Intergovernmental revenues	1,627,422
	<hr/>
Net cash provided by capital and related financing activities	(366,863)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest income	6,472
	<hr/>
Net increase (decrease) in cash and cash equivalents	(81,892)
Cash and cash equivalents at beginning of year	2,520,975
	<hr/>
Cash and cash equivalents at end of year	<u>\$ 2,439,083</u>

**MARIN COUNTY TRANSIT DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2012  
(continued)**

**RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES**

Income (loss) from operations	\$(20,150,436)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation, an expense not requiring the use of cash	651,343
(Increase) decrease in accounts receivable	667,524
(Increase) decrease in prepaid expenses	51,000
Increase (decrease) in accounts payable and other liabilities	234,058
Nonoperating revenue collected by GGT and applied to purchased transportation services	<u>4,611,251</u>
Net cash provided by (used for) operating activities	<u><u>\$(13,935,260)</u></u>

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**1. 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 Board of Directors comprised of the members of the Board of Supervisors of the County of Marin and two members chosen from city council persons or mayors of cities within the county. The District is a component unit of the County of Marin.

**INTRODUCTION**

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District is discussed below.

**BASIS OF ACCOUNTING**

The District's operations are accounted for as a governmental enterprise fund. GAAP requires that enterprise funds use the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned and expenses are recognized at the time liabilities are incurred.

The District distinguishes between operating revenues and expenses from nonoperating revenue and expenses. Operating revenues and expenses generally result from providing services in connection with the District's principal operations of bus transit services. These revenues are primarily passenger fares, contractual compensation, and advertising. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FINANCIAL STATEMENT AMOUNTS**

**Cash and cash equivalents:**

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with fiscal agent (County of Marin). For the purpose of the statement of cash flows, cash and cash equivalents include all items of restricted and unrestricted cash and investments with original maturities of three months or less. 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.

**Capital and intangible assets:**

Capital assets owned by the District are recorded at cost. The District follows the County of Marin's policy in defining capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The cost of normal repairs and maintenance are recorded as expenses. Improvements that add to the value or extend the life of assets are capitalized.

Depreciation and amortization has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

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

**Compensated absences**

The District's employees are hired via contracts with the County of Marin and Regional Government Services. Regional Government Services retains the obligation for vacation and sick leave benefits to its employees.

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Capital costs**

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.

**Estimates**

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

**2. CASH**

The District maintains all of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities. Interest earned on the investment pool is allocated quarterly to the participating funds using the daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as "Cash."

The County Pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**2. CASH (continued)**

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

**INTEREST RATE RISK**

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2012, the County's investment pool had a weighted average maturity of 243 days.

For purposes of computing weighted average maturity, the maturity date of variable rate notes is the length of time until the next reset date rather than the stated maturity date.

**CREDIT RISK**

State law and the County's Investment Policy limits investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA/V1."



**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

2. CASH (continued)

**CONCENTRATION OF CREDIT RISK**

The following is a summary of the concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2012:

<b>Investments in Investment Pool</b>	<b>Percent of Portfolio</b>
Federal agency - coupons	25%
Federal agency - discount	73%
Money market funds	2%
	<hr/> 100%

**CUSTODIAL CREDIT RISK**

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool had no securities exposed to custodial credit risk.

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**3. CAPITAL ASSETS**

A summary of the District's capital assets for the year ended June 30, 2012, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions and Transfers</u>	<u>Ending Balance</u>
Work in progress	\$ 196,851	\$ 319,068		\$ 515,919
Depreciable capital assets				
Buses	3,292,294	1,606,182	\$ (298,206)	4,600,270
Equipment & machinery	802,093	71,879		873,972
Radios	23,482	-	(23,482)	-
Office furniture	62,735	-		62,735
Total depreciable capital assets	<u>4,180,604</u>	<u>1,678,061</u>	<u>(321,688)</u>	<u>5,536,977</u>
Less: accumulated depreciation	<u>2,128,089</u>	<u>651,343</u>	<u>(321,688)</u>	<u>2,457,744</u>
Net capital assets	<u>\$ 2,249,366</u>	<u>\$ 1,345,786</u>	<u>\$ -</u>	<u>\$ 3,595,152</u>

**4. RETIREMENT PLAN AND DEFERRED COMPENSATION**

District personnel are employees of the County of Marin and Regional Government Services (RGS). The County employees participate in the Marin County Employees' Retirement Association (MCERA). RGS employees are eligible to participate in a CalPERS retirement plan or 403(b) program. Pension information for these employees is included in the County's or RGS financial statements. The District reimburses the County, and RGS for the cost of the employees, including retirement contributions and other benefits each pay period.

The County employees also have the opportunity to participate in the deferred compensation plan offered by the County. Investments held in the plan and the liabilities of the plan are included in the County's financial statements.

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**5. TRANSIT SERVICE AGREEMENTS**

The District contracts with four transit providers to operate transit services in Marin County: Golden Gate Bridge Highway and Transit District (Golden Gate), Marin Senior Coordinating Council, Inc., MV Transportation Inc., and Marin Airporter. These contracts include intracounty fixed route bus services, inter and intra paratransit bus services, rural bus services, and a local shuttle service.

The District also contracts with Marin Airporter to provide its Community Shuttle program and with MV Transportation for the West Marin Stagecoach service.

**INTRA-COUNTY PUBLIC BUS TRANSIT**

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 twelve local fixed routes and seven supplement school routes. The total cost of local bus transit service under this contract during the 2011-12 fiscal year was approximately \$15,700,000. Related fare and non-fare revenue earned for the year was approximately \$8,060,000. The contract provides for a 5% annual increase in cost of services.

The District also has separately contracted with Golden Gate for the operation of the seasonal Muir Woods Shuttle. This is an annual contract for service to the National Park that is paid for in part by the National Park Service.

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 three optional one-year extensions. MV Transportation, Inc. now operates turn-key service on the Muir Woods Shuttle along with three rural routes established by the District and paid for in part by Federal Section 5311 Rural funding. Fare revenue on the service is collected through the District's GFI farebox system and deposited directly into the District's account.

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**5. TRANSIT SERVICE AGREEMENTS (continued)**

The District also contracts with a Marin County company, Marin Airporter to provide shuttle service on three routes. 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 farebox system and deposited directly into the District's account.

An additional public dial-a-ride service in Novato started in 2009 and is operated by the Marin Senior Coordinating Council, Inc.

**INTRA-COUNTY PARATRANSIT SERVICE**

The District has contracted with Marin Senior Coordinating Council, Inc. (MSCC) 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.

**INTER-COUNTY PARATRANSIT SERVICE**

Under the local paratransit agreement, the District also 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 for the District to be the primary public entity responsible for these services. The District, in turn, contracted with MSCC to provide the actual services, with the understanding that the District would be adequately compensated by Golden Gate.

Under these agreements, MSCC provides the complementary paratransit services, and collects all fare revenue and deposits it with the District. 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 this service.

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**6. COMMITMENTS**

In addition to the contract with Golden Gate Transit discussed above, the District was obligated for expenditures after June 30, 2012 as follows:

<u>Contractor</u>	<u>Purpose</u>	<u>Amount</u>
Syncromatics	AVL	\$ 80,915
Marin Airporter	Shuttle	799,904
Marin Senior Coordinating Council	Transportation-7/1/10 to 6/30/13	4,667,062
Mentor	MDT	30,108
Marin Senior Coordinating Council	VDP	91,600
Golden Gate Bridge, Highway & Transportation District	Paratransit vehicles	45,910
MV Transportation, Inc.	Rural & seasonal transit service	4,438,417
Creative Bus Sales	Vehicle purchase	1,745,871
Angelo Leone	Farebox assistance	15,140
Richardson and Company	Audit services	90,875
Creative Bus Sales	Vehicle lease	53,467
Pacific Highway Rentals	Changeable message sign	12,312
Other contractors	Various	32,314
		<u>\$12,103,895</u>

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**7. INTERGOVERNMENTAL REVENUE**

The following is the detail of revenues from other governments (other than fees for services).

	<u>Non-operating</u>	<u>Capital</u>	<u>Total</u>
<b>Federal revenue:</b>			
AARA Technology		\$ 14,097	\$ 14,097
AARA Bus		389,631	389,631
FTA Section 5311 grant (Stagecoach operating)	\$ 213,006		213,006
FTA Section 5317 (New Freedom Cycle 3 Funding)	92,396		92,396
FTA Section 5304 (Needs Assessment)	66,664		66,664
FTA Section 5309 (State of Good Repair)	29,483		29,483
FTA Section 5320 (Muir Woods Bus)	340,224		340,224
National Park Service	152,465		152,465
Total federal revenue	<u>894,238</u>	<u>403,728</u>	<u>1,297,966</u>
<b>State revenue:</b>			
TDA funds	3,451,219		3,451,219
STA funds	1,160,032		1,160,032
STA paratransit funds	83,881		83,881
STA lifeline	146,477		146,477
STIP		668,117	668,117
HOPTR	19,999		19,999
PTMISEA		341,885	341,885
Caltrans	207		207
Total state revenue	<u>4,861,815</u>	<u>1,010,002</u>	<u>5,871,817</u>
<b>Local revenue:</b>			
Measure A - Strategy 1.1 (Local)	6,150,796		6,150,796
Measure A - Strategy 1.2 (Rural)	621,643		621,643
Measure A - Strategy 1.3 (Special)	1,550,728		1,550,728
Measure A - Strategy 1.4 (Capital)	740,736	213,692	954,428
Measure B	276,677		276,677
Metropolitan Transportation Commission	13,334		13,334
Miscellaneous	3,645		3,645
Total local revenue	<u>9,357,559</u>	<u>213,692</u>	<u>9,571,251</u>
Total intergovernmental revenue	<u>\$ 15,113,612</u>	<u>\$ 1,627,422</u>	<u>\$ 16,741,034</u>

**Legend**

AARA	American Reinvestment and Recovery Act
FTA	Federal Transit Administration
TDA	Transit Development Act
STA	State Transit Assistance
PTMISEA	Public Transportation Modernization, Improvement and Service Enhancement Account
STIP	State Transportation Improvement Program
HOPTR	Home Owner Property Tax Relief

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**8. OPERATING LEASE**

The District shares office space with the Transportation Authority of Marin (TAM) and Sonoma-Marín Area Rail Transit (SMART). TAM entered into a 5-year lease with SR Corporate Center Phase One, LLC to rent office space. On November 30, 2007, the District entered into a 5-year sub-lease arrangement with TAM to reimburse TAM 28% of the rent. The District's 28% share of the rent commenced at \$6,114 per month and will be approximately \$7,700 in the final year of the arrangement. Rent expense for the year was approximately \$92,000.

**9. 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 was carried through CSAC – Excess Insurance Authority (CSAC) in pooled programs and through a commercial insurance carrier.

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.

**MARIN COUNTY TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**9. RISK MANAGEMENT (continued)**

The financial statements of CSAC are available at the District office. Condensed financial information for CSAC is presented below for the year ended June 30, 2012:

Assets	\$ 573,863,822
Liabilities	<u>468,312,002</u>
Net assets	<u>\$ 105,551,820</u>
Revenues	\$ 515,483,601
Expenses	<u>514,246,420</u>
Increase (decrease) in net assets	<u>\$ 1,237,181</u>

**10. JOINT VENTURE**

The District entered into a joint powers agreement, establishing the Marin Emergency Radio Authority (the Authority). The Authority is responsible to acquire, construct, and improve 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. Of the \$27 million in Revenue Bonds issued, the District is responsible for 1.18%, or approximately \$319,000. For each year through August 2020, approximately \$25,000 annual payments will be due. Including interest and principal, it is anticipated the District's total obligation over 20 years will be approximately \$492,000.

The financial statements of Authority are available at the County of Marin office. Condensed financial information for the Authority is presented below for the year ended June 30, 2012:

Assets	\$ 24,364,708
Liabilities	<u>19,966,993</u>
Net assets	<u>\$ 4,397,715</u>
Revenues	\$ 3,878,767
Expenses	<u>4,103,003</u>
Increase (decrease) in net assets	<u>\$ (224,236)</u>



**MARIN COUNTY TRANSIT DISTRICT  
SCHEDULE OF EXPENTIRES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

**Supplemental Information**

**MARIN COUNTY TRANSIT DISTRICT  
SCHEDULE OF EXPENITIRES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-through Grantor</u>	<u>Federal Catalog Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Transportation:</b>			
<b>Pass-through from Metropolitan Transportation Commission</b>			
New Freedom Program (Mobile Management Office project)	20.521	None	\$ 28,779
New Freedom Program (Mobility Management and Volunteer Driver)	20.521	None	63,618
State Planning and Research (Novato Needs Assessment)	20.515	None	13,753
State Planning and Research (Tiburon Needs Assessment)	20.515	None	50,000
State Planning and Research (Intern Planning)	20.515	None	2,911
<b>Pass-through from Golden Gate Bridge, Highway &amp; Transportation District</b>			
ARRA Public Transit - Stimulus * (Mobile data terminals, automated vehicle location system and data management system)	20.500.001	None	14,097
ARRA Federal Transit - Capital Investment Grants * (State of Good Repair Bus Stop Improvements)	20.500.001	CA-04-0187	29,483
<b>Pass-through program from California State Department of Transportation</b>			
Formula Grants for Other Than Urbanized Areas (Stage Coach program)	20.509	642146	213,006
ARRA Formula Grants for Other Than * Urbanized Areas (Bus Acquisition)	20.509	649855	389,631
<b>U.S. Department of the Interior</b>			
Paul S. Sarbanes Transit in the Parks (Muir Woods Shuttle)	20.520	H8141090015	340,224
Rivers, Trails and Conservation Assistance (Muir Woods Shuttle)	15.921	H8141090015	<u>152,464</u>
Total expenditure of federal awards			<u>\$ 1,297,966</u>

\* American Recovery and Reinvestment Act of 2009 funds

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Marin County Transit District and 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 Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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**

Board of Directors  
Marin County Transit District

We have audited the financial statements of the Marin County Transit District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 6, 2012. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



**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  
(Continued)**

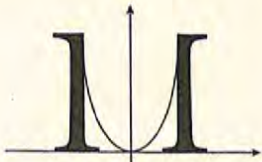
**Compliance and other matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maheer Accountancy*

November 6, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Marin County Transit District

**Compliance**

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 effect on the District's major federal programs for year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct effect on each of its major federal programs for the year ended June 30, 2012.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**(Continued)**

**Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the District's internal control over compliance.

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

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maher Accountancy*

November 6, 2012

**MARIN COUNTY TRANSIT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Marin County Transit District.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Marin County Transit District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs were reported.
5. The auditor's report on compliance for the major federal programs expresses an unqualified opinion on major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

Programs	CFDA
<i>Public Transit - Stimulus</i>	20.500.001
<i>Paul S. Sarbanes Transit in the Parks</i>	20.520

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Marin County Transit District was determined not to be a low-risk auditee.

**MARIN COUNTY TRANSIT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012  
(Continued)**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS**

There were no findings representing significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.





**CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2012**

A corrective action plan is not necessary for the year ended June 30, 2012

**MARIN COUNTY TRANSIT DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
PERTAINING TO FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011**

**FINDINGS AND QUESTIONED COSTS –  
FINANCIAL STATEMENTS AUDIT**

There were no findings and questioned costs for the year ended June 30, 2011.

**MARIN COUNTY TRANSIT DISTRICT  
BUDGETARY COMPARISON SCHEDULE - OPERATIONS  
YEAR ENDED JUNE 30 2012**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>				
Fares	\$ 3,734,106	\$ 3,734,106	\$ 3,610,175	\$ (123,931)
Advertising and other revenue	456,830	456,830	464,309	7,479
Fees for services	1,806,596	1,806,596	1,764,501	(42,095)
Interest	30,000	30,000	6,472	(23,528)
Measure A	8,496,627	8,496,627	8,321,662	(174,965)
Measure B	700,000	700,000	276,677	(423,323)
Property taxes	3,026,216	3,026,216	3,159,754	133,538
Redevelopment area (RDA) fees	13,000	13,000	4,367	(8,633)
State Transit Assistance (STA)	1,110,918	1,110,918	1,390,390	279,472
Transit Development Act (TDA)	3,813,289	3,813,289	3,451,219	(362,070)
Other state revenue	20,124	20,124	20,206	82
FTA funds	266,481	266,481	372,066	105,585
National Park Service grant	185,500	185,500	152,465	(33,035)
Total revenues	<u>23,659,687</u>	<u>23,659,687</u>	<u>22,994,263</u>	<u>(665,424)</u>
<b>EXPENDITURES</b>				
Salaries and benefits	1,520,827	1,520,827	1,358,638	162,189
Consultant services	350,000	350,000	325,914	24,086
Indirect county overhead	147,270	147,270	44,887	102,383
Accounting and auditing fees	30,699	30,699	28,800	1,899
Support programs	266,817	318,329	170,679	147,650
Communication	33,400	33,400	24,808	8,592
Directly purchased fuel	723,968	723,968	704,196	19,772
Office supplies and materials	49,763	49,763	42,737	7,026
PC leases	6,000	6,000	2,680	3,320
Telephone services	21,600	21,600	23,089	(1,489)
General insurance	20,600	20,600	17,819	2,781
Contract service operation	22,164,342	22,164,342	21,668,329	496,013
Memberships & professional development	20,500	20,500	17,995	2,505
Mileage and travel	18,400	18,400	12,178	6,222
Marketing materials	200,000	200,000	121,743	78,257
Miscellaneous services	26,475	26,475	26,626	(151)
Building and plant	133,000	133,000	138,815	(5,815)
Transfer of administrative expense to capital	(247,557)	(247,557)	(217,809)	(29,748)
Total expenditures	<u>25,486,104</u>	<u>25,537,616</u>	<u>24,512,124</u>	<u>1,025,492</u>
Excess of revenues over (under) expenditures	<u>\$(1,826,417)</u>	<u>\$(1,877,929)</u>	<u>\$ (1,517,861)</u>	<u>\$ 360,068</u>

**MARIN COUNTY TRANSIT DISTRICT  
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROGRAM  
YEAR ENDED JUNE 30 2012**

	Original Budget	Revised Budget	Actual	Variance Over (Under)
<b>REVENUES</b>				
Golden Gate Transit vehicle contribution	\$ 133,777	\$ 133,777	\$ -	\$ (133,777)
Golden Gate paratransit communication sha	19,031	19,031	14,497	(4,534)
Other miscellaneous revenue	5,329	5,329	3,370	(1,959)
Measure A	1,357,318	1,357,318	955,933	(401,385)
Other local	5,915	5,915	16,979	11,064
PTMISEA	1,276,348	1,276,348	341,885	(934,463)
STIP	750,000	750,000	668,117	(81,883)
ARRA	389,361	389,361	403,728	14,367
Section 5307	608,415	608,415	-	(608,415)
Section 5320			340,224	340,224
State of Good Repair (5309)	1,000,000	1,000,000	29,483	(970,517)
Total revenues	5,545,494	5,545,494	2,774,216	(2,771,278)
<b>EXPENDITURES</b>				
Professional services	20,000	20,000		20,000
Shuttle vehicle replacement	102,716	102,716		102,716
Stage vehicle replacement	432,631	432,631	435,467	(2,836)
Paratransit vehicle replacement	1,306,450	1,306,450		1,306,450
Vehicle expansion	1,118,000	1,118,000	1,170,714	(52,714)
Lease of vehicles for Muir Woods	55,000	55,000	64,386	(9,386)
Capital contribution to Golden Gate Transit	431,732	431,732	431,732	-
South Novato bus stop improvements	350,000	350,000		350,000
Bus stop maintenance	100,000	100,000		100,000
Bus stop improvements & passenger info	1,170,000	1,170,000	304,971	865,029
Technology projects	65,282	147,582	46,347	101,235
Fareboxes	70,000	70,000	80,406	(10,406)
Mobile data terminals	31,069	31,069	26,550	4,519
Marin Emergency Radio Authority	25,057	25,057	25,739	(682)
Infrastructure support	20,000	20,000	33,985	(13,985)
Cost center transfer of overhead	68,058	68,058	61,371	6,687
Cost center transfer of salary/benefits	179,499	179,499	156,438	23,061
Total expenditures	5,545,494	5,627,794	2,838,106	2,789,688
Excess of revenues over (under) expenditures	\$ -	\$ (82,300)	\$ (63,890)	\$ 18,410

**MARIN COUNTY TRANSIT DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
RECONCILIATION TO STATEMENT OF REVENUES  
AND EXPENSES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED JUNE 30 2012**

Excess of revenues over (under) expenditures - budgetary basis (operations)	\$ (1,517,861)
Excess of revenues over (under) expenditures - budgetary basis (capital program)	(63,890)
Capital asset additions	1,997,129
Depreciation expense not included in budget	<u>(651,343)</u>
Increase (decrease) in net assets	<u>\$ (235,965)</u>

